



Comprehensive Annual Financial Report

For The Fiscal Year Ended June 30, 2020

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



City of Hagerstown

MARYLAND



Comprehensive Annual Financial Report Fiscal Year 2020

July 1, 2019 - June 30, 2020

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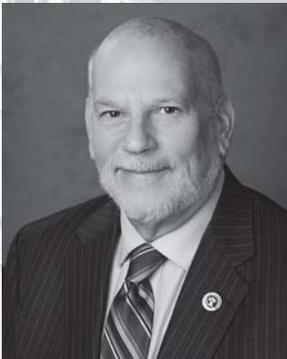
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 For the Fiscal Year Ended June 30, 2020

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INTRODUCTORY SECTION





City of Hagerstown, Maryland

Finance Department

October 30, 2020

To the Honorable Mayor, Members of the Governing Council, and Citizens of the City of Hagerstown, Maryland:

State law requires that 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 generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards (GAAS) 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, 2020.

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, 2020, are free of material misstatement. In accordance with auditing standards generally accepted in the United States, SB & Company, LLC, independent public accountants, have issued an unmodified opinion. The independent accountant concluded that the City of Hagerstown's financial statements for the year ended June 30, 2020, are fairly presented in conformity with GAAP. The independent public accountant's report is presented as the first component of the Financial Section of this 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 requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Hagerstown's MD&A portion 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 12.44 square miles and serves a population of 40,100 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, the preparation of the annual operating budget and financial reports, and the management oversight for utility and tax billing and customer service.

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.

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 88 through 91 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 91 and 92 through 100.

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.

National economy and COVID pandemic. The Coronavirus pandemic has significantly affected the financial results of the nation including a vast majority of municipalities. The City of Hagerstown has not been immune to this event. Fortunately, the City through its committed approach to fiscal management practices has been in a position to maintain operations of all existing services to the community as of October 2020 despite the extreme measures required to get through the continuing health crisis.

To date, the City's position can be attributed to not only good fiscal policies, but also to strict adherence to revised purchasing guidelines, timing of the revenue receipt cycle against the timing of the pandemic restrictions, and the policy of maintaining staffing for vital local government services allowing for revenue collection and maintaining critical citizen services. The City also has continued to see strong economic development activity momentum in FY19/20 even as the COVID-19 pandemic began to take hold on the economy and nation. However, the City will be hamstrung as it moves forward into FY20/21 to provide the same essential City services such as public safety and utility services without significant Federal assistance to counter the continuing losses being seen in revenue collection, regardless of the positive actions taken in FY19/20. By utilizing the accounting and fiscal policies shown though the results of this comprehensive financial report the City will be able to move forward in a better direction than many other businesses and communities.

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. Despite the employer base, Western Maryland continues to rebound from economic situations at a slower rate than the state. The unemployment rate for Hagerstown increased from 5.0% in June 2019 to 11.0% in June 2020; and, the most recent figure for August 2020 is a further reduction to 9.4% from a high of 14.1% in April 2020. The state of Maryland unemployment rate in June 2020 was 8.5%, while in Washington County overall it was 8.4%. Likewise, the average employment for Washington County in June 2020 reflected a decline to 67,117 compared to the prior June average of 73,077, while conversely the Hagerstown metropolitan per capita income for June 2020 (\$43,897) increased slightly compared to June 2019 (\$42,969).

FY19/20 was the third year of the City's triennial assessment period and the new assessments were completed at the end of calendar 2019 for the FY20/21 billing cycle. The City's assessable tax base reflected growth and the City maintains a real property tier tax rate. The tax rate for all real estate excluding Apartments was \$1.002 per \$100 of assessed values; and the real estate tax rate for Apartments was \$1.032. The growth in assessed values and the tier tax

rate resulted in an increase in total property tax revenue of \$0.5 million over FY19/20 revenue dollars. Property tax revenue comprised approximately 69% of the City's total general fund revenue sources in FY19/20.

As a result of the City's requirements to meet MS4 stormwater permit for Maryland Department of the Environment, the City has been working with a consultant and a community advisory committee to help determine when to implement a stormwater utility fee. This work has been completed over multiple phases and has included public outreach and feedback meetings prior to the COVID pandemic. The City's Mayor and Council adopted ordinances in April 2020 that create policies for Stormwater Management program, to establish the initial stormwater utility service fee at \$32.00 per 1,000 square foot of impervious surface, and to establish a separate Enterprise Fund for appropriate tracking and recording purposes. The stormwater utility service fee was anticipated to start effective July 1, 2020 but has been delayed until January 1, 2021 due to the COVID pandemic.

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. These eight core initiatives are long-term plans that stretch beyond a five (5) year completion period. The plan calls for a mix of both private and public investment designed to be catalytic in nature to encourage further private investment. A listing of the catalyst projects with more details including status reports is located on the City's website (www.hagerstownmd.org):

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 FY16/17 and by Standard and Poor's with a rating of AA and in August 2019 by Moody's Investor Service with a rating of Aa3.

To assist City policy makers and help maintain financial sustainability, a five year forecast of the City's General and Enterprise Funds is included in the City's budget document to reflect the impact of their decisions. The City continues to maintain an unassigned fund balance for the General Fund at or above its' current financial policy requirements of 17% and a minimum of 2.0 months of General Fund operating expenditures. At the end of FY19/20 unassigned fund balance for the General Fund was \$12.6 million or 29.3% of total General Fund expenditures (excluding the transfers to other funds). This represents 3.5 months of General Fund operating expenditures.

Additionally, the City has a community vision reflected in Mayor and Council goals and priorities for calendar 2018-2020. 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: Neighborhoods Revitalization & Sustainability; Public Safety; Public Facilities and Infrastructure; Economic Development; Budget Stabilization; Parks & Recreation for Active/Healthy Living; Innovative/Progressive Government; Community Promotion/Pride; Economic Development through Sports and Tourism; and Citizen-based Government. Further details on these goals and priorities are located on the City's website (www.hagerstownmd.org) under Mayor & City Council and under the Finance Department in the FY20/21 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 continues to work with private and public entities on funding of these projects and initiatives. Specific details including status reports for the Community City Center Plan are located on the City's website (www.hagerstownmd.org).

The Urban Improvement Project was an overall \$42 million partnership project that supports many of the Catalyst Projects by creating a City Center Arts & Entertainment Complex and Urban Education Campus. The City worked in partnership with Washington County, the Board of Education, the Maryland Theatre, the University System of Maryland at Hagerstown, other community partners and private developers on this major investment project which assisted in other revitalization efforts for the urban core of the city.

One of the last remaining projects under the overall Urban Improvement Project includes the planning and construction of a plaza. The plaza will serve as a multi-purpose public space and will be used for informal student gatherings, downtown events, and staging for buses and theater production vehicles. Simultaneously, another phase of the

Hagerstown Cultural Trail will extend through the plaza to West Washington Street. The construction of the plaza will be phase II and continue into future fiscal years.

While the above project is coming to completion, another major project was just starting in FY19/20. Wesel Boulevard Reconstruction project is estimated to cost a total of \$6.0M and is being funded by NorthPoint Development, the City of Hagerstown and Washington County. The City will oversee and manage this portion of the project which is a small piece of overall development plan for NorthPoint Development to construct 2.2 million square feet of new warehouse space over four buildings.

Neighborhood and Commercial Redevelopment. The Department of Community and Economic Development offers a variety of incentive programs to encourage residential and commercial redevelopment. The Partners in Economic Progress (PEP) Program, Business Revolving Loan Program, and Invest Hagerstown Incentive Program support business growth and expansion. Residential homeownership programs and home repair programs assist in revitalizing residential buildings and neighborhoods. The Invest Hagerstown program offered five (5) different types of incentives: City Center Redevelopment Grant Program; City-Wide Redevelopment Grant Program; City-Wide down Payment and Rehabilitation Grant Program; Façade Grant; and Rental Property Rehabilitation Grant Program. In FY19/20, the City reserved a total of \$800K to be utilized for the Invest Hagerstown program incentives. Last, the City of Hagerstown boasts a 1 Gigabit Downtown program which offers a fiber-optic internet connection with speeds of 1,000 Megabits per second.

The City has a long history of creating and maintaining an impressive public park system. The City will continue to work on the completion of the Hagerstown Cultural Trail which will connect City Park to Downtown and will explore other parks and improvement 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, 2019. This was the twenty-fourth 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, 2019. 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 Brooke Garver, Accounting & Budget Manager for coordinating and managing the entire audit process and to the Senior Financial Accountants, Jeffrey Lear and Brooke Gue 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. Finally, 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**

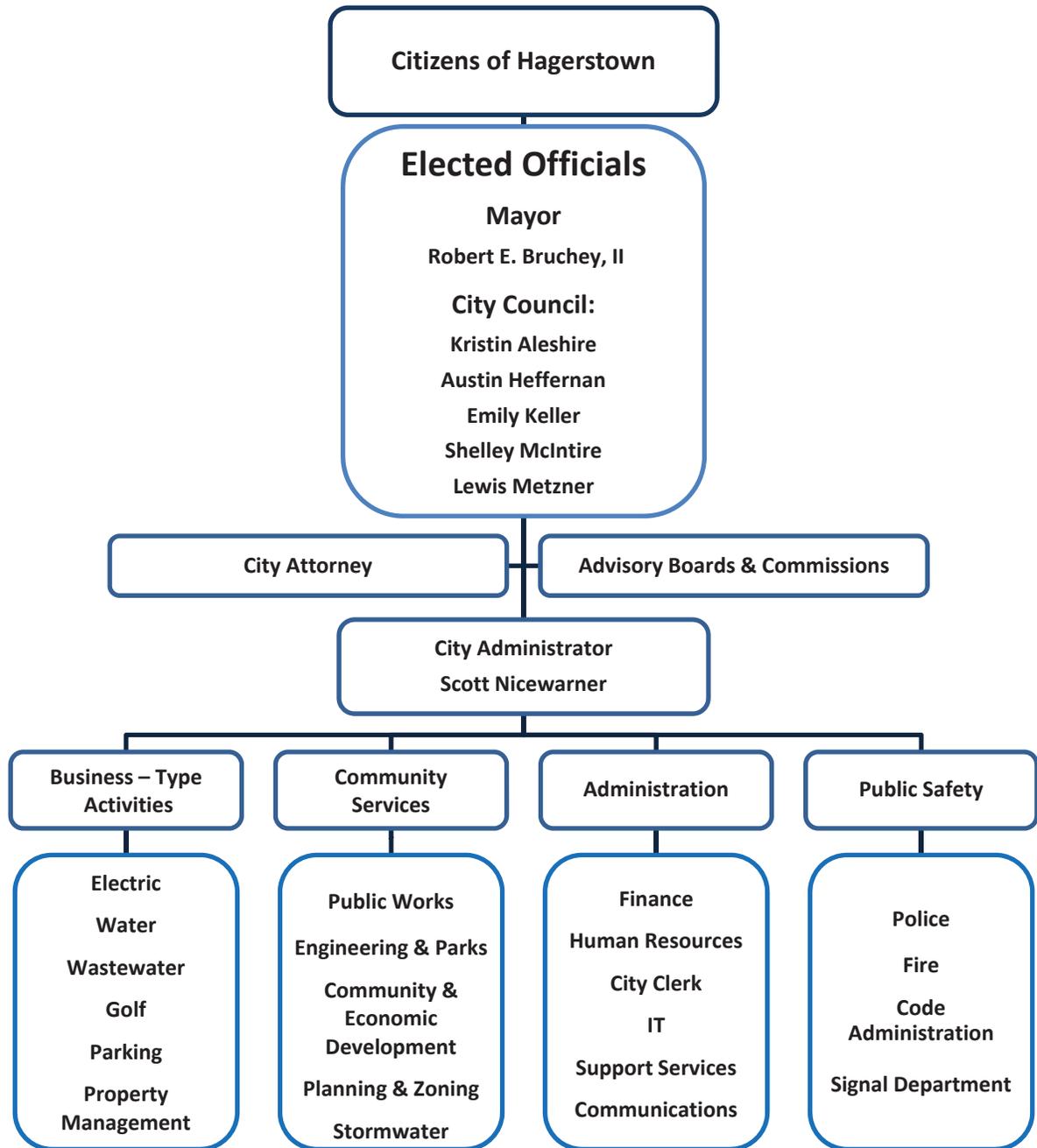
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Financial Report
For the Fiscal Year Ended

June 30, 2019

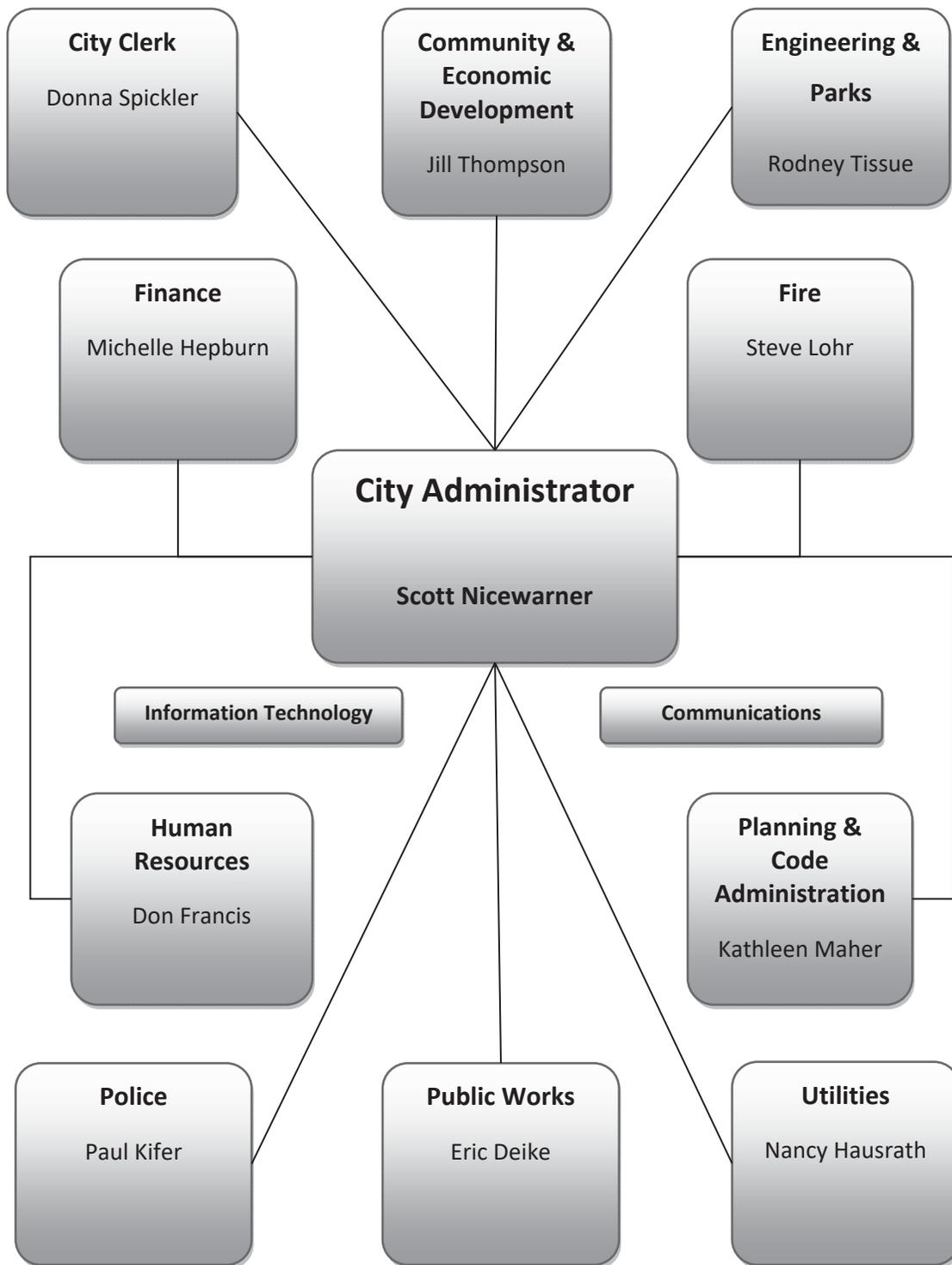
Christopher P. Morill

Executive Director/CEO

City of Hagerstown Organizational Structure



City of Hagerstown Department Organizational Structure



City Employees at Work During Covid-19 Pandemic



FINANCIAL SECTION





S B & C O M P A N Y, L L C
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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

City of Hagerstown, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hagerstown, Maryland (the City) as of and for the year ended June 30, 2020, 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 controls 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 controls 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 controls. 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.



SB & COMPANY, LLC
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Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2020, 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 State of Maryland 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, the schedule of contributions, and the schedule of changes in net OPEB liability and related ratios 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
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The combining and individual fund statements and budgetary comparison schedules are the responsibility of management and were 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.

Owings Mills, Maryland
October 28, 2020

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

Management's Discussion and Analysis (MD&A)

Introduction

As management of the City of Hagerstown, Maryland (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2020. 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 and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$203.6 million (*net position*). Approximately 78.6% of this amount is attributable to the City's three utilities (Electric, Water and Wastewater). Of the total net position, there is negative <\$28.8> million (*unrestricted net deficit*) (attributable to the City's total net pension liabilities of \$52.7 million reflected per GASB 68 implementation and to the City's total net OPEB liabilities of \$27.8 million reflected per GASB 75), \$4.8 million is restricted for specific purposes (*restricted net position*), and \$227.6 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 \$23.0 million. Of this total amount \$12.6 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 \$6.1 million during the current fiscal year from \$68.1 million to \$62.0 million. The only additions to new debt during the fiscal year were \$72,873 in bond reimbursements from the 2018 MDE direct placement issue. The City's adherence to its amortization schedules for existing debt reduced its debt by \$6.1 million in payments during the fiscal year. Additional information on the City's long-term debt activity can be found in Note IV. F. of the notes to the financial statements.
- The General Fund, on a current financial resource basis, reported a surplus of revenues over expenditures and other financial sources and uses by \$0.1 million after making a \$2.3 million transfer to the Capital Projects Fund and operating transfers of \$0.3 million to the Golf Course Fund, and \$1.0 million to the Economic Redevelopment Fund for economic program initiatives and incentives. There was no change in tax rates for FY19/20 which remains as follows: real estate tier for apartments at \$1.032 per \$100 assessed value; real estate rate for all other properties at \$1.002 per \$100 assessed value; and corporate personal property tax rate of \$2.505. Due to tax tier rates and growth in assessed values, total property tax revenue was \$0.4 million higher in FY19/20 for total revenue of \$32.4 million.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$12.6 million or 29.3% of total General Fund expenditures (excluding the transfers to other funds described above). This represents 3.5 months of General Fund expenditures and complies with the City financial policy requiring a minimum unassigned fund balance of 17% and 2.0 months 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 Forest Conservation 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 nine 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 21 through 25 of this report. The other governmental fund financial statements can be found on pages 88 through 100.

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, and Wastewater 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 26 to 30 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 total fiduciary fund financial statements can be found on pages 31 to 32 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 33 to 81.

Supplementary 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 and health insurance to its retirees. Required supplementary information can be found on pages 82 to 87 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 \$203.6 and \$199.6 million at the close of the current and previous fiscal years.

City of Hagerstown net position is divided into three categories – net investment in capital assets, restricted net position and unrestricted net position. The largest portion of the City's net position (111.8% or \$227.6 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 2.4% or \$4.8 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 <\$28.8> million (negative 14.1% 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 \$15.3 million and the unrestricted net position portion for governmental activities has a negative balance of <\$44.1> million.

It is important to note that the City has fully implemented GASB Statement 68 and the result is a total of \$52.7 million in total net pension liability to fund both of the City's pension plans and GASB Statement 75 for the OPEB liability of \$27.8 million. This total \$80.5 million 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, 2020 and 2019

| | Governmental Activities | | Business-type Activities | | Total | |
|---------------------------------------|-------------------------|----------------------|--------------------------|-----------------------|-----------------------|-----------------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Assets: | | | | | | |
| Current assets | \$ 29,640,222 | \$ 31,884,250 | \$ 31,129,079 | \$ 34,352,939 | \$ 60,769,301 | \$ 66,237,189 |
| Long-term and restricted assets | 4,924,097 | 4,216,714 | 10,577,129 | 10,196,751 | 15,501,226 | 14,413,465 |
| Capital assets, net | 85,000,642 | 84,100,043 | 203,091,109 | 201,017,529 | 288,091,751 | 285,117,572 |
| Total Assets | 119,564,961 | 120,201,007 | 244,797,317 | 245,567,219 | 364,362,278 | 365,768,226 |
| Deferred outflows related to OPEB | 1,657,392 | 1,245,494 | 767,020 | 551,007 | 2,424,412 | 1,796,501 |
| Deferred outflows related to pensions | 3,223,345 | 4,194,381 | 1,151,500 | 1,393,483 | 4,374,845 | 5,587,864 |
| Total Deferred Outflows | 4,880,737 | 5,439,875 | 1,918,520 | 1,944,490 | 6,799,257 | 7,384,365 |
| Liabilities: | | | | | | |
| Long-term liabilities | 83,119,191 | 82,329,480 | 58,249,238 | 60,975,530 | 141,368,429 | 143,305,010 |
| Other liabilities | 11,389,147 | 11,012,353 | 12,468,440 | 16,068,554 | 23,857,587 | 27,080,907 |
| Total Liabilities | 94,508,338 | 93,341,833 | 70,717,678 | 77,044,084 | 165,226,016 | 170,385,917 |
| Deferred inflows related to OPEB | 72,741 | 177,384 | 33,664 | 78,475 | 106,405 | 255,859 |
| Deferred inflows related to pensions | 1,503,878 | 2,245,698 | 726,733 | 630,917 | 2,230,611 | 2,876,615 |
| Total Deferred Inflows | 1,576,619 | 2,423,082 | 760,397 | 709,392 | 2,337,016 | 3,132,474 |
| Net Position: | | | | | | |
| Investment in capital assets, net | 67,629,556 | 66,784,135 | 159,951,217 | 154,076,731 | 227,580,773 | 220,860,866 |
| Restricted | 4,812,010 | 11,549,646 | - | - | 4,812,010 | 11,549,646 |
| Unrestricted | (44,080,825) | (48,457,814) | 15,286,546 | 15,681,501 | (28,794,279) | (32,776,313) |
| Total Net Position | \$ 28,360,741 | \$ 29,875,967 | \$ 175,237,763 | \$ 169,758,232 | \$ 203,598,504 | \$ 199,634,199 |

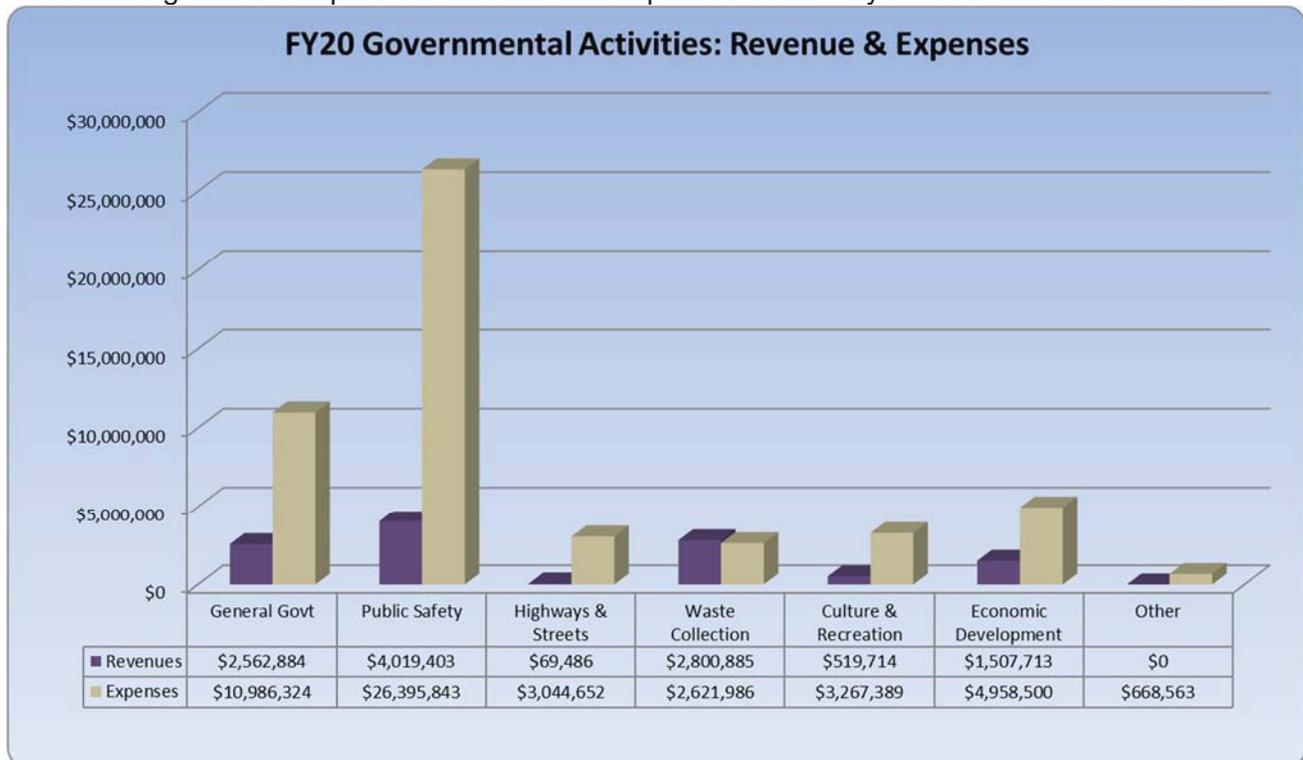
The following table indicates the changes in net position for governmental and business-type activities:

| | Changes in Net Position June 30, 2020 and 2019 | | | | | |
|---|---|----------------------|--------------------------|-----------------------|-----------------------|-----------------------|
| | Governmental Activities | | Business-type Activities | | Total | |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Revenues: | | | | | | |
| Program Revenues: | | | | | | |
| Charges for services | \$ 8,227,084 | \$ 9,038,555 | \$ 52,065,364 | \$ 52,589,568 | \$ 60,292,448 | \$ 61,628,123 |
| Operating grants and contributions | 2,246,769 | 3,061,406 | 240,000 | 750,196 | 2,486,769 | 3,811,602 |
| Capital grants and contributions | 1,006,232 | 845,126 | 5,037,394 | 2,568,732 | 6,043,626 | 3,413,858 |
| General Revenues: | | | | | | |
| Property taxes | 32,399,365 | 32,047,754 | - | - | 32,399,365 | 32,047,754 |
| Income and other taxes | 5,930,706 | 5,735,651 | - | - | 5,930,706 | 5,735,651 |
| Miscellaneous | 943,594 | 932,282 | 295,674 | 409,075 | 1,239,268 | 1,341,357 |
| Total Revenues | 50,753,750 | 51,660,774 | 57,638,432 | 56,317,571 | 108,392,182 | 107,978,345 |
| Expenses: | | | | | | |
| Program Expenses: | | | | | | |
| General government | 10,986,324 | 10,613,252 | - | - | 10,986,324 | 10,613,252 |
| Public safety | 26,395,843 | 24,243,025 | - | - | 26,395,843 | 24,243,025 |
| Highways and streets | 3,044,652 | 3,258,426 | - | - | 3,044,652 | 3,258,426 |
| Waste collection and disposal | 2,621,986 | 2,562,226 | - | - | 2,621,986 | 2,562,226 |
| Culture and recreation | 3,267,389 | 3,090,190 | - | - | 3,267,389 | 3,090,190 |
| Economic and community development | 4,958,500 | 4,757,014 | - | - | 4,958,500 | 4,757,014 |
| Interest on long-term debt | 668,563 | 615,223 | - | - | 668,563 | 615,223 |
| Utilities and other proprietary funds | - | - | 52,484,620 | 54,044,110 | 52,484,620 | 54,044,110 |
| Total Expenses | 51,943,257 | 49,139,356 | 52,484,620 | 54,044,110 | 104,427,877 | 103,183,466 |
| Excess (deficiency) before transfers | (1,189,507) | 2,521,418 | 5,153,812 | 2,273,461 | 3,964,305 | 4,794,879 |
| Transfers | (325,719) | (655,763) | 325,719 | 655,763 | - | - |
| Change in net position | (1,515,226) | 1,865,655 | 5,479,531 | 2,929,224 | 3,964,305 | 4,794,879 |
| Net position - beginning | 29,875,967 | 28,010,312 | 169,758,232 | 166,829,008 | 199,634,199 | 194,839,320 |
| Net Position - Ending | \$ 28,360,741 | \$ 29,875,967 | \$ 175,237,763 | \$ 169,758,232 | \$ 203,598,504 | \$ 199,634,199 |

Governmental activities: General revenues for the governmental activities (excluding Transfers to Other Funds) were \$39.3 million, while total expenses, net of charges for services, grants and contributions, were \$40.5 million. Last, the total transfers to other funds were \$0.3 million. The resulting decrease in net position for governmental activities was <\$1.5> million and can be largely attributed to the following:

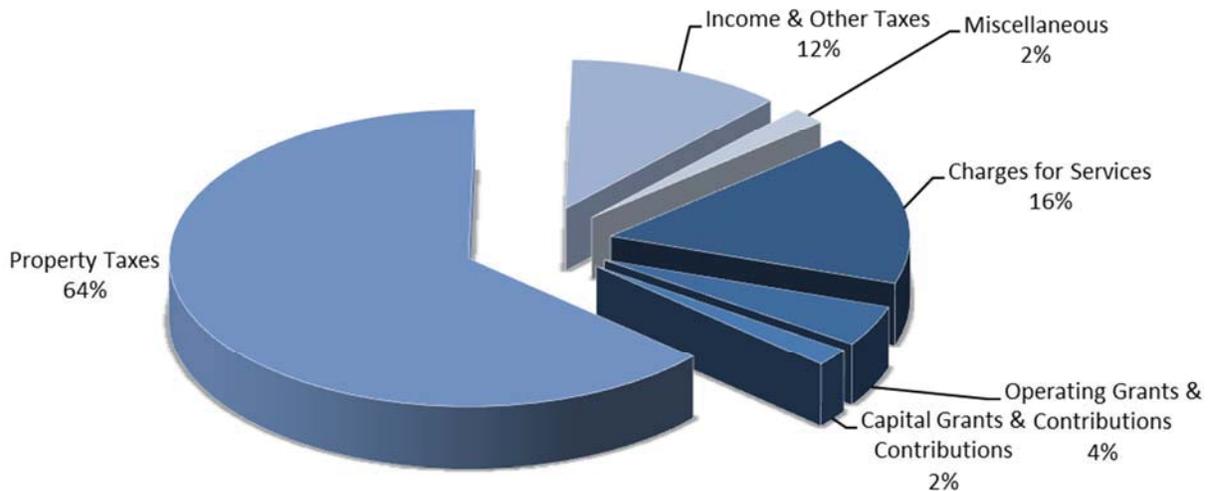
- \$0.1 million of the increase is due to the excess of actual revenues over expenses in the City’s General Fund. This increase is a result of growth in total property tax revenues from tax tier for apartments and increased assessed values. Offsetting this increase in revenue, most other major revenue sources were lower than prior year and less than anticipated due to the COVID pandemic and closures during the final quarter of FY2019/20. Last, overall departmental expenses decreased over prior year totals. Departmental expenses were maintained at levels lower than prior year and lower than projected due to the COVID pandemic and closures. However, expenses in total were \$1.6 million over prior FY2019/20 due to Transfers to Capital Improvement fund for infrastructure projects and commitments.
- A <\$1.8> million decrease is a result of all other governmental funds including the General Capital Improvement Fund. The Capital Improvement Fund had a <\$1.6> million change in fund balance as a result of timing on spend for prior year bond proceeds. Likewise, the Economic Redevelopment Fund reflected a loss due to timing of spend for the Invest Hagerstown incentive program.
- \$0.4 million increase is a result of the City’s necessary adjustments for Statement of Net Positon. The majority of this increase is related to capital additions over depreciation and principal payment reductions to long-term debt which were offset by pension and OPEB expense increases recognized per GASB68 and GASB75. Please see the reconciliation schedule from the Governmental Funds to the Statement of Activities on page 24 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 \$39.3 million in general property tax, income tax, investment earnings, transfers and other miscellaneous revenue generated in FY19/20.

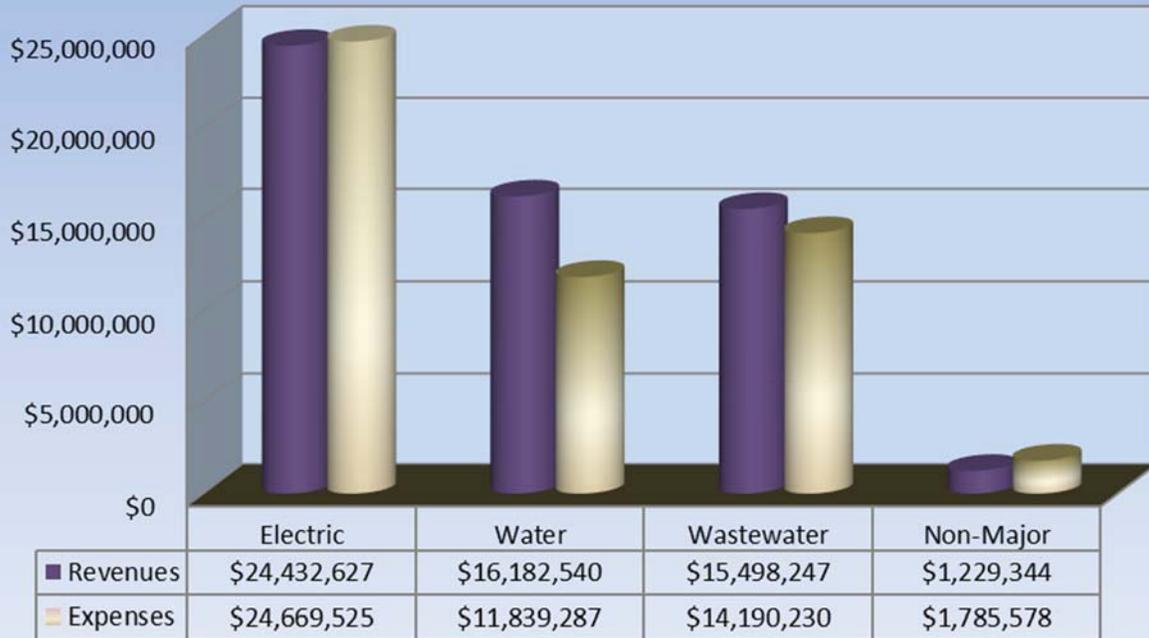
FY20 Governmental Activities: Revenue by Source



Business-type Activities: Business-type activities increased the City of Hagerstown's net position by \$5.5 million. Key elements of this increase are as follows:

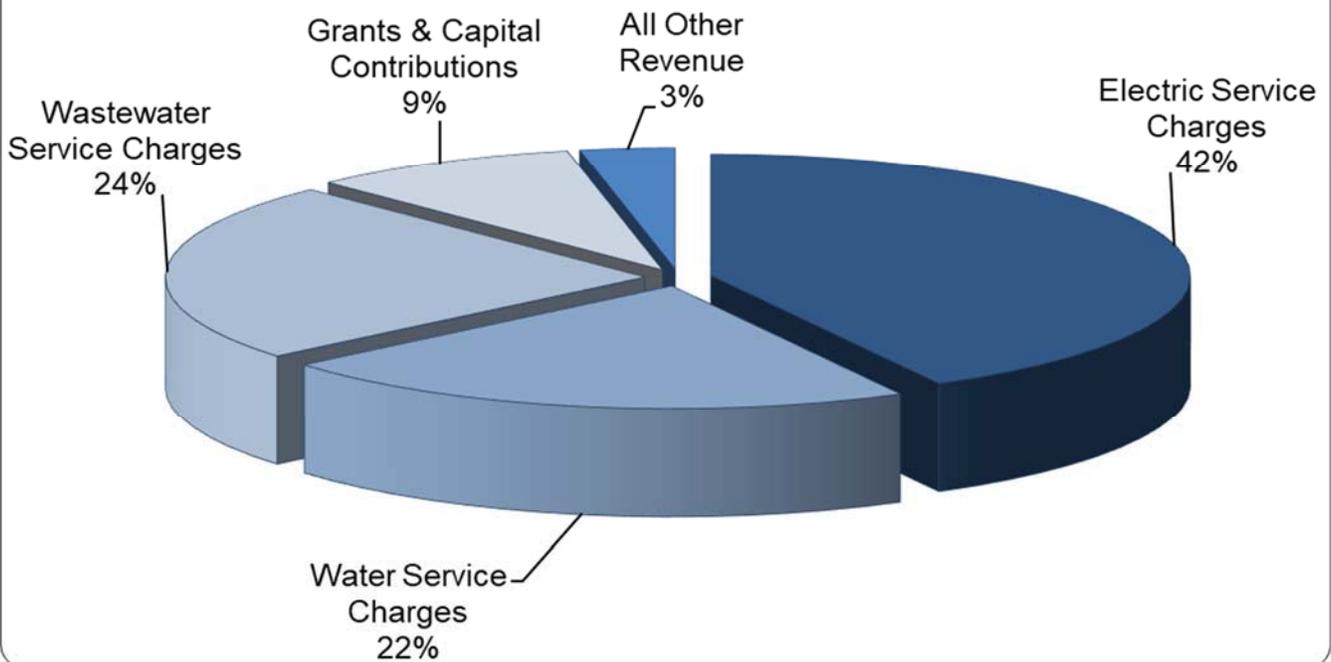
- Water, Wastewater, and Golf had positive changes in net position, or revenues in excess of expenses, while Electric, Parking, and Property Management had the opposite trend. The following is the breakdown of the positive net changes: \$4.2 million in the Water Fund, \$1.1 million in the Wastewater Fund, and \$0.02 million in the Golf Fund. The following is the breakdown of the negative net changes: <\$0.4> million in the Electric Fund, <\$0.2> million in the Parking Fund, and <\$0.2> million in the Property Management Fund.
- Transfers in to the business-type activities account for \$0.5 million in revenue. These transfers were primarily for Golf Course operations from the General Fund and one-time transfers from the Health Insurance Fund to Electric, Water, and Wastewater Funds.
- Capital grants and contributions remained a revenue source for business-type activities. The Water fund received \$3.6 million and the Wastewater fund received \$1.7 million during the current fiscal year.
- Maryland State Retirement Pension expense and OPEB expense recognized in the FY19/20 in the Electric, Water and Wastewater funds were \$0.3 million and \$0.4 million respectively and contributed to the total overall expenses.

FY20 Business - Type Activities: Revenues & Expenses



*Please note that the chart above only includes revenue directly associated to each category and excludes \$0.6 million in general investment earnings and transfers between City funds generated in FY19/20.

FY20 Revenue by Source - Business-Type Activities



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 \$23.0 million, a decrease of \$1.9 million from the prior year. Approximately 54.7% of the total fund balance (\$23.0 million) constitutes *unassigned fund balance* (\$12.6 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 which includes unspent bond proceeds (\$0.2 million and \$3.7 million, respectively).
- 2) *Committed* fund balance represents amounts that are reserved for a particular purpose by the Mayor and Council of the City of Hagerstown and would require action by that governing body to release the fund balance from its commitment (\$1.2 million).
- 3) *Assigned* fund balance represents amounts reserved for tentative management plans that are subject to change and include encumbrance balances at June 30 (\$5.3 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 \$12.6 million, while total fund balance equals \$13.5 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 29.3% of total General Fund expenditures or 3.5 months of fiscal expenditures.

The fund balance of the General Fund increased by \$0.1 million during the current fiscal year. This increase is due to actual revenues exceeding expenditures. Below are some key elements for FY19/20:

Revenues were under budgeted projections by \$1.8 million.

- Total property taxes of \$32.4 were above projections by \$0.5 million and higher than prior year by \$0.4 million. The increase is a result in growth of assessable base values and real estate tier tax rate. There was no change in tax rates of \$1.032 per \$100 assessed value for apartments, \$1.002 per \$100 assessed value for all other real estate taxes and \$2.505 per \$100 assessed value for personal property tax rates.
- All other revenue categories in the general fund were a combined <\$2.4> under the FY19/20 budget levels.
 - Overall Fines and Forfeitures were lower than projections due to both Safe Speed for School cameras and Red Light cameras being less than anticipated as a result of COVID pandemic and stay at home orders that restricted travel.
 - Overall Unallocated General Revenues were better than anticipated due to interest rates received through January 2020 and increased cash balance

through that time period. Despite the decline and immediate impact to the interest rates of the COVID pandemic, the city's cash balances and earlier interest earned prior to March were higher than anticipated and slightly higher than prior year.

- Other Financing Sources is the largest contributing factor to the General Fund's performance compared to budget. During the budget process, it was anticipated that prior Fund Balance Reserves would be utilized toward infrastructure and capital improvement projects which is reflected in Budgeted Use of Fund Balance. There is no impact to actual revenue reflected at the point of utilization of this Fund Balance Reserve which causes a variance when comparing actual results to budget.

Expenses (excluding transfers to other funds) were under budgeted projections by \$1.5 million.

- Overall public safety expenditures were under budget by \$0.9 million as a result of vacant positions in the Police department. Also supply and other materials spending was low as a result of the COVID pandemic. The COVID pandemic increased the need for protective gear and equipment but most other supplies were kept at a minimum due to closures of so many other businesses and supply chain disruptions.
- All other departments and cost centers (excluding public safety) collectively were under budget by \$0.6 million as well. Overtime, supplies, material and equipment were all lower than budget across the city's individual departments as a result of the COVID pandemic and a focus of management on operational efficiencies during such uncertain economic times.
- Annual debt service requirements (principal payments, interest expense and bond issuance costs) were \$0.08 million over budget due to retirement of a loan that was not anticipated during prior budget cycle. In addition, there was no issuance of debt as originally expected but the city did not receive interest reimbursement for its 2009 BAB bond during the last quarter of FY2019/20 due to COVID and office closures.

Transfers to other funds were under budgeted projections by \$0.4 million.

- Fund balance transfers for planned capital infrastructure improvements were \$0.4 million under FY19/20 budget amounts. Fund balance transfers are not made until a project completion or payment of project occurs. The savings in this line item is a reflection of timing on completion for one project and another project being delayed or deferred.

The Capital Projects Fund has a total fund balance of \$4.7 million. Of the total fund balance, certain amounts are *restricted* to indicate that it is not available for new spending because it has already been committed or is legally restricted for capital projects as follows:

- 1) *Nonspendable 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 including unspent bond proceeds (\$1.5 million)
- 2) *Committed* fund balance represents amounts that are reserved for a particular purpose by the Mayor and Council of the City of Hagerstown and would require action by that governing body to release the fund balance from its commitment (\$0)
- 3) *Assigned* fund balance represents amounts reserved for tentative management plans and current encumbrances that are subject to change (\$3.2 million)
- 4) *Unassigned* fund balance represents amounts the portion of net resources in excess of the nonspendable, restricted, committed, and assigned balances (\$0)

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 \$0.9 million for the Electric Fund, \$10.0 million for the Water Fund and <\$1.2> million for the Wastewater Fund. The total increase in all proprietary funds net position was \$5.5 million. Other factors concerning these funds' finances have been addressed in the discussion of the City of Hagerstown's business-type activities.

General Fund Budgetary Highlights

For detail breakdown of the General Fund performance and budget dollars please see the General Fund Schedule of Revenues, Expenditures, and Changes in Fund Balances on page 88.

Original Budget compared to Final Budget.

The final budgeted revenues, expenditures, and transfers to other funds increased by \$1.2 million over the original budget. The net change reflects an allocation of an original budget contingency across city departments; an increase in Engineering construction, digging, and grading permits that are development driven; 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, reduction in operational expenses, and one-time fund balance use. The largest project (Wesel Boulevard Road Reconstruction) was a one-time \$800K fund balance transfer due to commitment made with NorthPoint Development.

Final Budget compared to Actual Results.

Revenue was under budget by \$1.8 million and expenditures and other financing uses were under budget by \$1.9 million. Total Property Tax revenue generated an increase of \$0.5 million as a result of higher assessed values while all other revenue in total was under budget by \$2.3 million due to COVID pandemic impact. Cost savings due to personnel, supply and equipment purchases, operational efficiencies across individual departments were \$1.5. Fund Balance transfers for capital projects were \$0.4 due to timing of project completion and delay of another project.

Overall, the COVID pandemic was the largest contributing factor across the entire budget results compared and has continued to be the same trend as FY20/21 has started.

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, 2020, amounts to \$288.1 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment (including vehicles), infrastructure (including park facilities, roads, highways and bridges) and construction in progress. The total net increase in City of Hagerstown's investment in capital assets for the current fiscal year was \$3.0 million or 1.0%. There was a 1.1% increase for governmental activities and a 1.0% increase for business-type activities.

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

| | Governmental Activities | | Business-type Activities | | Total | |
|--------------------------|----------------------------|---------------------|-----------------------------|----------------------|----------------------|----------------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Land | \$ 6,996,453 | \$ 6,858,619 | \$ 5,705,970 | \$ 5,705,970 | \$ 12,702,423 | \$ 12,564,589 |
| Construction in progress | 1,930,596 | 1,782,823 | 10,502,100 | 8,571,024 | 12,432,696 | 10,353,847 |
| Buildings & structures | 6,369,630 | 6,438,997 | 135,389,938 | 137,097,686 | 141,759,568 | 143,536,683 |
| Land improvements | 7,880,192 | 7,721,407 | 537,450 | 576,790 | 8,417,642 | 8,298,197 |
| Machinery & equipment | 9,664,637 | 7,472,410 | 50,933,980 | 49,043,502 | 60,598,617 | 56,515,912 |
| Infrastructure | 52,159,134 | 53,825,787 | 21,671 | 22,557 | 52,180,805 | 53,848,344 |
| Total | \$85,000,642 | \$84,100,043 | \$203,091,109 | \$201,017,529 | \$288,091,751 | \$285,117,572 |

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

For the City's governmental activities:

The City spent \$5.5 million in additions for capital assets and improvements during FY19/20. Some of the most notable additions are listed below:

- \$1.0 million was spent on work in progress projects and the two primary areas were \$453K toward Haven Road sidewalk project and \$258K on infrastructure improvements related to the Urban Improvement plaza.
- \$4.4 million was spent on two new fire engines (\$1.4M), eight police vehicle replacements (\$363K), public works trucks and tractors (\$372K) forty-one accessibility ramps (\$101K), public safety portable radios (\$409K), parking lot paving in City Park (\$248K), and various other land improvements, buildings and structures, machinery and equipment, automobiles and trucks, office furniture, and infrastructure (\$1.50M).

For the City's business activities:

The City spent \$9.9 million in additions for construction in progress of capital improvements and other capital assets in FY19/20.

- \$5.5 million was spent on work in progress projects and the primary ones were the Collection System Equipment project (\$3.6M), the Willson Treatment Plant Improvements project (\$956K), and the Willson Transmission project (\$446K).
- \$2.3 million was spent for infrastructure improvements across the funds as follows: Electric Fund \$554K, Water Fund \$1.1M, Wastewater Fund \$581K, Parking Fund \$21K, Golf Fund \$34K, and Property Management Fund \$0.

Additional information on the City of Hagerstown's capital assets can be found in Note IV. C., pages 55 through 58 of this report.

Long-term debt. At the end of the current fiscal year, the City of Hagerstown had total bonded debt outstanding of \$62.0 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, \$43.1 million are considered self-supporting bonds, primarily funded through various charges related to the operation of the electric, water, wastewater, and parking systems of the City.

City of Hagerstown's Outstanding Debt

Bonded Debt

| | Governmental | | Business-type | | Total | |
|---------------------|--------------|--------------|---------------|--------------|--------------|--------------|
| | Activities | | Activities | | | |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| General Bonded Debt | \$18,840,748 | \$21,109,308 | \$43,139,894 | \$46,940,798 | \$61,980,642 | \$68,050,106 |

The only additions to new debt during the fiscal year were \$72,873 in bond reimbursements from the 2018 MDE direct placement issue. The City’s continued adherence to its amortization schedules for debt repayments reduced its debt by \$6.1 million resulting in an overall net decrease to debt of \$6.0 million during the current year.

The City of Hagerstown’s bond ratings were last affirmed in FY19/20 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 FY19/20, governmental fund debt was 0.67% of the assessed value of taxable property and \$470 per capita while total city-wide debt was 2.22% of the assessed value of taxable property and \$1,546 per capita. Additional information on the City of Hagerstown’s long-term debt can be found in Note IV. F. on pages 62 through 65 of this report.

Economic Factors and Next Year’s Budgets and Rates

- The FY19/20 budget reflected no change or increase in real estate and personal property tax rates. The real estate tax rate was \$1.032 per \$100 assessed value for apartments, \$1.002 per \$100 assessed value for all other properties, and personal property rates were \$2.505 cents per \$100 assessed value. The FY19/20 budget also reflected the first year of changes for Water and Wastewater based on a new five year cost study (July 1, 2019 through June 30, 2024) approved and were an increase of 3.0% for Water and 2.0% for Wastewater over the FY18/19 rates.
- The City is required by its Charter to have a balanced budget each fiscal year and has complied with this requirement. In mid-March 2020, the COVID pandemic struck. The City’s Mayor and Council adopted the FY20/21 with pre-COVID data with the understanding that necessary reductions would be needed. The FY20/21 General Fund budget as approved reflects net revenue surplus of \$3,032. This net amount reflects the utilization \$2.4 million from fund balance reserves for capital improvement/infrastructure projects. 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 FY20/21 the City's major governmental fund budget as approved for the General Fund is projected to increase by 7.8% over the FY19/20 budget from \$47.4 million to \$51.1 million. Wages and benefits are projected to increase by 6.8% and included estimated increases in employee compensation and increased employer provided benefit costs. Debt service is projected to decrease by 15.2% related to new bond issues for infrastructure upgrades and other Mayor and Council priority projects being less than retirement of several existing bond terms.
- Despite the February 2020 MD State Department of Assessment and Taxation's Constant Yield Notification which expected a slight decline of <0.26%> in assessed values; the City kept the current tax rate structure. Per the Constant Yield Notification, maintaining this same tax rate will result in a reduction of \$70K. However, city leadership reviewed historical trends and included a 2.0% growth in the FY20/21 budget numbers. This growth represents approximately \$530K more in total property tax revenue. The increase in revenue is needed to cover rising costs for approved union salary enhancements, employer benefits, capital infrastructure improvements and updates, annual debt service requirements, and new economic incentive programs.
- The FY20/21 budget will remain flat for electric service charges. Annual rate increases were adopted for water service charges of 3% for inside and outside the City and wastewater service charges of 2% inside and outside the City effective July 1, 2020. Additionally, a complete five year rate schedule from FY19/20 through FY23/24 was approved for both water and wastewater service charges. These annual increases will make possible the extensive continuing system improvements for these utilities.
- The implementation of a new Stormwater Management Program and fund were included in the overall budget document for the City. It was anticipated that the new service charges for this fund would be implemented in July 2020. Due to the COVID pandemic and State of Maryland moratorium that was in place through September, the decision was made to delay the start of the service charges until January 2021. The service charges will be \$32.00 per 1,000 square feet of impervious surface. All of these factors were considered in preparing the City of Hagerstown's budget for FY20/21.

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

Requests for Information

This financial report is designed to provide a general overview of the City of Hagerstown's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Department of Finance, City of Hagerstown, One East Franklin Street, Hagerstown, MD 21740 or by telephone at (301) 766-4160. Complete financial reports are also available on our website, www.hagerstownmd.org.

City of Hagerstown, Maryland
Statement of Net Position
June 30, 2020

| | Primary Government | | |
|--|-----------------------------|------------------------------|------------------------------|
| | Governmental Activities | Business-type Activities | Total |
| Assets | | | |
| Pooled cash and investments | \$ 23,995,135 | \$ 16,750,583 | \$ 40,745,718 |
| Receivables (net of allowance for uncollectibles): | | | |
| Taxes | 1,014,187 | - | 1,014,187 |
| Intergovernmental | 2,689,630 | - | 2,689,630 |
| Customers | 1,187,794 | 8,498,452 | 9,686,246 |
| Loans | 2,311,466 | - | 2,311,466 |
| Other | 12,974 | 6,862 | 19,836 |
| Internal balances | (4,051,546) | 4,051,546 | - |
| Inventories | 142,005 | 1,749,907 | 1,891,912 |
| Properties held for resale | 1,387,674 | - | 1,387,674 |
| Prepaid items | 950,903 | 71,729 | 1,022,632 |
| Restricted assets: | | | |
| Pooled cash and investments | 4,924,097 | 10,001,095 | 14,925,192 |
| Long-term receivables | - | 576,034 | 576,034 |
| Capital assets (net of accumulated depreciation): | | | |
| Land (not being depreciated) | 6,996,453 | 5,705,970 | 12,702,423 |
| Land improvements | 10,182,299 | 1,866,145 | 12,048,444 |
| Buildings and structures | 17,433,159 | 222,773,504 | 240,206,663 |
| Machinery and equipment | 8,554,413 | 113,312,340 | 121,866,753 |
| Automobiles and trucks | 12,971,319 | 6,498,208 | 19,469,527 |
| Office furniture and fixtures | 3,333,091 | 874,014 | 4,207,105 |
| Infrastructure | 107,472,071 | 26,537 | 107,498,608 |
| Construction in progress (not being depreciated) | 1,930,596 | 10,502,100 | 12,432,696 |
| Less accumulated depreciation | (83,872,759) | (158,467,709) | (242,340,468) |
| Total assets | <u>119,564,961</u> | <u>244,797,317</u> | <u>364,362,278</u> |
| Deferred Outflow of Resources | | | |
| Deferred Outflows from OPEB | 1,657,392 | 767,020 | 2,424,412 |
| Deferred Outflows from Pensions | 3,223,345 | 1,151,500 | 4,374,845 |
| Total deferred outflows | <u>4,880,737</u> | <u>1,918,520</u> | <u>6,799,257</u> |
| Liabilities | | | |
| Accounts and retainages payable | 3,606,059 | 2,521,860 | 6,127,919 |
| Accrued liabilities | 3,819,416 | 270,852 | 4,090,268 |
| Escrowed taxes and insurance | 1,056 | - | 1,056 |
| Accrued interest payable | 192,144 | 295,055 | 487,199 |
| Customer deposits payable | 43,719 | 4,888,388 | 4,932,107 |
| Due to other agencies | 68,731 | - | 68,731 |
| Unearned revenue | 25,209 | 107,619 | 132,828 |
| Compensated absences: | | | |
| Due within one year | 1,958,762 | 1,022,517 | 2,981,279 |
| Due in more than one year | 2,869,635 | 1,032,766 | 3,902,401 |
| Long-term liabilities: | | | |
| Due within one year | 1,674,051 | 3,362,148 | 5,036,199 |
| Due in more than one year | 17,166,697 | 39,777,746 | 56,944,443 |
| Net pension liabilities: | | | |
| Due in more than one year | 44,086,918 | 8,647,643 | 52,734,561 |
| Net OPEB liabilities: | | | |
| Due in more than one year | 18,995,941 | 8,791,084 | 27,787,025 |
| Total liabilities | <u>94,508,338</u> | <u>70,717,678</u> | <u>165,226,016</u> |
| Deferred Inflow of Resources | | | |
| Deferred Inflows from OPEB | 72,741 | 33,664 | 106,405 |
| Deferred Inflows from Pensions | 1,503,878 | 726,733 | 2,230,611 |
| Total deferred inflows | <u>1,576,619</u> | <u>760,397</u> | <u>2,337,016</u> |
| Net Position | | | |
| Net investment in capital assets | 67,629,556 | 159,951,215 | 227,580,771 |
| Restricted for: | | | |
| Community Development Block Grant Fund | 1,886,100 | - | 1,886,100 |
| Economic Redevelopment Fund | 1,561,271 | - | 1,561,271 |
| Business Revolving Loan Fund | 994,325 | - | 994,325 |
| Excise Tax Fund | 2,949 | - | 2,949 |
| Grant Revenue Fund | 175,649 | - | 175,649 |
| Other Purposes | 191,716 | - | 191,716 |
| Unrestricted | <u>(44,080,825)</u> | <u>15,286,548</u> | <u>(28,794,277)</u> |
| Total net position | <u>\$ 28,360,741</u> | <u>\$ 175,237,763</u> | <u>\$ 203,598,504</u> |

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

City of Hagerstown, Maryland
Statement of Activities
For the Year Ended June 30, 2020

| Functions/Programs | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Position | | |
|--|-----------------------|----------------------|--------------------------|----------------------------------|---|--------------------------|-----------------------|
| | Expenses | Charges for Services | Operating | | Governmental Activities | Primary Government | |
| | | | Grants and Contributions | Capital Grants and Contributions | | Business-type Activities | Total |
| Primary government: | | | | | | | |
| Governmental activities: | | | | | | | |
| General government | \$ 10,986,324 | \$ 2,403,598 | \$ - | \$ 159,286 | \$ (8,423,440) | \$ - | \$ (8,423,440) |
| Public safety | 26,395,843 | 2,652,804 | 768,751 | 597,848 | (22,376,440) | - | (22,376,440) |
| Highways and streets | 3,044,652 | 64,644 | - | 4,842 | (2,975,166) | - | (2,975,166) |
| Waste, collection and disposal | 2,621,986 | 2,800,885 | - | - | 178,899 | - | 178,899 |
| Culture and recreation | 3,267,389 | 244,545 | 30,913 | 244,256 | (2,747,675) | - | (2,747,675) |
| Economic and community development | 4,958,500 | 60,608 | 1,447,105 | - | (3,450,787) | - | (3,450,787) |
| Interest and issuance costs on L.T. debt | 668,563 | - | - | - | (668,563) | - | (668,563) |
| Total governmental activities | <u>51,943,257</u> | <u>8,227,084</u> | <u>2,246,769</u> | <u>1,006,232</u> | <u>(40,463,172)</u> | <u>-</u> | <u>(40,463,172)</u> |
| Business-type activities: | | | | | | | |
| Electric | 24,669,525 | 24,418,023 | - | 14,604 | - | (236,898) | (236,898) |
| Water | 11,839,287 | 12,606,536 | - | 3,576,004 | - | 4,343,253 | 4,343,253 |
| Wastewater | 14,190,230 | 13,811,461 | 240,000 | 1,446,786 | - | 1,308,017 | 1,308,017 |
| Parking facilities | 854,950 | 705,456 | - | - | - | (149,494) | (149,494) |
| Golf course | 470,640 | 243,327 | - | - | - | (227,313) | (227,313) |
| Property management | 459,988 | 280,561 | - | - | - | (179,427) | (179,427) |
| Total business-type activities | <u>52,484,620</u> | <u>52,065,364</u> | <u>240,000</u> | <u>5,037,394</u> | <u>-</u> | <u>4,858,138</u> | <u>4,858,138</u> |
| Total primary government | <u>\$ 104,427,877</u> | <u>\$ 60,292,448</u> | <u>\$ 2,486,769</u> | <u>\$ 6,043,626</u> | <u>(40,463,172)</u> | <u>4,858,138</u> | <u>(35,605,034)</u> |
| General revenues: | | | | | | | |
| Property taxes | | | | | 32,399,365 | - | 32,399,365 |
| Income and other taxes | | | | | 5,930,706 | - | 5,930,706 |
| Investment earnings | | | | | 387,775 | 295,674 | 683,449 |
| Miscellaneous | | | | | 555,819 | - | 555,819 |
| Transfers | | | | | (325,719) | 325,719 | - |
| Total general revenues and transfers | | | | | <u>38,947,946</u> | <u>621,393</u> | <u>39,569,339</u> |
| Change in net position | | | | | (1,515,226) | 5,479,531 | 3,964,305 |
| Net position - beginning | | | | | 29,875,967 | 169,758,232 | 199,634,199 |
| Net position - ending | | | | | \$ 28,360,741 | \$ 175,237,763 | \$ 203,598,504 |

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

City of Hagerstown, Maryland
Balance Sheet
Governmental Funds
June 30, 2020

| | General | Capital Projects | Non-Major Governmental Funds | Total Governmental Funds |
|---|----------------------|-----------------------------|---|---|
| Assets | | | | |
| Pooled cash and investments | \$ 13,774,577 | \$ 4,303,396 | \$ 948,695 | \$ 19,026,668 |
| Receivables (net of allowance for uncollectibles): | | | | |
| Taxes | 1,014,187 | - | - | 1,014,187 |
| Intergovernmental | 1,384,822 | 789,921 | 514,887 | 2,689,630 |
| Customers | 1,009,937 | 14,130 | 2,484 | 1,026,551 |
| Loans | - | - | 2,311,466 | 2,311,466 |
| Other | 8,974 | 1,592 | 371 | 10,937 |
| Advances to other funds | 293,000 | - | - | 293,000 |
| Inventories | 142,005 | - | - | 142,005 |
| Properties held for resale | - | - | 1,387,674 | 1,387,674 |
| Prepaid items | 56,128 | - | - | 56,128 |
| Restricted assets: | | | | |
| Pooled cash and investments | - | - | 826,843 | 826,843 |
| Total assets | <u>\$ 17,683,630</u> | <u>\$ 5,109,039</u> | <u>\$ 5,992,420</u> | <u>\$ 28,785,089</u> |
| Liabilities And Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts and retainages payable | \$ 2,018,491 | \$ 422,724 | \$ 340,176 | \$ 2,781,391 |
| Accrued liabilities | 910,794 | - | 12,581 | 923,375 |
| Advances from other funds | - | - | 293,000 | 293,000 |
| Escrowed taxes and insurance | - | - | 1,056 | 1,056 |
| Customer deposits payable | 20,434 | - | 23,285 | 43,719 |
| Undisbursed loan and grant commitments | - | - | 518,148 | 518,148 |
| Due to other agencies | 68,731 | - | - | 68,731 |
| Unearned revenue | 25,209 | - | - | 25,209 |
| Total liabilities | <u>3,043,659</u> | <u>422,724</u> | <u>1,188,246</u> | <u>4,654,629</u> |
| Deferred Inflows of Resources: | | | | |
| Unavailable revenue-income taxes | 1,155,910 | - | - | 1,155,910 |
| Total deferred inflows of resources | <u>1,155,910</u> | <u>-</u> | <u>-</u> | <u>1,155,910</u> |
| Fund balances: | | | | |
| Nonspendable | | | | |
| Inventories | 142,005 | - | - | 142,005 |
| Prepays | 56,128 | - | - | 56,128 |
| Restricted | | | | |
| Special revenue programming | - | - | 2,253,464 | 2,253,464 |
| Unspent bond proceeds | - | 1,469,662 | - | 1,469,662 |
| Committed | | | | |
| Mayor & Council actions | 251,426 | - | 945,828 | 1,197,254 |
| Assigned | | | | |
| Contracted/Professional Services | 165,318 | - | - | 165,318 |
| Other Services | 305,713 | - | - | 305,713 |
| Capital Outlay | - | 3,216,653 | - | 3,216,653 |
| Special revenue programming | - | - | 1,612,717 | 1,612,717 |
| Unassigned | 12,563,471 | - | (7,835) | 12,555,636 |
| Total fund balances | <u>13,484,061</u> | <u>4,686,315</u> | <u>4,804,174</u> | <u>22,974,550</u> |
| Total liabilities and fund balances | <u>\$ 17,683,630</u> | <u>\$ 5,109,039</u> | <u>\$ 5,992,420</u> | <u>\$ 28,785,089</u> |

City of Hagerstown, Maryland
Reconciliation of the Total Governmental Fund Balances
to Governmental Activities Net Position
For the Year Ended June 30, 2020

Amounts reported for governmental activities in the Statement of Net Position are different because:

| | | | |
|--|---------------------|----|-------------------|
| Total fund balances - governmental funds | | \$ | 22,974,550 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds | | | |
| Cost of capital assets | 168,873,401 | | |
| Accumulated depreciation | <u>(83,872,759)</u> | | 85,000,642 |
| Unavailable revenues are not financial resources in the governmental funds, therefore the liability is eliminated and total net position is increased | | | |
| | | | 1,155,910 |
| Internal service funds are used by management to charge for the costs associated with uncovered general liability risk, the costs associated with uncovered workers' compensation risk, and the costs associated with the City's health and dental care program. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets | | | |
| | | | 2,869,669 |
| Long-term liabilities (including compensated absences are not due and payable in the current period and therefore are not reported as liabilities in the fund statements. | | | |
| Compensated absences | (4,828,397) | | |
| General obligation bonds payable | (18,462,355) | | |
| Accrued interest payable on general obligation bonds | (192,144) | | |
| Unamortized bond premiums on general obligation bonds | <u>(378,393)</u> | | (23,861,289) |
| The net pension liability and the related deferred outflows and deferred inflows do not represent current financial resources and are not reported in the governmental fund statements. | | | |
| Net pension liability | (44,086,918) | | |
| Deferred outflows from pensions | 3,223,345 | | |
| Deferred inflows from pensions | <u>(1,503,878)</u> | | (42,367,451) |
| The net OPEB liability and the related deferred outflows and deferred inflows do not represent current financial resources and are not reported in the governmental fund statements. | | | |
| Net OPEB liability | (18,995,941) | | |
| Deferred outflows from OPEB | 1,657,392 | | |
| Deferred inflows from OPEB | <u>(72,741)</u> | | (17,411,290) |
| Total net position - governmental activities | | \$ | <u>28,360,741</u> |

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

City of Hagerstown, Maryland
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2020

| | <u>General</u> | <u>Capital Projects</u> | <u>Non-Major Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|-----------------------------|-----------------------------|---|---|
| Revenues | | | | |
| Property taxes | \$ 32,399,365 | \$ - | \$ - | \$ 32,399,365 |
| Income and other taxes | 4,268,856 | 1,283,316 | - | 5,552,172 |
| Licenses and permits | 2,144,423 | - | - | 2,144,423 |
| Intergovernmental grants | 419,557 | 812,274 | 1,794,140 | 3,025,971 |
| Program income | - | - | 60,608 | 60,608 |
| Charges for services | 3,332,932 | - | - | 3,332,932 |
| Fines and forfeitures | 966,215 | - | - | 966,215 |
| Investment earnings | 271,164 | 108,057 | 8,554 | 387,775 |
| Sale of land & other property | 31,654 | - | 145,810 | 177,464 |
| Contributions and donations | 28,713 | 193,958 | 4,359 | 227,030 |
| Unallocated general revenue | 2,084,292 | 82,636 | 208,927 | 2,375,855 |
| Total revenues | <u>45,947,171</u> | <u>2,480,241</u> | <u>2,222,398</u> | <u>50,649,810</u> |
| Expenditures | | | | |
| Current: | | | | |
| General government | 5,875,501 | - | 3,296 | 5,878,797 |
| Public safety | 23,774,917 | - | 319,921 | 24,094,838 |
| Highways and streets | 2,644,230 | - | - | 2,644,230 |
| Waste, collection and disposal | 2,622,380 | - | - | 2,622,380 |
| Culture and recreation | 2,726,959 | - | - | 2,726,959 |
| Economic and community development | 602,568 | 1,840,782 | 2,521,429 | 4,964,779 |
| Unallocated general expenditures | 1,712,820 | - | 33 | 1,712,853 |
| Debt Service: | | | | |
| Principal | 2,243,851 | - | - | 2,243,851 |
| Interest | 704,124 | - | - | 704,124 |
| Issuance costs | 1,778 | - | - | 1,778 |
| Capital outlay | - | 5,450,491 | 45,630 | 5,496,121 |
| Total expenditures | <u>42,909,128</u> | <u>7,291,273</u> | <u>2,890,310</u> | <u>53,090,711</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>3,038,043</u> | <u>(4,811,032)</u> | <u>(667,912)</u> | <u>(2,440,901)</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers in | 640,550 | 3,245,333 | 986,795 | 4,872,678 |
| Transfers out | <u>(3,568,139)</u> | <u>(32,100)</u> | <u>(780,241)</u> | <u>(4,380,480)</u> |
| Total other financing sources and uses | <u>(2,927,589)</u> | <u>3,213,233</u> | <u>206,554</u> | <u>492,198</u> |
| Net change in fund balances | 110,454 | (1,597,799) | (461,358) | (1,948,703) |
| Fund balances - beginning | 13,373,607 | 6,284,114 | 5,265,532 | 24,923,253 |
| Fund balances - ending | \$ <u>13,484,061</u> | \$ <u>4,686,315</u> | \$ <u>4,804,174</u> | \$ <u>22,974,550</u> |

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

City of Hagerstown, Maryland
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2020

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

| | |
|--|-----------------------|
| Net change in fund balances - total governmental funds | \$ (1,948,703) |
| 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 (\$5,496,120) exceeded depreciation (\$4,320,928) in the current period. | 1,175,192 |
| The net effect of capital asset disposals is to decrease net position. | (274,594) |
| The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of long-term debt issuance and principal payments on long-term debt. | 2,243,851 |
| The governmental funds report the effect of premiums 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. | 24,708 |
| 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. | 245,581 |
| Net OPEB expense transactions based on actuarial calculations to determine net OPEB liabilities are not included in the governmental financial statements. | (105,844) |
| Net pension expense transactions based on actuarial calculations to determine net pension liabilities are not included in the governmental financial statements. | (2,198,476) |
| 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>(676,941)</u> |
| Change in net position of governmental activities | <u>\$ (1,515,226)</u> |

**City of Hagerstown, Maryland
General Fund**

**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2020**

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--|----------------------|----------------------|----------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Property taxes | \$ 31,868,319 | \$ 31,868,319 | \$ 32,399,365 | \$ 531,046 |
| Income and other taxes | 4,225,029 | 4,261,280 | 4,268,856 | 7,576 |
| Licenses and permits | 2,113,850 | 2,243,241 | 2,144,423 | (98,818) |
| Intergovernmental grants | 408,864 | 432,799 | 419,557 | (13,242) |
| Charges for services | 3,691,202 | 3,701,202 | 3,332,932 | (368,270) |
| Fines and forfeitures | 1,284,900 | 1,284,900 | 966,215 | (318,685) |
| Unallocated and other general revenue | 2,193,050 | 2,193,050 | 2,415,823 | 222,773 |
| Total revenues | 45,785,214 | 45,984,791 | 45,947,171 | (37,620) |
| Expenditures | | | | |
| Current: | | | | |
| General government | 6,240,282 | 6,260,117 | 5,875,501 | 384,616 |
| Public safety | 24,745,797 | 24,708,988 | 23,774,917 | 934,071 |
| Highways and streets | 2,875,139 | 2,811,740 | 2,644,230 | 167,510 |
| Waste, collection and disposal | 2,598,814 | 2,598,814 | 2,622,380 | (23,566) |
| Culture and recreation | 2,781,494 | 2,757,618 | 2,726,959 | 30,659 |
| Economic and community development | 607,691 | 671,609 | 602,568 | 69,041 |
| Unallocated general expenditures | 1,763,700 | 1,738,700 | 1,712,820 | 25,880 |
| Debt Service: | | | | |
| Principal | 2,163,338 | 2,163,338 | 2,243,851 | (80,513) |
| Interest | 705,971 | 705,971 | 704,124 | 1,847 |
| Issuance Costs | 2,428 | 2,428 | 1,778 | 650 |
| Total expenditures | 44,484,654 | 44,419,323 | 42,909,128 | 1,510,195 |
| Excess (deficiency) of revenues over (under) expenditures | 1,300,560 | 1,565,468 | 3,038,043 | 1,472,575 |
| Other Financing Sources (Uses) | | | | |
| Transfers in | 637,060 | 637,060 | 640,550 | 3,490 |
| Transfers out | (2,754,180) | (4,002,762) | (3,568,139) | 434,623 |
| Budgeted use of fund balance | 818,000 | 1,746,348 | - | (1,746,348) |
| Total other financing sources and (uses) | (1,299,120) | (1,619,354) | (2,927,589) | (1,308,235) |
| Net change in fund balances | 1,440 | (53,886) | 110,454 | 164,340 |
| Fund balances - beginning | 13,373,607 | 13,373,607 | 13,373,607 | - |
| Fund balances - ending | \$ 13,375,047 | \$ 13,319,721 | \$ 13,484,061 | \$ 164,340 |

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, 2020

Business-type Activities-Enterprise Funds

| | <u>Electric</u> | <u>Water</u> | <u>Wastewater</u> | <u>Non-Major Enterprise Funds</u> | <u>Total</u> | <u>Governmental Activities- Internal Service Funds</u> |
|--|-------------------|--------------------|-------------------|---|--------------------|--|
| Assets | | | | | | |
| Current assets: | | | | | | |
| Pooled cash and investments | \$ 5,481,767 | \$ 7,147,009 | \$ 2,461,906 | \$ 1,659,901 | \$ 16,750,583 | \$ 4,968,467 |
| Interest receivable | 2,333 | 3,021 | 820 | 688 | 6,862 | 2,037 |
| Accounts receivable (net of allowance for uncollectibles) | 2,673,366 | 3,363,218 | 2,413,423 | 48,445 | 8,498,452 | 161,243 |
| Inventories | 422,797 | 1,087,381 | 239,729 | - | 1,749,907 | - |
| Prepaid items | 23,045 | 41,984 | 4,912 | 1,788 | 71,729 | 894,775 |
| Total current assets | 8,603,308 | 11,642,613 | 5,120,790 | 1,710,822 | 27,077,533 | 6,026,522 |
| Noncurrent assets: | | | | | | |
| Restricted assets: | | | | | | |
| Pooled cash and investments | 3,589,739 | 5,187,884 | 1,223,472 | - | 10,001,095 | 4,097,254 |
| Long-term receivable | 576,034 | - | - | - | 576,034 | - |
| Capital assets: | | | | | | |
| Land | 1,225,255 | 2,019,652 | 180,149 | 2,280,914 | 5,705,970 | - |
| Land improvements | 269,833 | 28,542 | 9,121 | 1,558,649 | 1,866,145 | - |
| Buildings and structures | 2,397,681 | 132,593,014 | 75,445,199 | 12,337,610 | 222,773,504 | - |
| Machinery and equipment | 31,362,464 | 29,418,692 | 51,523,083 | 1,008,101 | 113,312,340 | - |
| Automobiles and trucks | 1,771,163 | 2,297,338 | 2,210,105 | 219,602 | 6,498,208 | - |
| Infrastructure | - | - | - | 26,537 | 26,537 | - |
| Office furniture and fixtures | 444,818 | 63,646 | 255,557 | 109,993 | 874,014 | - |
| Construction in progress | - | 1,552,736 | 8,949,364 | - | 10,502,100 | - |
| Less accumulated depreciation | (22,762,360) | (57,430,559) | (71,029,733) | (7,245,057) | (158,467,709) | - |
| Total capital assets, net | 14,708,854 | 110,543,061 | 67,542,845 | 10,296,349 | 203,091,109 | - |
| Total noncurrent assets | 18,874,627 | 115,730,945 | 68,766,317 | 10,296,349 | 213,668,238 | 4,097,254 |
| Total assets | 27,477,935 | 127,373,558 | 73,887,107 | 12,007,171 | 240,745,771 | 10,123,776 |
| Deferred Outflow of Resources | | | | | | |
| Deferred Outflows related to Pensions | 309,129 | 420,114 | 422,257 | - | 1,151,500 | - |
| Deferred Outflows related to OPEB | 236,044 | 218,546 | 312,430 | - | 767,020 | - |
| Total Deferred Outflows Related to Pensions | 545,174 | 638,660 | 734,687 | - | 1,918,520 | - |

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, 2020

| | <u>Business-type Activities-Enterprise Funds</u> | | | | | Governmental Activities- Internal Service Funds |
|---|--|-----------------------------|-----------------------------|---|------------------------------|--|
| | <u>Electric</u> | <u>Water</u> | <u>Wastewater</u> | <u>Non-Major Enterprise Funds</u> | <u>Total</u> | |
| Liabilities | | | | | | |
| Current liabilities: | | | | | | |
| Accounts and retainages payable | 1,649,507 | 407,535 | 441,325 | 23,493 | 2,521,860 | 824,668 |
| Compensated absences - current | 291,384 | 377,767 | 314,756 | 38,611 | 1,022,517 | - |
| Accrued liabilities | 64,831 | 269,254 | 206,596 | 25,226 | 565,907 | 2,377,894 |
| Customer deposits and rebates | 4,868,182 | 6,000 | - | 14,206 | 4,888,388 | - |
| Unearned revenue | - | 101,000 | - | 6,619 | 107,619 | - |
| General obligation bonds - current | 44,893 | 1,788,379 | 1,456,966 | 71,910 | 3,362,148 | - |
| Total current liabilities | <u>6,918,797</u> | <u>2,949,935</u> | <u>2,419,643</u> | <u>180,064</u> | <u>12,468,438</u> | <u>3,202,562</u> |
| Noncurrent liabilities: | | | | | | |
| General obligation bonds payable | 349,550 | 26,203,170 | 12,690,090 | 534,936 | 39,777,746 | - |
| Compensated absences | 294,305 | 381,553 | 317,910 | 38,998 | 1,032,766 | - |
| Net OPEB liabilities | 2,705,382 | 2,504,830 | 3,580,872 | - | 8,791,084 | - |
| Net pension liabilities | 2,321,525 | 3,155,014 | 3,171,104 | - | 8,647,643 | - |
| Total noncurrent liabilities | <u>5,670,762</u> | <u>32,244,567</u> | <u>19,759,976</u> | <u>573,934</u> | <u>58,249,240</u> | <u>-</u> |
| Total liabilities | <u>12,589,559</u> | <u>35,194,502</u> | <u>22,179,619</u> | <u>753,998</u> | <u>70,717,678</u> | <u>3,202,562</u> |
| Deferred Inflow of Resources | | | | | | |
| Deferred Inflows related to Pensions | 195,097 | 265,142 | 266,494 | - | 726,733 | - |
| Deferred Inflows related to OPEB | 10,360 | 9,592 | 13,712 | - | 33,664 | - |
| Total Deferred Inflows Related to Pensions | <u>205,457</u> | <u>274,734</u> | <u>280,206</u> | <u>-</u> | <u>760,397</u> | <u>-</u> |
| Net Position | | | | | | |
| Net Investment in Capital Assets | 14,314,411 | 82,551,512 | 53,395,789 | 9,689,503 | 159,951,215 | - |
| Unrestricted | 913,682 | 9,991,470 | (1,233,820) | 1,563,670 | 11,235,002 | 6,921,214 |
| Total net position | <u>\$ 15,228,093</u> | <u>\$ 92,542,982</u> | <u>\$ 52,161,969</u> | <u>\$ 11,253,173</u> | <u>171,186,217</u> | <u>\$ 6,921,214</u> |
| | | | | | 4,051,546 | |
| Net position of business-type activities | | | | | <u>\$ 175,237,763</u> | |

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

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, 2020

| | Business-type Activities- Enterprise Funds | | | | | Governmental Activities- Internal Service Funds |
|--|---|----------------------|----------------------|----------------------------------|---------------------|--|
| | Electric | Water | Wastewater | Non-Major Enterprise Funds | Total | |
| Operating revenues: | | | | | | |
| Service charges | \$ 23,855,620 | \$ 11,428,485 | \$ 13,483,304 | \$ 1,228,779 | \$ 49,996,188 | \$ 9,415,318 |
| Other revenues | 594,804 | 1,197,723 | 308,681 | 38,039 | 2,139,247 | 335,605 |
| Total operating revenues | <u>24,450,424</u> | <u>12,626,208</u> | <u>13,791,985</u> | <u>1,266,818</u> | <u>52,135,435</u> | <u>9,750,923</u> |
| Operating expenses: | | | | | | |
| Production and treatment expenses | 18,320,874 | 3,418,344 | 5,348,111 | - | 27,087,329 | - |
| Transmission, distribution, and collection expenses | 2,527,103 | 2,145,830 | 1,843,091 | - | 6,516,024 | - |
| Selling, general and administrative expenses | 3,145,144 | 2,486,434 | 4,141,765 | 1,375,240 | 11,148,583 | 1,522,292 |
| Claim and premium expenses | - | - | - | - | - | 7,299,797 |
| Depreciation | 946,823 | 3,608,688 | 2,761,832 | 433,123 | 7,750,466 | - |
| Total operating expenses | <u>24,939,944</u> | <u>11,659,296</u> | <u>14,094,799</u> | <u>1,808,363</u> | <u>52,502,402</u> | <u>8,822,089</u> |
| Operating income (loss) | <u>(489,520)</u> | <u>966,912</u> | <u>(302,814)</u> | <u>(541,545)</u> | <u>(366,967)</u> | <u>928,834</u> |
| Nonoperating revenues (expenses): | | | | | | |
| Intergovernmental revenue | - | 1,338,338 | 240,000 | - | 1,578,338 | - |
| Investment earnings | 137,448 | 80,197 | 45,739 | 32,291 | 295,675 | 70,667 |
| Bond interest expense and premium | (11,697) | (425,591) | (296,085) | (25,897) | (759,270) | - |
| Bond issuance cost | (37) | (41,945) | (39,431) | (63) | (81,476) | - |
| Gain (loss) on disposal of capital assets | (32,401) | (19,672) | 19,476 | (37,474) | (70,071) | - |
| Total nonoperating revenue (expenses) | <u>93,313</u> | <u>931,327</u> | <u>(30,301)</u> | <u>(31,143)</u> | <u>963,196</u> | <u>70,667</u> |
| Income (loss) before contributions and transfers | (396,207) | 1,898,239 | (333,115) | (572,688) | 596,229 | 999,501 |
| Capital contributions | 14,604 | 2,237,666 | 1,446,786 | - | 3,699,056 | - |
| Transfers in | 63,562 | 94,513 | 79,842 | 272,555 | 510,472 | - |
| Transfers out | (58,125) | (58,125) | (58,125) | (10,378) | (184,753) | (817,917) |
| Changes in net position | <u>(376,166)</u> | <u>4,172,293</u> | <u>1,135,388</u> | <u>(310,511)</u> | <u>4,621,004</u> | <u>181,584</u> |
| Net position - beginning | 15,604,259 | 88,370,689 | 51,026,581 | 11,563,684 | | 6,739,630 |
| Total net position - ending | <u>\$ 15,228,093</u> | <u>\$ 92,542,982</u> | <u>\$ 52,161,969</u> | <u>\$ 11,253,173</u> | | <u>\$ 6,921,214</u> |
| | | | | | 858,527 | |
| | | | | | <u>\$ 5,479,531</u> | |

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

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, 2020

| | Business-type Activities- Enterprise Funds | | | | | Governmental Activities- Internal Service Funds |
|---|---|----------------------|---------------------|----------------------------------|----------------------|--|
| | Electric | Water | Wastewater | Non-Major Enterprise Funds | Totals | |
| Cash Flows From Operating Activities | | | | | | |
| Receipts from customers and users | \$ 24,301,610 | \$ 11,109,606 | \$ 13,764,074 | \$ 1,311,664 | \$ 50,486,954 | \$ - |
| Receipts from interfund services provided | | - | - | - | - | 9,695,767 |
| Payments to suppliers | (20,154,101) | (3,896,347) | (7,980,971) | (460,520) | (32,491,939) | (8,023,223) |
| Payments to employees | (3,937,111) | (4,934,835) | (5,068,005) | (904,976) | (14,844,927) | - |
| Net cash provided (used) by operating activities | <u>210,397</u> | <u>2,278,424</u> | <u>715,098</u> | <u>(53,832)</u> | <u>3,150,088</u> | <u>1,672,544</u> |
| Cash Flows From Noncapital Financing Activities | | | | | | |
| Transfers from (to) other funds | 5,437 | 36,388 | 21,717 | 262,177 | 325,719 | (817,917) |
| Proceeds from intergovernmental operating grant | - | - | 240,000 | - | 240,000 | - |
| Net cash provided (used) by noncapital and related financing activities | <u>5,437</u> | <u>36,388</u> | <u>261,717</u> | <u>262,177</u> | <u>565,719</u> | <u>(817,917)</u> |
| Cash Flows From Capital And Related Financing Activities | | | | | | |
| Proceeds from intergovernmental capital grant | - | 1,338,338 | - | - | 1,338,338 | - |
| Capital contributions | 14,604 | 2,237,666 | 1,446,786 | - | 3,699,056 | - |
| Acquisition and construction of capital assets | (1,098,985) | (3,971,414) | (4,734,556) | (19,090) | (9,824,045) | - |
| Proceeds from bond issuance | - | 72,873 | - | 0 | 72,873 | - |
| Principal paid on capital debt | (43,245) | (1,755,570) | (1,844,891) | (221,086) | (3,864,793) | - |
| Interest paid on capital debt | (12,110) | (437,811) | (311,604) | (28,881) | (790,406) | - |
| Gain (loss) on disposal of capital assets | (32,401) | (19,672) | 19,476 | (37,474) | (70,071) | - |
| Net cash provided (used) by capital and related financing activities | <u>(1,172,137)</u> | <u>(2,535,590)</u> | <u>(5,424,789)</u> | <u>(306,531)</u> | <u>(9,439,047)</u> | <u>-</u> |
| Cash Flows From Investing Activities | | | | | | |
| Interest and dividends received | 137,821 | 80,388 | 47,851 | 32,330 | 298,390 | 70,654 |
| Net cash provided by investing activities | <u>137,821</u> | <u>80,388</u> | <u>47,851</u> | <u>32,330</u> | <u>298,390</u> | <u>70,654</u> |
| Net increase (decrease) in pooled cash and investments | (818,482) | (140,390) | (4,400,123) | (65,856) | (5,424,851) | 925,281 |
| Pooled cash and investments, beginning of year | 9,889,988 | 12,475,283 | 8,085,501 | \$ 1,725,757 | 32,176,529 | 8,140,440 |
| Pooled cash and investments, end of year | <u>\$ 9,071,506</u> | <u>\$ 12,334,893</u> | <u>\$ 3,685,378</u> | <u>\$ 1,659,901</u> | <u>\$ 26,751,678</u> | <u>\$ 9,065,721</u> |

City of Hagerstown, Maryland
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2020

| | Business-type Activities- Enterprise Funds | | | | Totals | Governmental Activities- Internal Service Funds |
|--|---|----------------------|---------------------|----------------------------------|----------------------|--|
| | Electric | Water | Wastewater | Non-Major Enterprise Funds | | |
| Reconciliation of operating income to net cash provided (used) by operating activities: | | | | | | |
| Operating income (loss) | \$ (489,520) | \$ 966,912 | \$ (302,814) | \$ (541,545) | \$ (366,967) | \$ 928,834 |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | | | | | |
| Depreciation expense | 946,823 | 3,608,688 | 2,761,832 | 433,123 | 7,750,466 | - |
| Bond issuance costs | (37) | (41,945) | (39,431) | (63) | (81,476) | - |
| Net effect of changes in assets and liabilities | | | | | | |
| Accounts receivable | (168,294) | (1,524,102) | (27,911) | 39,628 | (1,680,679) | (55,156) |
| Inventories | (42,630) | (16,017) | 23,395 | - | (35,252) | - |
| Prepaid items | (7,643) | (1,606) | 521 | (897) | (9,625) | (38,189) |
| Accounts and retainages payable | (71,591) | (742,141) | (2,520,664) | (11,956) | (3,346,352) | 131,889 |
| Compensated absences payable | (9,635) | 82,489 | 28,622 | 15,174 | 116,650 | - |
| Accrued liabilities | 17,141 | 26,427 | 30,995 | 4,295 | 78,858 | 705,166 |
| Customer deposits and rebates | 19,481 | 7,500 | - | 641 | 27,622 | - |
| Unearned revenue | - | - | - | 4,577 | 4,577 | - |
| Other long-term liabilities | 16,302 | (87,781) | 760,553 | 3,193 | 692,267 | - |
| Total adjustments | <u>699,917</u> | <u>1,311,512</u> | <u>1,017,912</u> | <u>487,713</u> | <u>3,517,055</u> | <u>743,710</u> |
| Net cash provided (used) by operating activities | <u>\$ 210,397</u> | <u>\$ 2,278,424</u> | <u>\$ 715,098</u> | <u>\$ (53,832)</u> | <u>\$ 3,150,088</u> | <u>\$ 1,672,544</u> |
| Reconciliation of pooled cash and investments to the balance sheet | | | | | | |
| Pooled cash and investments | \$ 5,481,767 | \$ 7,147,009 | \$ 2,461,906 | \$ 1,659,901 | \$ 16,750,583 | \$ 4,968,467 |
| Restricted pooled cash and investments | 3,589,739 | 5,187,884 | 1,223,472 | - | 10,001,095 | 4,097,254 |
| Totals | <u>\$ 9,071,506</u> | <u>\$ 12,334,893</u> | <u>\$ 3,685,378</u> | <u>\$ 1,659,901</u> | <u>\$ 26,751,678</u> | <u>\$ 9,065,721</u> |

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

City of Hagerstown, Maryland
Combining Statement of Fiduciary Net Position
June 30, 2020

| | Pension | Other Post | Total |
|--|-----------------------------|-----------------------------|-----------------------------|
| | Trust Fund | Employment | Pension and |
| | Trust Fund | Benefits (OPEB) | OPEB |
| | Trust Funds | Trust Funds | Trust Funds |
| Assets | | | |
| Investments, at fair value: | | | |
| Cash and Cash Equivalents | \$ 722,539 | \$ 564,179 | \$ 1,286,718 |
| Government and Agency Issues | 3,086,430 | - | 3,086,430 |
| Corporate Debt Issues | 3,112,108 | - | 3,112,108 |
| Common Stock | 2,403,382 | 1,264,619 | 3,668,001 |
| Mutual Funds | 12,476,830 | 10,548,466 | 23,025,296 |
| Total investments | <u>21,801,289</u> | <u>12,377,264</u> | <u>34,178,553</u> |
| Interest Receivable | 54,222 | 16,374 | 70,596 |
| Total assets | <u>21,855,511</u> | <u>12,393,638</u> | <u>34,249,149</u> |
| | | | |
| Net Position Restricted for Pensions & OPEB | \$ <u>21,855,511</u> | \$ <u>12,393,638</u> | \$ <u>34,249,149</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
For the Year Ended June 30, 2020

| | Pension Trust Fund | Other Post Employment Benefits (OPEB) Trust Fund | Total Pension and OPEB Trust Funds |
|---|-------------------------------|---|---|
| Additions | | | |
| Contributions: | | | |
| Employer | \$ 1,456,144 | \$ 650,000 | \$ 2,106,144 |
| Plan members | 839,930 | - | 839,930 |
| Total contributions | <u>2,296,074</u> | <u>650,000</u> | <u>2,946,074</u> |
| Investment earnings: | | | |
| Interest and dividends | 671,849 | 337,035 | 1,008,884 |
| Net increase/(decrease) in the fair value of investments | 332,151 | 102,822 | 434,973 |
| Other revenues | 194 | - | 194 |
| Total investment earnings | <u>1,004,194</u> | <u>439,857</u> | <u>1,444,051</u> |
| Less investment expense | 54,831 | 29,761 | 84,592 |
| Net investment earnings | <u>949,363</u> | <u>410,096</u> | <u>1,359,459</u> |
| Total additions | <u>3,245,437</u> | <u>1,060,096</u> | <u>4,305,533</u> |
| Deductions | | | |
| Benefits | 2,953,506 | - | 2,953,506 |
| Administrative expenses | 2,236 | - | 2,236 |
| Actuarial fees | 24,650 | 5,168 | 29,818 |
| Total deductions | <u>2,980,392</u> | <u>5,168</u> | <u>2,985,560</u> |
| Change in net position | 265,045 | 1,054,928 | 1,319,973 |
| Net position - beginning | 21,590,466 | 11,338,710 | 32,929,176 |
| Net position - ending | <u>\$ 21,855,511</u> | <u>\$ 12,393,638</u> | <u>\$ 34,249,149</u> |

City of Hagerstown
Notes to the Financial Statements
June 30, 2020

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 uncollectible.

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 6/30/2020 Per \$100 of assessable base | \$ 1.002 \$ 1.032 Apartments | \$ 2.505 |
| Maximum discount: | July 31 | July 31 |
| Delinquent: Terms | On October 1 0.5% / 30 days | 30 days after Bill Date 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 expense 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

The Electric fund has restricted assets of \$3,589,739 on the statement of net position due to a deposit being held for the City's wholesale power supplier.

Benefit charge proceeds of \$4,209,100 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 \$1,223,472 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, 2020, \$93,085 was restricted for single family loans and \$1,056 was restricted for escrowed taxes and insurance.

The City has \$710,665 as restricted assets on the statement of net position for the Economic Development spending fund which reflects balances restricted for the Invest Hagerstown program, projects already obligated but not yet committed.

The City has \$22,036 as restricted assets on the statement of net position for the Flexible spending fund restricted which reflects employees' available balances for medical and dependent care benefits.

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 City's dental insurance program with United Concordia. In addition

I. Summary of significant accounting policies (continued)

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

4. Restricted cash (continued)

the City's health insurance fund has \$670,340 in restricted cash which reflects retirees' available balances on individual Health Retirement accounts. The Workers Compensation fund has \$3,236,614 as restricted assets on the statement of net position. From this total, \$70,000 is being held by PMA Management Corporation and \$3,166,614 is being set aside for workers compensation claims.

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 from external entities are stated at acquisition value at the date of donation. Internal asset transfers or donations are recorded at the carrying value.

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.

I. Summary of significant accounting policies (continued)

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

6. Compensated absences (continued)

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. The maximum payout is \$12,000.

Effective July 1, 2017, Union employees who retire from the City will receive payment for accumulated sick leave. The maximum payout is \$12,000.

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 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.
- 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

I. Summary of significant accounting policies (continued)

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

6. Compensated absences (continued)

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 – 160 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.

The Maryland Healthy Working Families Act was passed and Sick and Safe Leave was implemented in February 2018 to all part time employees who worked an average of 11 hours per week. Leave of 40 hours are up fronted to the employees to use.

The Families First Coronavirus Response Act was passed on March 18, 2020 and covers the time period April 1, 2020 to December 31, 2020. It provides up to 80 hours of paid sick leave to all employees who are unable to work because the employee is quarantined, experiencing COVID-19 symptoms, or is seeking a medical diagnosis; up to 80 hours of paid sick leave at 2/3 pay to care for an individual or child due to reasons related to COVID-19; and up to an additional 10 weeks of paid expanded family and medical leave at 2/3 pay to an employee who is unable to work in order to care for a child for reasons related to COVID-19.

7. Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the Statement of Net Position sometimes reports a separate section for deferred outflows or inflows of resources. This separate financial statement element represents a consumption or production of net position that applies to a future period(s) and so will not be recognized as an outflow or inflow of resources until then. There are several items that qualify for reporting in this category. They are the unavailable revenue for property taxes and special assessments reported in the Governmental Fund Balance Sheet, the deferred outflows and inflows from two separate pension activities reported in the government-wide Statement of Net Position and one separate Other Post Employment Benefits activities reported in the government-wide Statement of Net Position.

I. Summary of significant accounting policies (continued)

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

8. 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 expenses.

9. 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 expense 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. At the City, the highest decision making authority is the Mayor & Council. Mayor & Council authority includes formal approval and adoption of ordinances and resolutions per the City's charter. Both an ordinance and resolution are equally binding and the necessary legislative action required varies per charter and topic. Formal action at the same level of authority is required to remove these

I. Summary of significant accounting policies (continued)

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

9. Fund Balance (continued)

limitations. The 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.

| Encumbrances by Fund | |
|-----------------------------------|----------------------------|
| General Fund | \$ 471,032 |
| CIP | 565,203 |
| Nonmajor Government | 140,326 |
| Electric | 202,040 |
| Water | 3,038,605 |
| Wastewater | 1,328,981 |
| Nonmajor Enterprise | 10,756 |
| Total Encumbrances by Fund | <u>\$ 5,756,943</u> |

Unassigned – Portion of net resources in excess of the nonspendable, restricted, committed, and assigned balances for the General Fund, not other governmental funds.

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

I. Summary of significant accounting policies (continued)

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

10. 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, 2020, net position *Net Investment in Capital Assets* excludes unspent debt proceeds of \$1,469,662 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

As of June 30, 2020, the Governmental Accounting Standards Board (GASB) has issued the following pronouncements, which will require adoption in the future, if applicable: GASB Statement No. 84, *Fiduciary Activities*; Statement No. 87, *Leases*; Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*; Statement No. 91, *Conduit Debt Obligations*; GASB Statement No. 92, *Omnibus 2020*; GASB Statement No. 93, *Replacement of Interbank Offered Rates*; GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*; GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*; GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. During the year ended June 30, 2020, GASB has also issued GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which provides temporary relief to governments in light of the COVID-19 pandemic, by postponing the effective dates of certain pronouncements. These statements may or will have a material effect on the City's financial statements once implemented. The City has not yet completed the process of evaluating the impact of these pronouncements on its financial statements and plans to adopt them, as applicable, by their effective date.

II. Reconciliation of government-wide and fund financial statements

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

The governmental fund balance sheet includes a complete reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. Several major elements of that reconciliation are listed below.

One item explains that “long-term liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$23,861,289 difference are as follows:

| | |
|---|----------------------|
| Compensated absences | \$ 4,828,397 |
| General obligation bonds payable, including unamortized premiums | 18,840,748 |
| Accrued interest payable on general obligation bonds | <u>192,144</u> |
| Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i> | <u>\$ 23,861,289</u> |

Another item explains that “net pension liability and the related deferred outflows and inflows do not represent current financial resources and therefore are not reported in the funds.” The details of this \$42,367,451 difference are as follows:

| | |
|---|----------------------|
| Net pension liability | \$ 44,086,918 |
| Deferred outflows related to pensions | (3,223,345) |
| Deferred inflows related to pensions | <u>1,503,878</u> |
| Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i> | <u>\$ 42,367,451</u> |

Another item explains that “net OPEB liability and the related deferred outflows and inflows do not represent current financial resources and therefore are not reported in the funds.” The details of this \$17,411,290 difference are as follows:

| | |
|---|----------------------|
| Net OPEB liability | \$ 18,995,941 |
| Deferred outflows related to OPEB | (1,657,392) |
| Deferred inflows related to OPEB | <u>72,741</u> |
| Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i> | <u>\$ 17,411,290</u> |

II. Reconciliation of government-wide and fund financial statements (continued)

B. Explanation of significant 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 the 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. Several major elements of that reconciliation are listed below.

One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$1,175,193 difference are as follows:

| | |
|---|---------------------|
| Capital Asset Additions | \$ 5,496,121 |
| Depreciation expense | <u>(4,320,928)</u> |
| Net adjustment to increase <i>net changes in fund balances -- total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i> | <u>\$ 1,175,193</u> |

A second element of that reconciliation explains that “Governmental funds report principal payments of general bonds payable obligations as an expenditure and new general bonds issues as revenue. However, neither of these transactions impacts the statement of activities.” The details of this \$2,243,851 difference are as follows:

| | |
|---|---------------------|
| Principal payment on general obligation bonds payable | \$ 2,243,851 |
| New general obligations bonds issued | <u>-</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>\$ 2,243,851</u> |

A third element of that reconciliation explains that “Net pension expense transactions based on actuarial calculations to determine net position liabilities are not included in fund statements.” The details of this \$2,198,476 difference are as follows:

| | |
|---|-----------------------|
| Net pension liability increase | \$ (1,969,260) |
| Pensions activity: change in assumptions, investment earnings, & change in experience | <u>(229,216)</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>\$ (2,198,476)</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, 2020, expenditures/expenses exceeded revenues by \$329,103 in the Worker's Compensation Fund, \$376,166 in the Electric Fund, \$166,923 in the Property Management Fund, \$167,832 in the Parking Fund, \$737,085 in the Community Development Block Grant, \$22,345 in the Flexible Spending Fund, \$136,682 in the Business Revolving Loan Fund, and \$1,597,799 in the Capital Projects Funds. 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, 2020, \$1,469,662 is restricted for the Capital Project Fund for projects which contain specific grants, bond proceeds, or contributions.

Additionally, on June 30, 2020, a total of \$4,804,174 is restricted, committed, and assigned for Special Revenue Funds, net of an unassigned deficit of \$7,835. This total consists of \$1,886,100 for the Community Development Block Grant Fund, \$1,561,271 for the Economic Redevelopment Fund, \$994,325 for the Business Revolving Loan Fund, \$2,949 for the Excise Tax Fund, \$175,649 for the Grant Revenue Fund, and \$183,880 for Other Purposes.

IV. Detailed notes on all funds

A. Deposits and investments

1. City owned and managed investments

As of June 30, 2020, 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 \$36,436,501 and the bank balances were \$36,849,768. 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. In addition, the City has \$9,863 in petty cash across all funds.

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 \$11,646,000 was secured by federal depository insurance and \$25,203,768 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, 2020, the City had \$19,224,546 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, AAA, 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> | 40 – 75% | 65% |
| Large-Cap U.S. Stocks | 30 – 50% | 42% |
| Mid/Small-Cap U.S. Stocks | 0 – 15% | 6% |
| International Equities | 10 – 20% | 15% |
| REITS | 0 – 10% | 2% |
| <u>Fixed Income</u> | 15 – 50% | 32% |
| High Yield Bonds | 0 – 10% | 2% |
| Investment Grade Bonds | 15 – 40% | 30% |
| <u>Cash</u> | 0 - 10% | 3% |

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 outlined below are measured Level 1 inputs.

The City Pension Plan has the following recurring fair value measurements as of June 30, 2020:

| | Moody's Rating | Fair Value | Investment Maturities (in Years) | | | |
|--|-------------------|----------------------|----------------------------------|---------------------|-------------------|---------------------|
| | | | Less than 1 | 1 - 5 | 6 -10 | More than 10 |
| Cash and Money Market | | \$ 722,539 | \$ 722,539 | \$ - | \$ - | \$ - |
| Federal Home Loan Mortgage Corp | AAA/NR | 184,584 | 9 | - | - | 184,575 |
| Federal National Mortgage Assn | NR | 1,566,551 | - | 6,463 | 66,122 | 1,493,966 |
| Government National Mortgage Assoc | NR | 88,081 | - | - | - | 88,081 |
| U S Treasury Notes | AAA | 1,247,214 | - | 368,782 | 363,605 | 514,827 |
| Various Agencies | AAA | 265,670 | 55,272 | 82,200 | 74,327 | 53,871 |
| Various Agencies | AA1 | 73,531 | - | - | 32,116 | 41,415 |
| Various Agencies | AA2 | 86,231 | - | 10,958 | - | 75,273 |
| Various Agencies | AA3 | 102,319 | - | 48,882 | 5,808 | 47,629 |
| Various Agencies | A1 | 314,177 | - | 196,756 | 65,321 | 52,100 |
| Various Agencies | A2 | 458,799 | 25,019 | 320,650 | 53,890 | 59,240 |
| Various Agencies | A3 | 603,507 | 15,468 | 392,205 | 86,880 | 108,954 |
| Various Agencies | BAA1 | 470,977 | 70,755 | 241,146 | 11,010 | 148,066 |
| Various Agencies | BAA2 | 537,879 | 20,269 | 293,171 | 118,818 | 105,621 |
| Various Agencies | BAA3 | 167,607 | 2,000 | 91,882 | 73,725 | - |
| Various Agencies | BA2 | 19,771 | 19,771 | - | - | - |
| Various Agencies | NA | 11,640 | - | 11,640 | - | - |
| Common Stock | | 2,403,382 | 2,403,382 | - | - | - |
| Mutual Funds | | 12,476,830 | 12,476,830 | - | - | - |
| Interest Receivable | | 54,222 | 54,222 | - | - | - |
| Total Investments Held by Trustee of Pension Plan | | <u>\$ 21,855,511</u> | <u>\$ 15,865,536</u> | <u>\$ 2,064,735</u> | <u>\$ 951,622</u> | <u>\$ 2,973,618</u> |

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. We are unable to put a value to unknown future changes.

| Investment Type | Evaluation Benchmark |
|------------------------|---------------------------------------|
| 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 (continued)

Foreign Currency Risk – The City’s Pension Plan has 14.7% or \$3,200,720 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>40 – 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 – 50%</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.

IV. Detailed notes on all funds (continued)

A. Deposits and investments (continued)

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

The City OPEB Plan has the following recurring fair value measurements as of June 30, 2020:

| | Moody's Rating | Fair Value | Investment Maturities (in Years) | | | |
|---|-------------------|----------------------|----------------------------------|-------------|-------------|-----------------|
| | | | Less than 1 | 1 - 5 | 6 -10 | More than 10 |
| Cash and Money Market | | \$ 564,179 | \$ 564,179 | \$ - | \$ - | \$ - |
| Common Stock | | 1,264,619 | 1,264,619 | - | - | - |
| Mutual Funds | | 10,548,466 | 10,548,466 | - | - | - |
| Interest Receivable | | 16,374 | 16,374 | - | - | - |
| Total Investments Held by Trustee of OPEB Plan | | <u>\$ 12,393,638</u> | <u>\$ 12,393,638</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

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

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

Foreign Currency Risk – The City’s OPEB Plan has 13.9% or \$1,715,594 invested in foreign stocks. The investment policy permits it to invest up to 20% of total investments in international equities.

IV. Detailed notes on all funds (continued)

B. Receivables

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

Governmental Activities:

| | General | Capital Projects | Internal Service Funds | Non-Major Governmental Funds | Total Governmental Funds |
|---------------------------------------|----------------------------|--------------------------|------------------------------|------------------------------------|--------------------------------|
| Receivables: | | | | | |
| Taxes | \$ 1,771,981 | \$ - | \$ - | \$ - | \$ 1,771,981 |
| Intergovernmental | 1,384,822 | 789,921 | - | 514,887 | 2,689,630 |
| Customers | 3,716,644 | 14,874 | 161,243 | 287,484 | 4,180,245 |
| Loans | 209,915 | 9,600 | - | 3,519,762 | 3,739,277 |
| Interest | 11,371 | 1,593 | 2,037 | 371 | 15,372 |
| Employee | (2,397) | - | - | - | (2,397) |
| Gross receivables | <u>7,092,336</u> | <u>815,988</u> | <u>163,280</u> | <u>4,322,504</u> | <u>12,394,108</u> |
| Less: allowance for uncollectibles | <u>(3,674,417)</u> | <u>(10,344)</u> | <u>-</u> | <u>(1,493,295)</u> | <u>(5,178,056)</u> |
| Net total receivables | <u><u>\$ 3,417,920</u></u> | <u><u>\$ 805,644</u></u> | <u><u>\$ 163,280</u></u> | <u><u>\$ 2,829,208</u></u> | <u><u>\$ 7,216,052</u></u> |

Business-Type Activities:

| | Electric | Water | Wastewater | Funds | Activities |
|---------------------------------------|----------------------------|----------------------------|----------------------------|-------------------------|----------------------------|
| Receivables: | | | | | |
| Intergovernmental | \$ - | \$ 1,478,711 | \$ - | \$ 13,848 | \$ 1,492,559 |
| Customers | 5,415,108 | 1,962,257 | 2,481,881 | 502,126 | 10,361,372 |
| Loans | 863,880 | - | - | 470,861 | 1,334,741 |
| Interest | 2,333 | 3,021 | 820 | 688 | 6,862 |
| Gross receivables | <u>6,281,321</u> | <u>3,443,989</u> | <u>2,482,701</u> | <u>987,523</u> | <u>13,195,534</u> |
| Less: allowance for uncollectibles | <u>(3,029,587)</u> | <u>(77,750)</u> | <u>(68,458)</u> | <u>(938,389)</u> | <u>(4,114,185)</u> |
| Net total receivables | <u><u>\$ 3,251,734</u></u> | <u><u>\$ 3,366,239</u></u> | <u><u>\$ 2,414,243</u></u> | <u><u>\$ 49,133</u></u> | <u><u>\$ 9,081,349</u></u> |

IV. Detailed notes on all funds (continued)

B. Receivables (continued)

City Totals:

| | Governmental Activities | Business-Type Activities | Total |
|---------------------------------------|----------------------------|-----------------------------|----------------------|
| Receivables: | | | |
| Taxes | \$ 1,771,981 | \$ - | \$ 1,771,981 |
| Intergovernmental | 2,689,630 | 1,492,559 | 4,182,189 |
| Customers | 4,180,245 | 10,361,372 | 14,541,617 |
| Loans | 3,739,277 | 1,334,741 | 5,074,018 |
| Interest | 15,372 | 6,862 | 22,233 |
| Employee | (2,397) | - | (2,397) |
| Gross receivables | 12,394,108 | 13,195,534 | 25,589,641 |
| Less: allowance for uncollectibles | (5,178,056) | (4,114,185) | (9,292,241) |
| Net total receivables | <u>\$ 7,216,052</u> | <u>\$ 9,081,349</u> | <u>\$ 16,297,400</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 | \$ 1,155,910 | \$ - | \$ 1,155,910 |
| Other unavailable revenues | - | 25,209 | 25,209 |
| Total unavailable/unearned revenue for governmental funds | <u>\$ 1,155,910</u> | <u>\$ 25,209</u> | <u>\$ 1,181,119</u> |

IV. Detailed notes on all funds (continued)

C. Capital Assets

Capital asset activity for the year ended June 30, 2020 was as follows:

| | Beginning Balance | Increases | Decreases | Transfers | Ending Balance |
|--|----------------------|---------------------|---------------------|------------------|----------------------|
| Governmental activities: | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | \$ 6,858,619 | \$ 135,834 | \$ - | \$ 2,000 | \$ 6,996,453 |
| Construction in progress | 1,782,823 | 956,813 | - | (809,040) | 1,930,596 |
| Total capital assets, not being depreciated | <u>8,641,442</u> | <u>1,092,647</u> | <u>-</u> | <u>(807,040)</u> | <u>8,927,049</u> |
| Capital assets, being depreciated: | | | | | |
| Land improvements | 9,703,893 | 468,705 | - | 9,700 | 10,182,299 |
| Buildings and structures | 17,057,859 | 349,159 | (9,936) | 36,077 | 17,433,159 |
| Machinery and equipment | 7,574,751 | 747,541 | (6,049) | 238,171 | 8,554,413 |
| Automobiles and trucks | 11,117,816 | 2,077,450 | (726,794) | 502,847 | 12,971,319 |
| Office furniture and fixtures | 3,112,961 | 227,780 | (7,650) | - | 3,333,091 |
| Infrastructure | 106,939,233 | 532,839 | - | - | 107,472,071 |
| Total capital assets being depreciated | <u>155,506,513</u> | <u>4,403,473</u> | <u>(750,429)</u> | <u>786,794</u> | <u>159,946,352</u> |
| Less accumulated depreciation for: | | | | | |
| Land improvements | (1,982,486) | (319,621) | - | - | (2,302,107) |
| Buildings and structures | (10,618,862) | (454,603) | 9,936 | - | (11,063,529) |
| Machinery and equipment | (5,274,539) | (433,720) | 6,049 | - | (5,702,209) |
| Automobiles and trucks | (6,095,706) | (833,405) | 456,663 | 20,246 | (6,452,202) |
| Office furniture and fixtures | (2,962,873) | (80,089) | 3,188 | - | (3,039,774) |
| Infrastructure | (53,113,448) | (2,199,489) | - | - | (55,312,937) |
| Total accumulated depreciation | <u>(80,047,913)</u> | <u>(4,320,928)</u> | <u>475,835</u> | <u>20,246</u> | <u>(83,872,759)</u> |
| Total capital assets, being depreciated, net | <u>75,458,601</u> | <u>82,545</u> | <u>(274,594)</u> | <u>807,040</u> | <u>76,073,593</u> |
| Governmental activities capital assets, net | <u>\$ 84,100,043</u> | <u>\$ 1,175,193</u> | <u>\$ (274,594)</u> | <u>\$ -</u> | <u>\$ 85,000,642</u> |

IV. Detailed notes on all funds (continued)

C. Capital Assets (continued)

| | Beginning Balance | Increases | Decreases | Transfers | Ending Balance |
|--|-----------------------|---------------------|---------------------|--------------------|-----------------------|
| Business-type activities: | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | \$ 5,705,970 | \$ - | \$ - | \$ - | \$ 5,705,970 |
| Construction in progress | 8,571,024 | 5,558,928 | - | (3,627,852) | 10,502,100 |
| Total capital assets, not being depreciated | <u>14,276,994</u> | <u>5,558,928</u> | <u>-</u> | <u>(3,627,852)</u> | <u>16,208,070</u> |
| Capital assets, being depreciated: | | | | | |
| Land improvements | 1,837,881 | 28,264 | - | - | 1,866,145 |
| Buildings and structures | 219,413,519 | 2,031,240 | (49,859) | 1,378,604 | 222,773,504 |
| Machinery and equipment | 109,901,998 | 1,819,043 | (657,949) | 2,249,248 | 113,312,340 |
| Automobiles and trucks | 6,315,937 | 490,364 | (308,093) | - | 6,498,208 |
| Office furniture and fixtures | 881,253 | 7,481 | (14,720) | - | 874,014 |
| Infrastructure | 26,537 | - | - | - | 26,537 |
| Total capital assets being depreciated | <u>338,377,126</u> | <u>4,376,393</u> | <u>(1,030,621)</u> | <u>3,627,852</u> | <u>345,350,749</u> |
| Less accumulated depreciation for: | | | | | |
| Land improvements | (1,261,091) | (67,604) | - | - | (1,328,695) |
| Buildings and structures | (82,315,833) | (4,130,799) | 12,385 | (949,318) | (87,383,566) |
| Machinery and equipment | (63,665,151) | (3,001,199) | 602,865 | 949,318 | (65,114,167) |
| Automobiles and trucks | (3,607,102) | (529,915) | 289,379 | - | (3,847,638) |
| Office furniture and fixtures | (783,433) | (20,064) | 14,719 | - | (788,778) |
| Infrastructure | (3,981) | (885) | - | - | (4,866) |
| Total accumulated depreciation | <u>(151,636,591)</u> | <u>(7,750,466)</u> | <u>919,348</u> | <u>-</u> | <u>(158,467,709)</u> |
| Total capital assets, being depreciated, net | <u>186,740,535</u> | <u>(3,374,073)</u> | <u>(111,274)</u> | <u>3,627,852</u> | <u>186,883,040</u> |
| Business-type activities capital assets, net | <u>\$ 201,017,529</u> | <u>\$ 2,184,855</u> | <u>\$ (111,274)</u> | <u>\$ (0)</u> | <u>\$ 203,091,109</u> |

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

Governmental activities:

| | |
|---|---------------------|
| General government, including general infrastructure assets | \$ 2,379,933 |
| Public safety | 995,700 |
| Highways and streets | 356,600 |
| Culture and recreation | 542,867 |
| Municipal buildings | 45,827 |
| Total depreciation expense – governmental activities | <u>\$ 4,320,928</u> |

IV. Detailed notes on all funds (continued)

C. Capital Assets (continued)

Business-type activities:

| | |
|---|---------------------|
| Electric | \$ 946,823 |
| Water | 3,608,688 |
| Wastewater | 2,761,832 |
| Parking facilities | 256,189 |
| Golf course | 39,513 |
| Property management | 137,421 |
| Total depreciation expense – business-type activities | <u>\$ 7,750,466</u> |

Construction commitments

The government has active construction projects as of June 30, 2020. The projects include improvements and construction of parking decks, park improvements, water and wastewater treatment plant and system, fire engine, and building improvements. At year end, the government's commitments with contractors are as follows:

| Project | Spent-to- Date | Remaining Commitment |
|---------------------------------------|----------------------|-------------------------|
| Police Crime Cameras | \$ 97,604 | \$ 150,000 |
| Police Software | 67,173 | 36,600 |
| Signal Network | 29,936 | 765,000 |
| Steam Engine Museum | 24,530 | 26,960 |
| New Sidewalks | 459,838 | 112,034 |
| Fairground Park Improvements | 4,500 | 340,000 |
| Stormwater Management Planning | 105,000 | 480,000 |
| Multi-Use Trails | 209,701 | 104,315 |
| Kiwanis Park | 9,500 | 21,100 |
| Pangborn Lake Reconstruction | 109,873 | 1,000,000 |
| Traffic Beacons | 6,559 | 195,000 |
| Urban Improvement Project | 806,383 | 1,200,000 |
| Willson Treatment Plant Improvements | 80,984 | 21,566 |
| Edgemont Reservoir Improvements | 1,122,448 | 1,739,483 |
| Plant Equipment | 1,923 | 125,400 |
| Pump Station Improvements | 335,907 | 3,334 |
| Synagro Facility Upgrade Improvements | 8,830,492 | 485,565 |
| Willson Travel Screen Replacement | 13,397 | 3,593 |
| Total | <u>\$ 12,315,747</u> | <u>\$ 6,809,950</u> |

IV. Detailed notes on all funds (continued)

C. Capital Assets (continued)

The funding sources for the projects above vary. The Synagro Facility Upgrade Improvements are being financed through bond proceeds. The Willson Treatment Plant Improvements are being funded through bond proceeds and from the water fund. The Willson Travel Screen Replacement and Pump Station Improvement projects are being financed from the water fund. The Edgemont Reservoir Improvements project is primarily being financed through loans from the Maryland Department of the Environment and the water fund. The Plant Equipment project is being financed through the wastewater fund. The Pangborn Lake Construction is being funded by bond proceeds. The Stormwater Management Planning is being funded by previous general fund proceeds and going forward stormwater fees while the Urban Improvement project is being funded by bond proceeds, a state grant, and by contributions from other organizations. All of the remaining projects (Police Crime Cameras, Police Software, Signal Network, Steam Engine Museum, New Sidewalks, Fairground Park Improvements, Multi-Use Trails, Kiwanis Park and Traffic Beacons) are being funded through state and federal grants, general fund, CDBG, and other funding sources.

IV. Detailed notes on all funds (continued)

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of June 30, 2020, is as follows:

Advances from/to other funds:

| Receivable Fund | Payable Fund | Amount |
|-----------------|--|------------------|
| General Fund | Community Development Block Grant Fund | \$282,000 |
| General Fund | Flexible Spending Fund | 11,000 |
| | Total | <u>\$293,000</u> |

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 2020. The temporary advances 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 | \$ - | \$ 28,450 | \$ - | \$ - | \$ - | \$ - | \$ 580,000 | \$ 32,100 | \$ 640,550 |
| Capital Projects | 2,308,789 | 751,791 | 58,125 | 58,125 | 58,125 | 10,378 | - | - | 3,245,333 |
| Nonmajor | | | | | | | | | |
| Governmental | 986,795 | - | - | - | - | - | - | - | 986,795 |
| Electric | - | - | - | - | - | - | 63,562 | - | 63,562 |
| Water | - | - | - | - | - | - | 94,513 | - | 94,513 |
| Wastewater | - | - | - | - | - | - | 79,842 | - | 79,842 |
| Nonmajor | | | | | | | | | |
| Enterprise | 272,555 | - | - | - | - | - | - | - | 272,555 |
| Transfers in | <u>\$ 3,568,139</u> | <u>\$ 780,241</u> | <u>\$ 58,125</u> | <u>\$ 58,125</u> | <u>\$ 58,125</u> | <u>\$ 10,378</u> | <u>\$ 817,917</u> | <u>\$ 32,100</u> | <u>\$ 5,383,150</u> |

The \$640,550 transferred into the General Fund has three separate components: (1) a \$28,450 transfer from the Community Development Block Grant Fund for part-time employee costs; (2) a \$32,100 transfer from the Capital Improvement Projects Fund to partially fund the annual MD Theatre expansion pledge; and (3) a \$580,000 transfer from the Health Insurance Fund for a return of the prior years' surplus and City Wide Wellness Programs.

Transfers to the Capital Projects Fund from the General Fund for \$2,308,789 and Non-major Governmental Funds for \$751,791 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 \$986,795 transfer from the General Fund to the Non-major Governmental Funds has two separate components: (1) an \$11,295 transfer to the Grant Revenue Fund for local match requirements, and (2) a \$975,500 transfer to Economic Redevelopment for the continuation of economic incentive programs.

The \$272,555 transfer from the General Fund to the Non-major Enterprise Funds represents 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 FY2024. Total costs for equipment operating leases were \$74,806 in FY2020. Future minimum lease payments for these leases are as follows:

| | Fiscal Years Ending June 30, | | | | | Total |
|--------|------------------------------|-----------|-----------|-----------|------------|------------|
| | 2021 | 2022 | 2023 | 2024 | Thereafter | |
| Totals | \$ 75,963 | \$ 72,799 | \$ 13,879 | \$ 10,410 | \$ - | \$ 173,051 |

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, 2020 was \$529,346. Future minimum rental income for these leases is as follows:

| | Fiscal Years Ending June 30, | | | | | Total |
|--------|------------------------------|------------|------------|------------|------------|--------------|
| | 2021 | 2022 | 2023 | 2024 | 2025 | |
| Totals | \$ 527,110 | \$ 359,423 | \$ 230,779 | \$ 185,029 | \$ 178,420 | \$ 1,438,829 |

As of June 30, 2020, 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 (Not Being Depreciated) | Building Cost | Building Accumulated Depreciation | Building Net | |
| Totals | \$ 854,873 | \$ 2,778,945 | \$ 1,278,964 | \$ 1,499,981 | \$ 2,354,855 |

IV. Detailed notes on all funds (continued)

F. Long-term debt

The City secures bonds by utilizing a few methods: Public sale or Direct borrowing and direct placement. The government issues bonds to provide funds for the acquisition and construction of major capital facilities. In FY20, the only additions were bond reimbursements of \$72,873 for business-type activities related to the 2018 MDE direct placement issue. These were final draws on travel screen and pump station improvements for the RC Willson Water plant.

The City has outstanding public sale bonds and direct placements and direct borrowings bonds related to government activities totaling \$12,865,313 and \$5,597,042, respectively. The City has outstanding public sale bonds and direct placements and direct borrowings bonds related to business-type activities totaling \$16,604,688 and \$26,430,852, respectively.

Outstanding bonds sold by direct placement to the Maryland Water Quality Financing Administration (MWQFA) related to business-type funds contain provisions allowing acceleration of principal, late fees, additional interest (to the extent permitted by law) and an intercept mechanism allowing MWQFA to direct the Maryland State Treasurer to divert certain revenues intended to be shared with the City to MWQFA upon an event of default; certain of such remedies are not automatic but must be exercised at MWQFA's option.

Outstanding bonds sold by direct placements to banks or financial institutions related to governmental or business-type funds may contain one or more of the following special default provisions: acceleration at the registered owner's option upon a payment default; late fees; additional interest; or a change in interest rate; any of the foregoing may be at the registered owner's option rather than automatic.

IV. Detailed notes on all funds (continued)

F. Long-term debt (continued)

| Description | Interest Rates | Maturity | Governmental Activities | Business-Type Activities | Total |
|---|----------------|----------|-------------------------|--------------------------|----------------------|
| Public Sale | | | | | |
| 2009-B Taxable Build America Bonds | 5.00%-5.75% | 2029 | \$ 5,073,545 | \$ 5,691,456 | \$ 10,765,001 |
| 2011 Public Facilities Bonds | 2.00%-3.50% | 2031 | - | 4,045,000 | 4,045,000 |
| 2015A Public Facilities Bond | 3.06% | 2035 | 2,968,926 | 3,646,074 | 6,615,000 |
| 2015B Public Facilities Bond Taxable | 3.89% | 2035 | 521,757 | 963,243 | 1,485,000 |
| 2017A Public Facilities Bond | 2.58% | 2037 | 3,856,641 | 1,263,359 | 5,120,000 |
| 2017B Public Facilities Bond Taxable | 3.45% | 2037 | 444,444 | 995,556 | 1,440,000 |
| Subtotal General Obligation Bonds | | | \$ 12,865,313 | \$ 16,604,688 | \$ 29,470,001 |
| Direct Borrowings & Direct Placements | | | | | |
| 1998 MD Water Quality Revolving Loan Fund | 2.37% | 2020 | \$ - | \$ - | \$ - |
| 2000 MD Water Quality Revolving Loan Fund | 2.40% | 2021 | - | 129,152 | 129,152 |
| 2002 State of Maryland Water Supply Assistance | 4.40% | 2024 | - | 67,796 | 67,796 |
| 2004 Public Facilities Bonds, Second Issue | 3.36% | 2020 | - | - | - |
| 2005 MD Water Quality Revolving Loan Fund | 0.40% | 2025 | - | 1,902,221 | 1,902,221 |
| 2006 Public Facilities Bonds | 3.66% | 2021 | 1,251,576 | 413,424 | 1,665,000 |
| 2007 MD Drinking Water Revolving Loan Fund | 0.40% | 2026 | - | 1,852,972 | 1,852,972 |
| 2009 MDE West End Reservoir Tank Phase II | 0.00% | 2039 | - | 3,462,421 | 3,462,421 |
| 2009 MDE Water Quality Bond | 0.00% | 2032 | - | 457,170 | 457,170 |
| 2009 MDE RCWillson Mains | 0.00% | 2041 | - | 3,201,484 | 3,201,484 |
| 2009 MD Water Quality Revolving Loan Fund | 0.00% | 2030 | - | 3,511,487 | 3,511,487 |
| 2009 Salem Ave. Collection System Rehabilitation | 0.00% | 2030 | - | 383,421 | 383,421 |
| 2012 United Bank Loan | 4.00%-WSPR | 2022 | - | - | - |
| 2013A MDE Willson Plant Phase IV | 0.90% | 2044 | - | 7,505,455 | 7,505,455 |
| 2013B MDE Willson Plant Phase IV | 0.00% | 2044 | - | 1,500,000 | 1,500,000 |
| 2014 Public Improvement Bonds | 2.50% | 2029 | 287,944 | 823,318 | 1,111,262 |
| 2018 Public Improvements Bond Taxable | 4.30% | 2033 | 1,138,783 | 252,063 | 1,390,846 |
| 2018A MDE Willson Travel Screen & Pump | 0.80% | 2039 | - | 717,486 | 717,486 |
| 2018B MDE Willson Travel Screen & Pump | 0.00% | 2029 | - | 250,985 | 250,985 |
| 2019 Public Improvements Bond Tax Exempt | 2.98% | 2034 | 2,918,739 | - | 2,918,739 |
| Subtotal Direct Borrowings & Direct Placements | | | \$ 5,597,042 | \$ 26,430,852 | \$ 32,027,894 |
| Total bonds payable | | | \$ 18,462,355 | \$ 43,035,540 | \$ 61,497,895 |
| Premiums on bond issues | | | 378,393 | 96,279 | 474,672 |
| Total general obligation debt outstanding | | | \$ 18,840,748 | \$ 43,131,819 | \$ 61,972,567 |

*Footnote: 2013B MDE Willson Plant Phase IV for \$1,500,000 and 2018B MDE Willson Travel Screen & Pump for \$250,985 are both forgiveness debts.

IV. Detailed notes on all funds (continued)

F. Long-term debt (continued)

Annual debt service requirements to maturity for public sale and direct borrowings and direct placements bonds are as follows:

| Year Ending June 30, | Governmental Activities | | | | Business-type Activities | | | |
|-------------------------|-------------------------|---------------------|---|---------------------|--------------------------|---------------------|---|---------------------|
| | Public Sale | | Direct Borrowings and Direct Placements | | Public Sale | | Direct Borrowings and Direct Placements | |
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 2021 | \$ 776,248 | \$ 497,813 | \$ 897,803 | \$ 177,732 | \$ 1,078,751 | \$ 622,481 | \$ 2,281,946 | \$ 138,241 |
| 2022 | 811,008 | 463,873 | 930,542 | 145,588 | 1,123,992 | 579,149 | 2,170,970 | 119,252 |
| 2023 | 843,312 | 428,035 | 298,213 | 124,426 | 1,166,690 | 533,550 | 3,469,553 | 107,965 |
| 2024 | 875,827 | 388,560 | 305,018 | 114,720 | 1,209,173 | 485,124 | 1,979,349 | 98,128 |
| 2025 | 912,597 | 348,486 | 312,020 | 104,773 | 1,252,404 | 434,980 | 1,951,985 | 88,298 |
| 2026-2030 | 5,151,298 | 1,118,790 | 1,636,417 | 365,699 | 7,028,707 | 1,354,934 | 6,462,771 | 333,573 |
| 2031-2035 | 2,845,580 | 355,390 | 1,217,029 | 95,236 | 3,399,420 | 314,519 | 3,654,149 | 202,328 |
| 2036-2040 | 649,443 | 27,527 | - | - | 345,551 | 15,682 | 3,240,377 | 105,441 |
| 2041-2045 | - | - | - | - | - | - | 1,219,752 | 19,365 |
| Total | 12,865,313 | 3,628,474 | 5,597,042 | 1,128,174 | 16,604,688 | 4,340,419 | 26,430,852 | 1,212,591 |
| Premiums on bond issues | 378,393 | - | - | - | 96,279 | - | - | - |
| Total debt | \$ 13,243,706 | \$ 3,628,474 | \$ 5,597,042 | \$ 1,128,174 | \$ 16,700,967 | \$ 4,340,419 | \$ 26,430,852 | \$ 1,212,591 |

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, 2020, \$8,075 of revenue bonds was outstanding:

| <u>Description</u> | <u>Interest Rate</u> | <u>Maturity</u> | <u>Business-type Activities</u> |
|--|----------------------|-----------------|---------------------------------|
| 1993 M.C.C.B. water supply assistance loan | 5.36% | 2025 | \$ 8,075 |

Revenue bond debt service requirements to maturity are as follows:

| <u>Year Ended June 30</u> | <u>Business-type Activities</u> | |
|---------------------------|---------------------------------|-----------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2021 | \$ 1,451 | \$ 394 |
| 2022 | 1,529 | 314 |
| 2023 | 1,611 | 230 |
| 2024 | 1,697 | 141 |
| 2025 | 1,788 | 48 |
| Total | \$ 8,075 | \$ 1,127 |

IV. Detailed notes on all funds (continued)

F. Long-term debt (continued)

Changes in long-term liabilities:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|----------------------------------|------------------------------|---------------------|-----------------------|---------------------------|------------------------------------|
| Governmental activities: | | | | | |
| Bonds payable: | | | | | |
| Public Sale | | | | | |
| Bonds | \$ 13,727,849 | \$ - | \$ (862,536) | \$ 12,865,313 | \$ 776,248 |
| Direct Borrowings & Direct | | | | | |
| Placements Bonds | 6,978,358 | - | (1,381,316) | 5,597,042 | 897,803 |
| Premium | 403,101 | - | (24,708) | 378,393 | - |
| Total long-term debt | 21,109,308 | - | (2,268,560) | 18,840,748 | 1,674,051 |
| Compensated absences | 4,682,814 | 5,660,597 | (5,515,014) | 4,828,397 | 1,958,762 |
| Governmental activity | | | | | |
| Long-term liabilities | \$ 25,792,122 | \$ 5,660,597 | \$ (7,783,574) | \$ 23,669,145 | \$ 3,632,813 |
| Business-type activities: | | | | | |
| Bonds payable: | | | | | |
| Public Sale | | | | | |
| Bonds | \$ 17,777,153 | \$ - | \$ (1,172,465) | \$ 16,604,688 | \$ 1,078,751 |
| Direct Borrowings & Direct | | | | | |
| Placements Bonds | 29,048,928 | 72,873 | (2,690,949) | 26,430,852 | 2,281,946 |
| Revenue bonds | 9,452 | - | (1,377) | 8,075 | 1,451 |
| Premium | 105,265 | - | (8,986) | 96,279 | - |
| Total long-term debt | 46,940,798 | 72,873 | (3,873,777) | 43,139,894 | 3,362,148 |
| Compensated absences | 1,935,445 | 1,738,147 | (1,618,309) | 2,055,283 | 1,022,517 |
| Business-type activities | | | | | |
| Long-term liabilities | \$ 48,876,243 | \$ 1,811,020 | \$ (5,492,086) | \$ 45,195,177 | \$ 4,384,665 |

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 \$0 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 through 2020.

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.

The City has a stop-loss program for health insurance. This City provides self-insured health insurance for employees and retirees. This insurance has an individual stop-loss premium of \$250,000 which was last increased on July 1, 2017. 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 \$30,000 for general liability risk claims, \$638,235 for health and dental insurance, and \$1,739,659 for workers compensation.

| | General Liability Risks Program | | Health and Dental Insurance Fund | | Workers Compensation Fund | |
|-------------------------------------|------------------------------------|------------------|-------------------------------------|-------------------|------------------------------|---------------------|
| | 2019/20 | 2018/19 | 2019/20 | 2018/19 | 2019/20 | 2018/19 |
| Unpaid claims, beginning of year | \$ 10,000 | \$ 30,000 | \$ 617,712 | \$ 521,698 | \$1,055,016 | \$ 844,204 |
| Incurred claims | 24,299 | 23,016 | 5,844,526 | 6,717,091 | 545,618 | 206,872 |
| Change in reserve | 20,000 | (20,000) | - | - | 684,643 | 210,812 |
| Claim payments | (24,299) | (23,016) | (5,824,003) | (6,621,077) | (545,618) | (206,872) |
| Unpaid claims, end of year | <u>\$ 30,000</u> | <u>\$ 10,000</u> | <u>\$ 638,235</u> | <u>\$ 617,712</u> | <u>\$1,739,659</u> | <u>\$ 1,055,016</u> |

V. Other information (continued)

B. Contingent liabilities and commitments

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

The City of Hagerstown is a defendant in various legal proceedings at June 30, 2020. 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 later 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 a separate irrevocable trust for administering the plan assets while continuing to pay for 100% of the actual claims incurred through normal operating and paygo cash in an effort to build the OPEB plan assets. During fiscal year 2020, 275 retirees and their 95 dependents were eligible for hospitalization and dental benefits.

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 \$350 monthly stipend to aid in the cost of acquiring a Medicare supplemental health insurance plan. Of the eligible retirees, 67 retirees and 43 dependents are provided the \$350 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.

Please note that the portion of associated liability for governmental activities that are liquidated for OPEB and pension liabilities are 100% liquidated by the City's General Fund. There is no separately issued stand-alone OPEB report other than information disclosed as part of this CAFR.

Investments: Rate of return. For the year ended June 30, 2020, the annual money-weighted rate of return of OPEB plan investments, net of the OPEB plan expense was 3.87%. The money-weighted rate of return reflects investment performance, net of investment expense, adjusted for the changing amounts actually invested.

V. Other information (continued)

C. Other post employment benefits (continued)

Net OPEB liability and OPEB Expense. For the year ended June 30, 2020, the city recognized OPEB expense of \$2,898,151. The components of the net OPEB liability as of June 30, 2020 were as follows:

| | |
|---|-----------------------------|
| Total OPEB Liability (TPL) | \$ 40,180,663 |
| Plan Fiduciary Net Position | <u>12,393,638</u> |
| City's Net OPEB Liability | <u><u>\$ 27,787,025</u></u> |
| City's Net Position as a Percentage of OPEB Liability | 30.84% |

The schedule below reflects the factors that impact net position liability and results as June 30, 2020:

| Total Fiduciary Liability | <u>2020</u> |
|--|-----------------------------|
| Total OPEB Liability | |
| Service Cost | \$ 363,917 |
| Interest Cost | 2,775,070 |
| Differences Between Expected and Actual Experience | - |
| Plan Changes | - |
| Assumption Changes | 911,457 |
| Benefit Payments | <u>(1,710,516)</u> |
| Net Change in Total OPEB Liability | 2,339,928 |
| Total OPEB liability-Beginning of Year | <u>37,840,735</u> |
| Total OPEB liability-End of Year | <u><u>\$ 40,180,663</u></u> |
| Plan Fiduciary Net Position | |
| Contributions-Employer | \$ 2,360,516 |
| Net Investment Income | 439,856 |
| Benefit Payments | <u>(1,710,516)</u> |
| Administrative Expense | <u>(34,928)</u> |
| Net Change in Fiduciary Net Position | 1,054,928 |
| Fiduciary Net Position-Beginning of Year | <u>11,338,710</u> |
| Fiduciary Net Position-End of Year | <u><u>\$ 12,393,638</u></u> |
| Net OPEB Liability | \$ 27,787,025 |
| Fiduciary Net Position as a % of Total OPEB Liability | 30.84% |
| Covered Employee Payroll | \$ 29,146,447 |
| Net OPEB Liability as a % of Payroll | 95% |
| Annual Money-Weighted Rate of Return, net of investment expense | 3.87% |

V. Other information (continued)

C. Other post employment benefits (continued)

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 last actuarial valuation date was June 30, 2019 with a measurement date of June 30, 2020. The actuarial methods and assumptions used include techniques that are designed to reduce short-term perspective of the calculations, and are as follows:

The unfunded liability is being amortized over a period of 30 years as a level percentage of payroll on an open basis.

Assumptions.

| | |
|---------------------------|--|
| Actuarial Cost Method | Entry Age Normal for GASB75. |
| Valuation of Assets | Market rate |
| Investment Rate of Return | 7.25% |
| Discount Rate | 7.25% |
| Mortality | Pub-2010 50% Public Safety/50% General Employees Headcount Weighted Mortality with Scale MP-2019 fully generational. |
| Turnover | T5 |
| Salary Scale | 4.25% |
| Trend Rates | Medical - 6.75% starting 2020 & decreasing linearly to 4.5% annually Dental - 3.0% increase annually |

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% |

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)

C. Other post employment benefits (continued)

The long term expected range of investment rate of returns are based on a blend of historical performance and forward looking assumptions as selected by the investment plan sponsor and are reflected below:

| Asset Class | Target % of Portfolio | Expected Rate of Return |
|-------------------------------|--------------------------|-------------------------------|
| Cash | 3.00% | 2.00% |
| Large-Cap Domestic Equities | 42.00% | 6.00% |
| Mid/Small Domestic Equities | 6.00% | 6.75% |
| International Equities | 15.00% | 8.50% |
| Real Estate Investment Trusts | 2.00% | 7.25% |
| Fixed Investment Grade Bonds | 30.00% | 4.75% |
| Fixed High Yield Bonds | 2.00% | 5.75% |
| Total | 100.00% | 7.25% |

Discount rate. The historical contribution amount, the current asset balance and the plan sponsor's assumed investment rate of returns are sufficient to cover the expected costs of the plan.

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability and what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point higher (8.25%) and 1 percentage point lower (6.25%):

| | 1% decrease 6.25% | Current rate 7.25% | 1% increase 8.25% |
|--------------------|----------------------|-----------------------|----------------------|
| Net OPEB Liability | \$ 31,508,092 | \$ 27,787,025 | \$ 24,600,999 |

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability and what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point higher (7.75% to 5.50%) and 1 percentage point lower (5.75% to 3.50%):

| | 1% decrease (5.75% to 3.5%) | Current rate (6.75% to 4.5%) | 1% increase (7.75% to 5.5%) |
|--------------------|--------------------------------|---------------------------------|--------------------------------|
| Net OPEB Liability | \$ 25,745,254 | \$ 27,787,025 | \$ 30,131,843 |

V. Other information (continued)

C. Other post employment benefits (continued)

OPEB deferred outflows of resources and deferred inflows of resources:

At June 30, 2020 the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following resources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences between expected and actual experience | \$ - | \$ 106,405 |
| Changes of assumptions | 2,014,089 | - |
| Net difference between projected and actual earnings on OPEB plan investments | 410,323 | - |
| Total | \$ 2,424,412 | \$ 106,405 |

Amounts reported as net deferred outflows and inflows of resources related to PEB will be recognized as OPEB expense as follows:

| Year Ended June 30: | |
|---------------------|---------------------|
| 2021 | \$ 597,286 |
| 2022 | 597,286 |
| 2023 | 854,504 |
| 2024 | 268,931 |
| 2025 | - |
| | <u>\$ 2,318,007</u> |

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. Please note that the portion of associated liability for governmental activities that are liquidated for these pension liabilities are 100% liquidated by the City's General Fund. 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

V. Other information (continued)

D. Employee retirement systems and pension plans (continued)

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 Retirement 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; active full-time sworn Police and Fire department; and Public Safety cadets and trainees that elect coverage 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 City's Police and Fire Retirement Plan consisted of the following as of July 1, 2019, the date of the most recent actuarial valuation:

| | |
|---------------------------------|------------|
| Active | 167 |
| Retired or disabled | 101 |
| Vested terminations or inactive | <u>8</u> |
| Total | <u>276</u> |

A plan participant 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) for those hired before July 1, 2018. Any employee hired after June 30, 2018, the multiplier changes to 1.8%. An employee will reach early retirement date on the first day of the month on or after the day the employee is age 50 and has at least 20 years of eligibility service which is an effective change as of July 1, 2018.

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.

V. Other information (continued)

D. Employee retirement systems and pension plans (continued)

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. Historically, the City contributes 100% of the minimum annual required contribution. Based on the July 1, 2019 actuarial valuation, sworn employees contribute 8.00% of their base pay and the current actuarially determined rate the government is required to contribute is 14.00% for fiscal year 2019/2020. As of June 30, 2020, the plan's net position was \$21,855,511 and included the following policy target asset allocation breakdown.

| Asset Class | Target Allocation |
|----------------------|-----------------------|
| Cash | 3.00% |
| Fixed Income | 32.00% |
| Domestic equity | 50.00% |
| International equity | 15.00% |
| Total | <u>100.00%</u> |

For the year ended June 30, 2020, the annual money weighted return on pension plan investments, net of investment expense was 4.78% 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 and pension expense. For the year ended June 30, 2020, the City recognized Police and Fire Retirement expense of \$2,951,094. The net pension liability is equal to the total pension liability minus the net position of the plan. The result as of June 30, 2020 is as follows:

| | |
|--|----------------------|
| Total Pension Liability (TPL) | \$ 55,925,829 |
| Plan Fiduciary Net Position | <u>21,855,511</u> |
| City's Net Pension Liability | <u>\$ 34,070,318</u> |
| City's Net Position as a Percentage of TPL | 39.08% |

V. Other information (continued)

D. Employee retirement systems and pension plans (continued)

The schedule below reflects the factors that impact net pension liability and results as of June 30, 2020:

| | |
|---|-----------------------------|
| Total pension liability | <u>2020</u> |
| Service cost: Retirement benefits | \$ 693,593 |
| Interest | 3,812,666 |
| Differences between expected and actual experience | 424,585 |
| Changes of assumptions | (90,917) |
| Benefit payments (includes member's contributions refunds, deaths, & terminations) | <u>(2,953,506)</u> |
| | \$ 1,886,421 |
| Total pension liability - beginning | <u>54,039,408</u> |
| Total pension liability - ending (a) | <u><u>\$ 55,925,829</u></u> |
| Plan fiduciary net position | |
| Contributions - employer | \$ 1,456,144 |
| Contributions - member | 839,930 |
| Net investment income | 1,004,169 |
| Benefit payments (includes member's contributions refunds, deaths, & terminations) | (2,953,506) |
| Administrative expense | <u>(81,692)</u> |
| | 265,045 |
| Plan fiduciary net position - beginning | <u>21,590,466</u> |
| Plan fiduciary net position - ending (b) | <u><u>\$ 21,855,511</u></u> |
| City's net pension liability - ending (a) - (b) | <u><u>\$ 34,070,318</u></u> |
| Plan fiduciary net position as a percentage of total pension liability | 39.08% |
| Covered payroll | \$ 10,423,153 |
| Net liability as a percentage of covered payroll | 326.87% |
| Annual money-weighted rate of return, net of investment expense | 4.78% |

V. Other information (continued)

D. Employee retirement systems and pension plans (continued)

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 7.25%, as well as what the plan's net pension liability would be if it was calculated using a discount rate that is 1 percent lower (6.25%) or 1 percent higher (8.25%) than the current rate:

| | 1% decrease 6.25% | Current rate 7.25% | 1% increase 8.25% |
|-----------------------|----------------------|-----------------------|----------------------|
| Net Pension Liability | \$ 41,767,797 | \$ 34,070,318 | \$ 27,727,431 |

Deferred outflows and inflows of resources related to pensions. As of June 30, 2020, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ - | \$ 795,446 |
| Changes of assumptions | 1,657,789 | - |
| Net difference between projected and actual earnings on pension plan investments | 365,114 | - |
| Total | \$ 2,022,903 | \$ 795,446 |

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

| Year Ended June 30: | |
|---------------------|---------------------|
| 2021 | \$ 509,745 |
| 2022 | 561,504 |
| 2023 | (17,489) |
| 2024 | 173,697 |
| | <u>\$ 1,227,457</u> |

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 82.

V. Other information (continued)

D. Employee retirement systems and pension plans (continued)

Actuarial methods and assumptions. The annual required contribution for the current year was determined as part of the July 1, 2019 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 25 years. The actuarial assumptions included:

- (a) Investment return – 7.25% 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 – PUB-2010 Mortality Table for Public Safety with projection scale MP-2019, fully generational
- (g) Turnover – Pre-retirement for retirement and spousal benefits is T8
- (h) Inflation – 2.25%

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, 2020 is as follows:

| | % of Portfolio | Assumed Rate of Return | Inflation | Expected Real Rate of Return |
|-------------------------------|----------------|------------------------|--------------|------------------------------|
| Cash | 3.00% | 2.00% | 0.00% | 2.00% |
| Large-Cap Domestic Equities | 38.40% | 9.25% | 2.25% | 7.25% |
| Mid/Small Domestic Equities | 8.10% | 8.00% | 2.25% | 5.75% |
| Global Domestic Equities | 1.30% | 5.25% | 2.25% | 3.00% |
| International/Global Equities | 14.70% | 5.25% | 2.25% | 3.00% |
| Real Estate Investment Trusts | 2.10% | 6.25% | 2.25% | 4.00% |
| Fixed Investment Grade Bonds | 30.20% | 4.50% | 2.25% | 2.25% |
| Fixed High Yield Bonds | 2.20% | 7.50% | 2.25% | 5.25% |
| Total | 100.00% | 6.00% | 2.25% | 4.06% |

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

V. Other information (continued)

D. Employee retirement systems and pension plans (continued)

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 public safety 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.

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> |
|--------------------|------------------------------|----------------------------|-------------------------------|
| 2020 | \$ 1,960,441 | \$ 1,960,441 | 100% |

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: As of June 30, 2020, the City reported a liability of \$18,664,243 for its proportionate share of the net pension liability. The net Pension liability was measured as of June 30, 2019, 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, 2019, the City's proportion was 0.0905 percent.

V. Other information (continued)

D. Employee retirement systems and pension plans (continued)

For the year ended June 30, 2020, the City recognized pension expense of \$2,375,495. As of June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| City contributions subsequent to the measurement date | \$ 1,960,441 | \$ - |
| Changes of assumptions | - | 374,611 |
| Net difference between projected and actual earnings on pension plan investments | 391,501 | - |
| Difference between actual and expected experience | - | 1,060,554 |
| Total | \$ 2,351,942 | \$ 1,435,165 |

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: | |
|---------------------|-------------|
| 2021 | \$ (88,455) |
| 2022 | (534,117) |
| 2023 | (164,133) |
| 2024 | (117,849) |
| 2025 | (139,110) |

Actuarial Assumptions: The key actuarial assumptions used to perform the June 30, 2019 pension liability calculation are as follows:

| | |
|---------------------------|---|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level Percentage of Payroll, closed |
| Inflation | 2.65% general, 3.15% wage |
| Salary Increases | 3.10% to 11.60%, including wage inflation |
| Investment Rate of Return | 7.40% |

Mortality rates were based on the Public Sector 2010 Mortality Tables; MP-2018 Mortality improvement scale.

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

V. Other information (continued)

D. Employee retirement systems and pension plans (continued)

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 | 37.00% | 6.30% |
| Rate Sensitive | 19.00% | 1.30% |
| Credit Opportunity | 9.00% | 3.90% |
| Real Assets | 14.00% | 4.50% |
| Absolute Return | 8.00% | 3.00% |
| Private Equity | 13.00% | 7.50% |
| Total | 100.00% | |

Discount Rate: The discount rate used to measure the total pension liability was 7.40 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 7.40 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 (6.40 percent) or 1 percentage point higher (8.40 percent) than the current rate:

| | 1% decrease 6.40% | Current rate 7.40% | 1% increase 8.40% |
|---|----------------------|-----------------------|----------------------|
| City's proportionate share of the Net Pension Liability | \$ 27,014,624 | \$ 18,664,243 | \$ 11,709,429 |

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, 2019. This can be found at <https://sra.maryland.gov/annual-financial-reports>.

V. Other information (continued)

D. Employee retirement systems and pension plans (continued)

All City Pension Plans

The chart below reflects total city dollars and amounts for liabilities, assets, deferred outflows, deferred inflows, and pension expense recognized.

| | | MD State Retirement System (MSRS) | Police & Fire Employees Retirement Plan | Total All Pension Plans |
|--|------------|--|--|------------------------------------|
| Net Pension Liability (NPL) | Beginning | \$ 18,366,875 | \$ 32,448,942 | \$ 50,815,817 |
| | End | 18,664,243 | 34,070,318 | 52,734,561 |
| Pension Assets | Beginning | 45,368,523 | 21,590,466 | 66,958,989 |
| | End | 48,813,724 | 21,855,511 | 70,669,235 |
| Deferred Outflow of Resources | | 2,351,942 | 2,022,903 | 4,374,845 |
| Deferred Inflow of Resources | | 1,435,165 | 795,446 | 2,230,611 |
| Pension Expense Recognized per Actuary | | 2,375,495 | 2,951,094 | 5,326,589 |

Required Supplementary Information

The City of Hagerstown Other Post Employment Benefits Plan

Schedule of Changes in Net OPEB Liability and Related Ratios Last Four Fiscal Years

| Total Fiduciary Liability | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|---|----------------------|----------------------|----------------------|----------------------|
| Total OPEB Liability | | | | |
| Service Cost | \$ 363,917 | \$ 352,137 | \$ 355,153 | \$ 402,527 |
| Interest Cost | 2,775,070 | 2,493,422 | 2,677,681 | 2,601,151 |
| Differences Between Expected and Actual Experience | - | 662,512 | (1,259,781) | - |
| Plan Changes | - | - | (2,268,178) | - |
| Assumption Changes | 911,457 | 2,139,103 | 3,656 | - |
| Benefit Payments | (1,710,516) | (2,066,757) | (1,867,491) | (2,094,941) |
| Net Change in Total OPEB Liability | <u>2,339,928</u> | <u>3,580,417</u> | <u>(2,358,960)</u> | <u>908,737</u> |
| Total OPEB liability-Beginning of Year | <u>37,840,735</u> | <u>34,260,318</u> | <u>36,619,278</u> | <u>35,710,541</u> |
| Total OPEB liability-End of Year | <u>\$ 40,180,663</u> | <u>\$ 37,840,735</u> | <u>\$ 34,260,318</u> | <u>\$ 36,619,278</u> |
| | | | | |
| Plan Fiduciary Net Position | | | | |
| Contributions-Employer | \$ 2,360,516 | \$ 2,716,757 | \$ 2,517,491 | \$ 2,744,941 |
| Net Investment Income | 439,856 | 651,530 | 708,254 | 886,273 |
| Benefit Payments | (1,710,516) | (2,066,757) | (1,867,491) | (2,094,941) |
| Administrative Expense | (34,928) | (27,805) | (35,391) | (23,374) |
| Net Change in Fiduciary Net Position | <u>1,054,928</u> | <u>1,273,725</u> | <u>1,322,863</u> | <u>1,512,899</u> |
| Fiduciary Net Position-Beginning of Year | <u>11,338,710</u> | <u>10,064,985</u> | <u>8,742,121</u> | <u>7,229,222</u> |
| Fiduciary Net Position-End of Year | <u>\$ 12,393,638</u> | <u>\$ 11,338,710</u> | <u>\$ 10,064,985</u> | <u>\$ 8,742,121</u> |
| | | | | |
| Net OPEB Liability | \$ 27,787,025 | \$ 26,502,025 | \$ 24,195,333 | \$ 27,877,157 |
| Fiduciary Net Position as a % of Total OPEB Liability | 30.84% | 29.96% | 29.38% | 23.87% |
| | | | | |
| Covered Employee Payroll | \$ 29,146,447 | \$ 28,761,598 | \$ 28,483,725 | \$ 27,837,939 |
| Net OPEB Liability as a % of Payroll | 95% | 92% | 85% | 100% |
| Annual Money-Weighted Rate of Return, | 3.87% | 6.20% | 7.70% | 11.94% |

Notes to Schedule:

This schedule is presented to illustrate the requirement to reflect information for 10 years. Information prior to June 30, 2017 is not available.

Required Supplementary Information

The City of Hagerstown Other Post Employment Benefits Plan

Schedule of Contributions Last Four Fiscal Years

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--|--------------------|---------------------|--------------------|---------------------|
| Actuarially determined contribution | \$ 2,553,504 | \$ 2,400,786 | \$ 2,715,546 | \$ 1,793,272 |
| Contributions in relation to the actuarially determined contribution | <u>(2,360,516)</u> | <u>(2,716,757)</u> | <u>(2,517,491)</u> | <u>(2,744,941)</u> |
| Contribution Deficiency (Excess) | <u>\$ 192,988</u> | <u>\$ (315,971)</u> | <u>\$ 198,055</u> | <u>\$ (951,669)</u> |
| | | | | |
| Covered Employee Payroll | \$ 29,146,447 | \$ 28,761,598 | \$ 28,483,725 | \$ 27,837,939 |
| Contributions as a Percentage of Covered Employee Payroll | 8.10% | 9.45% | 8.84% | 9.86% |

Notes to Schedule

Methods and Assumptions used to determine contribution rates:

| | |
|---------------------------|--|
| Actuarial cost method | Entry Age Normal for GASB75 |
| Amortization method | Level percentage of payroll |
| Amortization period | 30 years |
| Asset Valuation Method | Assets are valued at market value |
| Healthcare Cost Trends | Medical Costs are assumed to increase annually at rate starting at 6.75% in 2020; decreasing linearly to an annual increase of 4.50%. Dental costs are assumed to increase 3.00% annually. |
| Salary Increases | 4.25% per year |
| Investment Rate of Return | 7.25% as selected by the Plan Sponsor |
| Retirement Age | 100% Age 62 & 5+ Years of Service; 50% Age 55 & 15+ of Service; 100% 25+ Years of Service |
| Mortality | Pub-2010 50% Public Safety; MP-2019 fully generational General Employees |

The contributions are not based on measure of pay and covered employee payroll is the measure of payroll for the OPEB plan.

This schedule is presented to illustrate the requirement to reflect information for 10 years. Information prior to June 30, 2017 is not available.

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 Six Fiscal Years

| Total pension liability | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Service cost: Retirement benefits | \$ 693,593 | \$ 871,348 | \$ 873,381 | \$ 818,483 | \$ 751,552 | \$ 574,841 |
| Interest | 3,812,666 | 3,868,003 | 3,763,614 | 3,590,998 | 3,510,534 | 3,347,378 |
| Changes of benefit terms | - | (1,373,052) | - | - | - | - |
| Differences between expected and actual experience | 424,585 | (2,012,735) | (24,097) | 410,836 | (420,327) | - |
| Changes of assumptions | (90,917) | 872,301 | 3,017,852 | - | 195,086 | - |
| Benefit payments (includes member's contributions refunds, deaths, & terminations) | <u>(2,953,506)</u> | <u>(3,023,539)</u> | <u>(2,663,168)</u> | <u>(2,525,420)</u> | <u>(2,421,115)</u> | <u>(2,268,315)</u> |
| | \$ 1,886,421 | \$ (797,674) | \$ 4,967,582 | \$ 2,294,897 | \$ 1,615,729 | \$ 1,653,903 |
| Total pension liability - beginning | <u>54,039,408</u> | <u>54,837,082</u> | <u>49,869,501</u> | <u>47,574,604</u> | <u>45,958,874</u> | <u>44,304,971</u> |
| Total pension liability - ending (a) | <u>\$ 55,925,829</u> | <u>\$ 54,039,408</u> | <u>\$ 54,837,082</u> | <u>\$ 49,869,501</u> | <u>\$ 47,574,603</u> | <u>\$ 45,958,874</u> |
| Plan fiduciary net position | | | | | | |
| Contributions - employer | \$ 1,456,144 | \$ 1,520,609 | \$ 1,373,832 | \$ 1,249,915 | \$ 1,408,922 | \$ 1,155,675 |
| Contributions - member | 839,930 | 868,254 | 694,617 | 632,200 | 728,171 | 604,317 |
| Net investment income | 1,004,169 | 1,313,844 | 1,631,732 | 2,097,503 | 79,333 | 958,835 |
| Benefit payments (includes member's contributions refunds, deaths, & terminations) | (2,953,506) | (3,023,539) | (2,663,168) | (2,525,420) | (2,421,115) | (2,268,315) |
| Administrative expense | (81,692) | (132,378) | (127,872) | (116,599) | (109,198) | (129,778) |
| | 265,045 | 546,789 | 909,141 | 1,337,599 | (313,887) | 320,733 |
| Plan fiduciary net position - beginning | 21,590,466 | 21,043,677 | 20,134,537 | 18,796,938 | 19,110,825 | 18,790,093 |
| Plan fiduciary net position - ending (b) | <u>\$ 21,855,511</u> | <u>\$ 21,590,466</u> | <u>\$ 21,043,678</u> | <u>\$ 20,134,537</u> | <u>\$ 18,796,938</u> | <u>\$ 19,110,825</u> |
| City's net pension liability - ending (a) - (b) | <u>\$ 34,070,318</u> | <u>\$ 32,448,942</u> | <u>\$ 33,793,404</u> | <u>\$ 29,734,964</u> | <u>\$ 28,777,665</u> | <u>\$ 26,848,049</u> |
| Plan fiduciary net position as a percentage of total pension liability | 39.08% | 39.95% | 38.37% | 40.37% | 39.51% | 41.58% |
| Covered payroll | \$ 10,423,153 | \$ 9,974,641 | \$ 10,061,909 | \$ 9,727,339 | \$ 9,714,880 | \$ 9,475,504 |
| Net liability as a percentage of covered payroll | 326.87% | 325.31% | 335.85% | 305.68% | 296.22% | 283.34% |
| Annual money-weighted rate of return, net of investment expense | 4.78% | 5.61% | 7.47% | 10.54% | -0.16% | 4.41% |

Notes to Schedule:

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

Required Supplementary Information

The City of Hagerstown Police and Fire Employees' Retirement Plan

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

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|--|--------------|--------------|---------------|--------------|--------------|--------------|--------------|-------------|
| Actuarially determined contribution | \$ 1,456,144 | \$ 1,390,831 | \$ 1,400,050 | \$ 1,353,475 | \$ 1,312,319 | \$ 1,252,278 | \$ 1,024,869 | \$ 965,733 |
| Contributions in relation to the actuarially determined contribution | \$ 1,456,144 | \$ 1,390,831 | \$ 1,400,050 | \$ 1,353,475 | \$ 1,312,319 | \$ 1,252,278 | \$ 1,024,869 | \$ 965,733 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered payroll | \$10,423,153 | \$9,974,641 | \$ 10,061,909 | \$9,727,339 | \$9,714,880 | \$9,475,504 | \$8,009,496 | \$8,764,142 |
| Contributions as a percentage of covered payroll | 13.97% | 13.94% | 13.91% | 13.91% | 13.51% | 13.22% | 12.80% | 11.02% |

Notes to schedule:

Valuation date: Employee data as of July 1, 2019 and assumption information as of June 30, 2020

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 | 25 years |
| Asset valuation method | Market value |
| Inflation | 2.25% per year |
| Salary increases | 4.25% per year |
| Investment rate of return | 7.25% |
| Retirement age | 50% upon 25 years of service, and 50% per year upon 30 years of service, or 100% at age 62 |
| Mortality | Pub-2010 Mortality Table for Public Safety with projection scale MP-2019, fully generational |
| Cost of living adjustment | None |

This schedule is presented to illustrate the requirement to reflect information for 10 years. Information prior to June 30, 2013 is not available.

Required Supplementary Information

State of Maryland Retirement and Pension Plan

Schedule of Proportionate Share of the Net Pension Liability-Employee Retirement System (ERS) Last Six Fiscal Years

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
| City's proportion of the ERS net pension liability (asset) | 0.0905% | 0.0875% | 0.0820% | 0.0856% | 0.0865% | 0.0762% |
| City's proportionate share of the ERS net pension liability (asset) | \$ 18,664,243 | \$ 18,366,875 | \$ 17,739,302 | \$ 20,203,134 | \$ 17,987,564 | \$ 13,529,649 |
| City's covered payroll | \$16,012,062 | \$15,794,817 | \$14,529,094 | \$14,841,869 | \$15,093,193 | \$ 15,021,461 |
| Plan fiduciary net position as a percentage of the total pension liability | 72.34% | 71.18% | 69.38% | 65.79% | 68.78% | 71.87% |

Notes to Schedule:

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

City covered payroll listed above represents payroll as of the MSRS measurement date.

Required Supplementary Information

State of Maryland Retirement and Pension Plan

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

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Contractually required contribution (ERS) | \$ 1,858,224 | \$ 1,745,575 | \$ 1,669,720 | \$ 1,668,108 | \$ 1,824,341 | \$ 1,776,607 |
| Contributions in relation to the contractually required contribution | <u>(1,858,224)</u> | <u>(1,745,575)</u> | <u>(1,669,720)</u> | <u>(1,668,108)</u> | <u>(1,824,341)</u> | <u>(1,776,607)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> |
| City's covered payroll | \$16,012,062 | \$15,794,817 | \$14,529,094 | \$14,841,869 | \$15,093,193 | \$15,021,461 |
| Contributions as a percentage of covered payroll | 11.61% | 11.05% | 11.49% | 11.24% | 12.09% | 11.83% |

Notes to schedule:

Methods and assumptions used to determine contribution rates:

| | |
|---------------------------|--|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level Percentage of Payroll, closed |
| Inflation | 2.65% general, 3.15% wage |
| Salary Increases | 3.10% to 11.60%, including wage inflation |
| Discount Rate | 7.40% |
| Investment Rate of Return | 7.40% |
| Mortality | Public Sector 2010 Mortality Tables; MP-2018 Mortality improvement scale |

Notes to Schedule:

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

City of Hagerstown, Maryland
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2020

| | Budgeted Amounts | | 2020 Actual | Variance with Final Budget - Positive (Negative) | 2019 Actual | Increase/ (Decrease) Over Prior Year |
|--|-------------------|-------------------|-------------------|---|-------------------|---|
| | Original | Final | | | | |
| Revenues and Transfers | | | | | | |
| General Property Taxes: | | | | | | |
| Current year's levy | \$ 29,068,219 | \$ 29,068,219 | \$ 29,525,075 | \$ 456,856 | \$ 29,197,499 | \$ 327,576 |
| Prior year's levy - net | (101,000) | (101,000) | (41,604) | 59,396 | (127,361) | 85,757 |
| Payments in lieu of taxes | 2,775,100 | 2,775,100 | 2,801,825 | 26,725 | 2,778,005 | 23,820 |
| Interest on delinquent taxes | 160,000 | 160,000 | 148,161 | (11,839) | 235,741 | (87,580) |
| | <u>31,902,319</u> | <u>31,902,319</u> | <u>32,433,457</u> | <u>531,138</u> | <u>32,083,884</u> | <u>349,573</u> |
| Less discounts allowed | (34,000) | (34,000) | (34,092) | (92) | (36,130) | 2,038 |
| Total General Property Taxes | <u>31,868,319</u> | <u>31,868,319</u> | <u>32,399,365</u> | <u>531,046</u> | <u>32,047,754</u> | <u>351,611</u> |
| Income and Other Taxes: | | | | | | |
| Income tax | 2,550,000 | 2,586,251 | 2,838,385 | 252,134 | 2,746,653 | 91,732 |
| Admission | 350,000 | 350,000 | 182,599 | (167,401) | 360,785 | (178,186) |
| Enterprise zone tax credits | 10,815 | 10,815 | 10,066 | (749) | 11,054 | (988) |
| Police protection | 730,000 | 730,000 | 693,469 | (36,531) | 736,490 | (43,021) |
| State aid for fire service | 70,000 | 70,000 | 77,865 | 7,865 | 77,933 | (68) |
| State highway user revenue | 275,000 | 275,000 | 275,000 | - | - | 275,000 |
| Financial corporations | 34,214 | 34,214 | 34,214 | - | 34,214 | - |
| Hotel/motel room tax | 205,000 | 205,000 | 157,258 | (47,742) | 219,975 | (62,717) |
| Total Income and Other Taxes | <u>4,225,029</u> | <u>4,261,280</u> | <u>4,268,856</u> | <u>7,576</u> | <u>4,187,104</u> | <u>81,752</u> |
| Licenses and Permits: | | | | | | |
| Residential rental licenses | 750,000 | 750,000 | 597,682 | (152,318) | 659,933 | (62,251) |
| Cable television franchise | 180,000 | 180,000 | 331,977 | 151,977 | 330,862 | 1,115 |
| Traders | 100,000 | 100,000 | 85,860 | (14,140) | 106,084 | (20,224) |
| Building permits | 340,000 | 340,000 | 408,068 | 68,068 | 419,724 | (11,656) |
| Electrical permits | 120,000 | 120,000 | 114,199 | (5,801) | 109,201 | 4,998 |
| Plumbing permits | 75,000 | 75,000 | 61,536 | (13,464) | 68,127 | (6,591) |
| Other | 548,850 | 678,241 | 545,101 | (133,140) | 450,894 | 94,207 |
| Total Licenses and Permits | <u>2,113,850</u> | <u>2,243,241</u> | <u>2,144,423</u> | <u>(98,818)</u> | <u>2,144,825</u> | <u>(402)</u> |
| Intergovernmental Grant Revenues: | | | | | | |
| Federal grants | 57,320 | 66,255 | 71,784 | 5,529 | 164,310 | (92,526) |
| State and local grants | 351,544 | 366,544 | 347,773 | (18,771) | 361,546 | (13,773) |
| Total Intergovernmental Grant Revenues | <u>408,864</u> | <u>432,799</u> | <u>419,557</u> | <u>(13,242)</u> | <u>525,856</u> | <u>(106,299)</u> |
| Service Charges: | | | | | | |
| Refuse collection fees | 2,774,075 | 2,774,075 | 2,800,885 | 26,810 | 2,772,303 | 28,582 |
| Stadium | - | - | - | - | - | - |
| Swimming pool | 69,900 | 69,900 | 53,973 | (15,927) | 65,303 | (11,330) |
| Other | 847,227 | 857,227 | 478,074 | (379,153) | 949,883 | (471,809) |
| Total Service Charges | <u>3,691,202</u> | <u>3,701,202</u> | <u>3,332,932</u> | <u>(368,270)</u> | <u>3,787,489</u> | <u>(454,557)</u> |
| Fines and Forfeitures: | | | | | | |
| Safe Speed for School | 900,000 | 900,000 | 742,947 | (157,053) | 767,178 | (24,231) |
| Red Light Program | 200,000 | 200,000 | 132,223 | (67,777) | 143,995 | (11,772) |
| Other | 184,900 | 184,900 | 91,045 | (93,855) | 38,689 | 52,356 |
| Total Fines and Forfeitures | <u>1,284,900</u> | <u>1,284,900</u> | <u>966,215</u> | <u>(318,685)</u> | <u>949,862</u> | <u>16,353</u> |
| Unallocated General Revenues: | | | | | | |
| Administrative allocation | 1,997,500 | 1,997,500 | 1,997,500 | - | 1,997,500 | - |
| Interest on investments | 100,000 | 100,000 | 271,164 | 171,164 | 264,024 | 7,140 |
| Sale of land & other property | 4,500 | 4,500 | 31,654 | 27,154 | 44,524 | (12,870) |
| Miscellaneous | 91,050 | 91,050 | 115,505 | 24,455 | 146,377 | (30,872) |
| Total Unallocated General Revenues | <u>2,193,050</u> | <u>2,193,050</u> | <u>2,415,823</u> | <u>222,773</u> | <u>2,452,425</u> | <u>(36,602)</u> |
| Total Revenues | 45,785,214 | 45,984,791 | 45,947,171 | (37,620) | 46,095,315 | (148,144) |

* 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, 2020

| | Budgeted Amounts | | 2020 Actual | Variance with Final Budget - Positive (Negative) | 2019 Actual | Increase/ (Decrease) Over Prior Year |
|--|------------------|---------------|----------------|---|----------------|---|
| | Original | Final | | | | |
| Revenues and Transfers (continued) | | | | | | |
| Other Financing Sources: | | | | | | |
| Debt issued | 32,100 | - | - | - | - | - |
| Transfers from community development fund | 24,960 | 24,960 | 28,450 | 3,490 | 15,648 | 12,802 |
| Transfers from CIP Fund | - | 32,100 | 32,100 | - | 12,364 | 19,736 |
| Transfers from health insurance fund | 580,000 | 580,000 | 580,000 | - | 536,815 | 43,185 |
| Budgeted use of fund balance | 818,000 | 1,746,348 | - | (1,746,348) | - | - |
| Total Other Financing Sources | 1,455,060 | 2,383,408 | 640,550 | (1,742,858) | 564,827 | 75,723 |
| Total Revenues and Other Financing Sources | \$ 47,240,274 | \$ 48,368,199 | \$ 46,587,721 | \$ (1,780,478) | \$ 46,660,142 | \$ (72,421) |
| Expenditures and Transfers | | | | | | |
| General Government: | | | | | | |
| Council | \$ 143,646 | 143,646 | 137,771 | \$ 5,875 | \$ 137,063 | \$ 708 |
| Mayor | 65,312 | 65,312 | 62,088 | 3,224 | 62,589 | (501) |
| City administrator | 264,400 | 264,400 | 208,312 | 56,088 | 306,109 | (97,797) |
| City clerk | 163,974 | 163,974 | 163,963 | 11 | 161,346 | 2,617 |
| Legal counsel | 268,000 | 268,000 | 163,066 | 104,934 | 181,681 | (18,615) |
| Public functions | 402,576 | 417,576 | 270,465 | 147,111 | 405,648 | (135,183) |
| Communications | 313,325 | 293,325 | 245,076 | 48,249 | 249,183 | (4,107) |
| Finance and accounting | 776,280 | 767,682 | 750,926 | 16,756 | 760,370 | (9,444) |
| Information technology | 896,458 | 885,991 | 974,179 | (88,188) | 887,810 | 86,369 |
| Customer Services & Billing | 495,421 | 495,421 | 512,055 | (16,634) | 507,646 | 4,409 |
| Planning | 435,714 | 445,714 | 436,383 | 9,331 | 425,429 | 10,954 |
| Annexation | 8,800 | 8,800 | 6,468 | 2,332 | 3,435 | 3,033 |
| City hall expenditures | 259,090 | 259,090 | 286,397 | (27,307) | 233,250 | 53,147 |
| City engineer | 1,112,604 | 1,119,504 | 1,047,097 | 72,407 | 1,052,459 | (5,362) |
| Human resources | 634,682 | 661,682 | 611,255 | 50,427 | 610,602 | 653 |
| Total General Government | 6,240,282 | 6,260,117 | 5,875,501 | 384,616 | 5,984,620 | (109,119) |
| Public Safety: | | | | | | |
| Police department | 14,330,119 | 14,302,655 | 13,550,181 | 752,474 | 13,339,036 | 211,145 |
| Fire department | 8,206,032 | 8,196,687 | 8,262,421 | (65,734) | 7,841,000 | 421,421 |
| Code enforcement | 1,633,562 | 1,633,562 | 1,433,743 | 199,819 | 1,478,837 | (45,094) |
| Signal department | 576,084 | 576,084 | 528,572 | 47,512 | 510,717 | 17,855 |
| Total Public Safety | 24,745,797 | 24,708,988 | 23,774,917 | 934,071 | 23,169,590 | 605,327 |
| Highways and Streets: | | | | | | |
| General street department operations | 1,298,186 | 1,292,015 | 1,425,526 | (133,511) | 1,433,834 | (8,308) |
| Snow removal | 263,265 | 201,448 | 110,812 | 90,636 | 411,389 | (300,577) |
| Central maintenance garage | 552,738 | 552,738 | 492,683 | 60,055 | 489,062 | 3,621 |
| Stormwater Management | 760,950 | 765,539 | 615,209 | 150,330 | 723,547 | (108,338) |
| Total Highways and Streets | 2,875,139 | 2,811,740 | 2,644,230 | 167,510 | 3,057,832 | (413,602) |
| Waste, Collection and Disposal | 2,598,814 | 2,598,814 | 2,622,380 | (23,566) | 2,562,818 | 59,562 |
| Culture and Recreation: | | | | | | |
| City parks | 1,856,046 | 1,832,170 | 1,774,345 | 57,825 | 1,650,565 | 123,780 |
| Swimming pool | 175,375 | 175,375 | 176,049 | (674) | 203,903 | (27,854) |
| Farmers market | 76,672 | 76,672 | 72,679 | 3,993 | 68,215 | 4,464 |
| Stadium | 38,087 | 38,087 | 43,109 | (5,022) | 64,553 | (21,444) |
| Recreation department | 562,791 | 562,791 | 564,254 | (1,463) | 493,329 | 70,925 |
| Hager house and 202 train museum | 72,523 | 72,523 | 96,523 | (24,000) | 129,453 | (32,930) |
| Total Culture and Recreation | 2,781,494 | 2,757,618 | 2,726,959 | 30,659 | 2,610,018 | 116,941 |

* 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, 2020

| | Budgeted Amounts | | 2020 Actual | Variance with Final Budget - Positive (Negative) | 2019 Actual | Increase/ (Decrease) Over Prior Year |
|---|----------------------|----------------------|----------------------|---|----------------------|---|
| | Original | Final | | | | |
| Expenditures and Transfers (continued) | | | | | | |
| Economic and Community Development: | | | | | | |
| Economic development | 607,691 | 671,609 | 602,568 | 69,041 | 792,815 | (190,247) |
| Total Economic and Community Development | 607,691 | 671,609 | 602,568 | 69,041 | 792,815 | (190,247) |
| Unallocated General Expenditures: | | | | | | |
| Retiree benefits | 1,486,600 | 1,486,600 | 1,467,795 | 18,805 | 1,460,418 | 7,377 |
| Contributions to other agencies | 242,100 | 242,100 | 238,600 | 3,500 | 449,600 | (211,000) |
| Inventory adjustments | 10,000 | 10,000 | 6,425 | 3,575 | 4,314 | 2,111 |
| Budget contingency | 25,000 | - | - | - | - | - |
| Total Unallocated General Expenditures | 1,763,700 | 1,738,700 | 1,712,820 | 25,880 | 1,914,332 | (201,512) |
| Debt Service: | | | | | | |
| Principal | 2,163,338 | 2,163,338 | 2,243,851 | (80,513) | 1,863,362 | 380,489 |
| Interest | 705,971 | 705,971 | 704,124 | 1,847 | 634,902 | 69,222 |
| Issuance Costs | 2,428 | 2,428 | 1,778 | 650 | 34,520 | (32,742) |
| Total Debt Service | 2,871,737 | 2,871,737 | 2,949,753 | (78,016) | 2,532,784 | 416,969 |
| Total Expenditures | \$ 44,484,654 | \$ 44,419,323 | \$ 42,909,128 | \$ 1,510,195 | \$ 42,624,809 | \$ 284,319 |
| Other Financing Uses: | | | | | | |
| Transfers to golf course fund | 272,555 | 272,555 | 272,555 | - | 273,477 | (922) |
| Transfers to grant revenue fund | - | 11,297 | 11,295 | 2 | 24,956 | (13,661) |
| Transfers to economic redevelopment fund | 975,000 | 975,000 | 975,500 | (500) | 674,500 | 301,000 |
| Transfers to capital projects fund | 688,625 | 997,562 | 997,562 | - | 1,105,492 | (107,930) |
| Transfers from FB reserves to capital projects fund | 818,000 | 1,746,348 | 1,311,227 | 435,121 | 205,419 | 1,105,808 |
| Transfers from FB reserves to economic redevelopment fund | - | - | - | - | 1,672 | (1,672) |
| Total Other Financing Uses | 2,754,180 | 4,002,762 | 3,568,139 | 434,623 | 2,285,516 | 1,282,623 |
| Total Expenditures and Other Financing Uses | 47,238,834 | 48,422,085 | 46,477,267 | 1,944,818 | 44,910,325 | 1,566,942 |
| Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses | 1,440 | (53,886) | 110,454 | 164,340 | 1,749,817 | (1,639,363) |
| Fund balances - beginning | 13,373,607 | 13,373,607 | 13,373,607 | - | 11,623,790 | 1,749,817 |
| Fund balances - ending | \$ 13,375,047 | \$ 13,319,721 | \$ 13,484,061 | \$ 164,340 | \$ 13,373,607 | \$ 110,454 |

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, 2020

| | Budgeted Amounts | | 2020 Actual | Variance with Final Budget - Positive (Negative) | 2019 Actual | Increase/ (Decrease) Over Prior Year |
|---|----------------------------|----------------------------|----------------------------|---|----------------------------|---|
| | Original | Final | | | | |
| Revenues | | | | | | |
| Intergovernmental grant revenues | \$ 2,865,000 | \$ 2,853,853 | \$ 812,274 | \$ (2,041,579) | \$ 577,275 | \$ 234,999 |
| Income and other taxes | 1,448,000 | 1,283,316 | 1,283,316 | - | 1,375,305 | (91,989) |
| Contributions and donations | 73,500 | 183,049 | 193,958 | 10,909 | 267,851 | (73,893) |
| Interest income | - | 388 | 108,057 | 107,669 | 112,883 | (4,826) |
| Rental Income | 35,000 | - | - | - | 35,000 | (35,000) |
| Other revenues | - | - | 82,636 | 82,636 | 29,904 | 52,732 |
| Total revenues | <u>4,421,500</u> | <u>4,320,606</u> | <u>2,480,241</u> | <u>(1,840,365)</u> | <u>2,398,218</u> | <u>82,023</u> |
| Expenditures | | | | | | |
| General government projects | 5,773,000 | 6,965,411 | 3,301,280 | 3,664,131 | 3,403,346 | (102,066) |
| Public safety projects | 5,922,416 | 6,370,719 | 2,761,786 | 3,608,933 | 1,418,964 | 1,342,822 |
| Highways and streets projects | 1,819,000 | 1,889,256 | 515,662 | 1,373,594 | 764,410 | (248,748) |
| Culture and recreation | 903,000 | 1,094,856 | 712,545 | 382,311 | 494,199 | 218,346 |
| Total expenditures | <u>14,417,416</u> | <u>16,320,242</u> | <u>7,291,273</u> | <u>9,028,969</u> | <u>6,080,919</u> | <u>1,210,354</u> |
| Excess (deficiency) of revenues over (under) expenditures | (9,995,916) | (11,999,636) | (4,811,032) | 7,188,604 | (3,682,701) | (1,128,331) |
| Other Financing Sources (Uses) | | | | | | |
| Bond financing Current Year | 3,029,272 | 3,024,272 | - | (3,024,272) | 3,105,000 | (3,105,000) |
| Transfers in: | | | | | | |
| Forest Conservation fund | 40,000 | 40,000 | 37,870 | - | - | - |
| General fund | 1,506,625 | 2,743,910 | 2,308,789 | (435,121) | 1,310,911 | 997,878 |
| Electric fund | 58,125 | 58,125 | 58,125 | - | 4,000 | 54,125 |
| Water fund | 58,125 | 58,125 | 58,125 | - | 4,000 | 54,125 |
| Wastewater fund | 58,125 | 58,125 | 58,125 | - | 4,000 | 54,125 |
| Community development block grant fund | 485,000 | 853,584 | 713,921 | (139,663) | 738,307 | (24,386) |
| Parking fund | 10,378 | 10,378 | 10,378 | - | - | 10,378 |
| Transfers (out): | | | | | | |
| General fund | - | (32,100) | (32,100) | - | (12,364) | (19,736) |
| Forest Conservation fund | - | - | - | - | (605) | 605 |
| Budgeted use of fund balance | <u>4,750,266</u> | <u>5,142,411</u> | <u>-</u> | <u>(5,142,411)</u> | <u>-</u> | <u>-</u> |
| Total other financing sources and (uses) | <u>9,995,916</u> | <u>11,956,830</u> | <u>3,213,233</u> | <u>(8,741,467)</u> | <u>5,153,249</u> | <u>(1,977,886)</u> |
| Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses) | - | (42,806) | (1,597,799) | (1,552,863) | 1,470,548 | (3,068,347) |
| Fund balances - beginning | <u>6,284,114</u> | <u>6,284,114</u> | <u>6,284,114</u> | <u>-</u> | <u>4,813,566</u> | <u>1,470,548</u> |
| Fund balances - ending | \$ <u>6,284,114</u> | \$ <u>6,241,308</u> | \$ <u>4,686,315</u> | \$ <u>(1,552,863)</u> | \$ <u>6,284,114</u> | \$ <u>(1,597,799)</u> |

Parks and Recreation



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.

Forest Conservation Fund - This fund is designed for developers to have the option to pay into a special City fund for offsite forestation activities. In return, this funding is utilized by the City to plant trees.

City of Hagerstown, Maryland
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2020

| | Special Revenue Funds | | | | | | | | Total |
|--|--|---------------------------|----------------------|-------------------------------|------------------|-------------------|--------------------------------|-----------------------------------|-------|
| | Community Development Block Grant | Economic Redevelopment | Flexible Spending | Business Revolving Loan | Excise Tax | Grant Revenue | Forest Conservation Fund | Nonmajor Governmental Funds | |
| Assets | | | | | | | | | |
| Pooled cash and investments | \$ 125 | \$ 345,955 | \$ 680 | \$ 277,693 | \$ 95,170 | \$ 37,437 | \$ 191,635 | \$ 948,695 | |
| Interest receivable | - | 132 | - | 114 | 21 | 24 | 80 | 371 | |
| Accounts receivable | - | - | 2,484 | - | - | - | - | 2,484 | |
| Intergovernmental receivable | 324,192 | - | - | - | - | 190,695 | - | 514,887 | |
| Loans receivable (net of allowance for uncollectibles) | 1,555,848 | - | - | 717,001 | - | 38,617 | - | 2,311,466 | |
| Properties held for resale | 441,846 | 945,828 | - | - | - | - | - | 1,387,674 | |
| Restricted assets: | | | | | | | | | |
| Pooled cash and investments | 94,141 | 710,665 | 22,036 | - | - | - | - | 826,843 | |
| Total assets | \$ 2,416,152 | \$ 2,002,580 | \$ 25,200 | \$ 994,808 | \$ 95,191 | \$ 266,773 | \$ 191,715 | \$ 5,992,420 | |
| Liabilities | | | | | | | | | |
| Accounts and retainages payable | \$ 150,460 | \$ 14,997 | \$ - | \$ 195 | \$ 92,242 | \$ 82,282 | \$ - | \$ 340,176 | |
| Accrued liabilities | 3,451 | - | - | 288 | - | 8,842 | - | 12,581 | |
| Advances from other funds | 282,000 | - | 11,000 | - | - | - | - | 293,000 | |
| Escrowed taxes and insurance | 1,056 | - | - | - | - | - | - | 1,056 | |
| Customer deposits | - | 1,250 | 22,035 | - | - | - | - | 23,285 | |
| Undisbursed loan and grant commitments | 93,085 | 425,063 | - | - | - | - | - | 518,148 | |
| Total liabilities | \$ 530,052 | \$ 441,309 | \$ 33,035 | \$ 483 | \$ 92,242 | \$ 91,124 | \$ - | \$ 1,188,246 | |
| Fund Balance | | | | | | | | | |
| Nonspendable | - | - | - | - | - | - | - | - | |
| Restricted | 1,886,100 | - | - | - | - | 175,649 | 191,715 | 2,253,464 | |
| Committed | - | 945,828 | - | - | - | - | - | 945,828 | |
| Assigned | - | 615,443 | - | 994,325 | 2,949 | - | - | 1,612,717 | |
| Unassigned | - | - | (7,835) | - | - | - | - | (7,835) | |
| Total fund balances | \$ 1,886,100 | \$ 1,561,271 | \$ (7,835) | \$ 994,325 | \$ 2,949 | \$ 175,649 | \$ 191,715 | \$ 4,804,174 | |
| Total liabilities and fund balances | \$ 2,416,152 | \$ 2,002,580 | \$ 25,200 | \$ 994,808 | \$ 95,191 | \$ 266,773 | \$ 191,715 | \$ 5,992,420 | |

City of Hagerstown, Maryland
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2020

| | Special Revenue Funds | | | | | | | Total |
|--|--|---------------------------|----------------------|-------------------------------|-----------------|-------------------|--------------------------------|---------------------|
| | Community Development Block Grant | Economic Redevelopment | Flexible Spending | Business Revolving Loan | Excise Tax | Grant Revenue | Forest Conservation Fund | |
| Revenues | | | | | | | | |
| Intergovernmental grants | \$ 896,435 | \$ 510,000 | - | - | - | \$ 387,705 | - | \$ 1,794,140 |
| Program income | 42,038 | - | - | 18,570 | - | - | - | 60,608 |
| Investment earnings | 36 | 2,607 | 537 | 3,220 | 256 | 1,064 | 834 | 8,554 |
| Contributions and donations | - | - | - | - | - | 4,359 | - | 4,359 |
| Property sales | 145,810 | - | - | - | - | - | - | 145,810 |
| Other revenues | 128 | 21,641 | - | 713 | - | - | 186,445 | 208,927 |
| Total revenues | 1,084,447 | 534,248 | 537 | 22,503 | 256 | 393,128 | 187,279 | 2,222,398 |
| Expenditures | | | | | | | | |
| Current: | | | | | | | | |
| General government | - | - | - | - | - | 3,296 | - | 3,296 |
| Public safety | - | - | - | - | - | 319,921 | - | 319,921 |
| Economic and community development: | | | | | | | | |
| Public services | 142,500 | - | - | - | - | - | - | 142,500 |
| Public Facilities/Improvements | (1,056) | - | - | - | - | - | - | (1,056) |
| Housing rehabilitation | 109,015 | - | - | - | - | - | - | 109,015 |
| Direct economic development | - | 1,211,178 | - | 147,204 | - | 35,670 | - | 1,394,052 |
| Cost of properties sold | 358,437 | - | - | - | - | - | - | 358,437 |
| Administration | 469,073 | 14,545 | 22,882 | 11,981 | - | - | - | 518,481 |
| Capital outlay | 1,159 | - | - | - | - | 44,471 | - | 45,630 |
| Interest expense | 33 | - | - | - | - | - | - | 33 |
| Total expenditures | 1,079,161 | 1,225,723 | 22,882 | 159,185 | - | 403,359 | - | 2,890,310 |
| Excess (deficiency) of revenues over (under) expenditures | 5,286 | (691,475) | (22,345) | (136,682) | 256 | (10,231) | 187,279 | (667,912) |
| Other Financing Sources (Uses) | | | | | | | | |
| Transfers in | - | 975,500 | - | - | - | 11,295 | - | 986,795 |
| Transfers out | (742,371) | - | - | - | - | - | (37,870) | (780,241) |
| Total other financing sources (uses) | (742,371) | 975,500 | - | - | - | 11,295 | (37,870) | 206,554 |
| Net change in fund balances | (737,085) | 284,025 | (22,345) | (136,682) | 256 | 1,064 | 149,409 | (461,358) |
| Fund balances - beginning | 2,623,185 | 1,277,246 | 14,510 | 1,131,007 | 2,693 | 174,585 | 42,306 | 5,265,532 |
| Fund balances - ending | \$ 1,886,100 | \$ 1,561,271 | \$ (7,835) | \$ 994,325 | \$ 2,949 | \$ 175,649 | \$ 191,715 | \$ 4,804,174 |

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, 2020

| | Budgeted Amounts | | 2020 Actual | Variance with Final Budget - Positive (Negative) | 2019 Actual | Increase/ (Decrease) Over Prior Year |
|---|-------------------------|---------------------|------------------------|---|------------------------|---|
| | Original | Final | | | | |
| Revenues | | | | | | |
| Intergovernmental grant revenues | \$ 1,000,000 | 1,071,221 | \$ 896,435 | \$ (174,786) | \$ 1,380,193 | \$ (483,758) |
| Program income | 46,440 | 46,440 | 42,038 | (4,402) | 38,727 | 3,311 |
| Investment earnings | - | - | 36 | 36 | 426 | (390) |
| Property sales | 130,000 | 130,000 | 145,810 | 15,810 | 237,730 | (91,920) |
| Other revenues | - | - | 128 | 128 | 128 | - |
| Total revenues | 1,176,440 | 1,247,661 | 1,084,447 | (163,214) | 1,657,205 | (572,757) |
| Expenditures | | | | | | |
| Public services | 148,500 | 148,500 | 142,500 | 6,000 | 129,999 | 12,501 |
| Public Facilities/Improvements | 150,000 | - | (1,056) | 1,056 | 714 | (1,770) |
| Housing rehabilitation | 102,750 | 152,605 | 109,015 | 43,590 | 93,437 | 15,578 |
| Clearance and demolition | 155,000 | 176,366 | - | 176,366 | - | - |
| Acquisition | - | - | - | - | - | - |
| Cost of properties sold | - | - | 358,437 | (358,437) | 353,676 | 4,761 |
| Administration | 164,537 | 214,537 | 469,073 | (254,536) | (58,199) | 527,272 |
| Direct economic development | - | - | - | - | - | - |
| Capital outlay | 1,750 | 1,750 | 1,159 | 591 | 545 | 614 |
| Interest expense | 200 | 200 | 33 | 167 | 41 | (8) |
| Total expenditures | 722,737 | 693,958 | 1,079,161 | (385,203) | 520,213 | 558,948 |
| Excess (deficiency) of revenues over (under) expenditures | 453,703 | 553,703 | 5,286 | (548,417) | 1,136,992 | (1,131,705) |
| Other Financing Sources (Uses) | | | | | | |
| Transfers from economic redevelopment fund | - | - | - | - | - | - |
| Transfers to property management fund | - | - | - | - | (174,406) | 174,406 |
| Transfers to general fund | (24,960) | (24,960) | (28,450) | (3,490) | (15,648) | (12,802) |
| Transfers to capital projects fund | (485,000) | (853,584) | (713,921) | 139,663 | (738,307) | 24,386 |
| Total other financing sources (uses) | (509,960) | (878,544) | (742,371) | 136,173 | (928,361) | 185,990 |
| Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses) | | | | | | |
| | (56,257) | (324,841) | (737,085) | (412,244) | 208,631 | (945,715) |
| Fund balances - beginning | 2,623,185 | 2,623,185 | 2,623,185 | - | 2,414,554 | 208,631 |
| Fund balances - ending | \$ 2,566,928 | \$ 2,298,344 | \$ 1,886,100 | \$ (412,244) | \$ 2,623,185 | \$ (737,085) |

City of Hagerstown, Maryland
Economic Redevelopment
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2020

| | Budgeted Amounts | | 2020 Actual | Variance with Final Budget - Positive (Negative) | 2019 Actual | Increase/ (Decrease) Over Prior Year |
|---|----------------------------|----------------------------|----------------------------|---|----------------------------|---|
| | Original | Final | | | | |
| Revenues | | | | | | |
| Intergovernmental grants | \$ 920,000 | \$ 530,000 | \$ 510,000 | \$ (20,000) | \$ 815,000 | \$ (305,000) |
| Program income | - | - | - | - | 100,000 | (100,000) |
| Investment earnings | 700 | 700 | 2,607 | 1,907 | 3,839 | (1,232) |
| Rental income | 23,815 | 23,815 | 21,641 | (2,174) | 25,167 | (3,526) |
| Total revenues | <u>944,515</u> | <u>554,515</u> | <u>534,248</u> | <u>(20,267)</u> | <u>944,006</u> | <u>(409,758)</u> |
| Expenditures | | | | | | |
| Direct economic development | 1,875,500 | 1,485,500 | 1,211,178 | 274,322 | 1,477,785 | (266,607) |
| Administration | 27,137 | 27,137 | 14,545 | 12,592 | 30,487 | (15,942) |
| Total expenditures | <u>1,902,637</u> | <u>1,512,637</u> | <u>1,225,723</u> | <u>286,914</u> | <u>1,508,272</u> | <u>(282,549)</u> |
| Excess (deficiency) of revenues over (under) expenditures | (958,122) | (958,122) | (691,475) | 266,647 | (564,266) | (127,209) |
| Other Financing Sources (Uses) | | | | | | |
| Transfers from general fund | 975,000 | 975,000 | 975,500 | 500 | 674,500 | 301,000 |
| Transfers from general fund balance reserves | - | - | - | - | 1,672 | (1,672) |
| Total other financing sources (uses) | <u>975,000</u> | <u>975,000</u> | <u>975,500</u> | <u>500</u> | <u>676,172</u> | <u>299,328</u> |
| Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses) | | | | | | |
| | 16,878 | 16,878 | 284,025 | 267,147 | 111,906 | 172,119 |
| Fund balances - beginning | 1,277,246 | 1,277,246 | 1,277,246 | - | 1,165,340 | 111,906 |
| Fund balances - ending | \$ <u>1,294,124</u> | \$ <u>1,294,124</u> | \$ <u>1,561,271</u> | \$ <u>267,147</u> | \$ <u>1,277,246</u> | \$ <u>284,025</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, 2020

| | <u>Original and Final Budget</u> | <u>2020 Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> | <u>2019 Actual</u> | <u>Increase/ (Decrease) Over Prior Year</u> |
|---|--|------------------------|---|------------------------|---|
| Revenues | | | | | |
| Investment earnings | \$ (200) | \$ 537 | \$ 737 | \$ 164 | \$ 373 |
| Charges for services | 200 | - | (200) | 18,617 | (18,617) |
| Total revenues | <u>-</u> | <u>537</u> | <u>537</u> | <u>18,781</u> | <u>(18,244)</u> |
| Expenditures | | | | | |
| Contracted services | - | 2,132 | (2,132) | 3,727 | (1,595) |
| Administration | - | 20,750 | (20,750) | - | 20,750 |
| Total expenditures | <u>-</u> | <u>22,882</u> | <u>(22,882)</u> | <u>3,727</u> | <u>19,155</u> |
| Excess (deficiency) of revenues over (under) expenditures | - | (22,345) | (22,345) | 15,054 | (37,399) |
| Other Financing Sources (Uses) | | | | | |
| Transfers to general fund | - | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses) | | | | | |
| | - | (22,345) | (22,345) | 15,054 | (37,399) |
| Fund balances - beginning | 14,510 | 14,510 | - | (544) | 15,054 |
| Fund balances - ending | <u>\$ 14,510</u> | <u>\$ (7,835)</u> | <u>\$ (22,345)</u> | <u>\$ 14,510</u> | <u>\$ (22,345)</u> |

City of Hagerstown, Maryland
Business Revolving Loan
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2020

| | Original and Final Budget | 2020 Actual | Variance with Final Budget - Positive (Negative) | 2019 Actual | Increase/ (Decrease) Over Prior Year |
|--|------------------------------------|--------------------------|---|----------------------------|---|
| Revenues | | | | | |
| Investment earnings | \$ 500 | \$ 3,220 | \$ 2,720 | \$ 4,487 | \$ (1,267) |
| Miscellaneous | 500 | 713 | 213 | 1,195 | (482) |
| Program revenue | 132,662 | 18,570 | (114,092) | 58,232 | (39,662) |
| Total revenues | <u>133,662</u> | <u>22,503</u> | <u>(111,159)</u> | <u>63,914</u> | <u>(41,411)</u> |
| Expenditures | | | | | |
| Legal & Audit Fees | 1,750 | 371 | 1,379 | 3,154 | (2,783) |
| Administration | 11,552 | 11,610 | (58) | 11,142 | 468 |
| Capital outlay | 200 | - | 200 | 85 | (85) |
| Direct economic development loans | 100,000 | 147,204 | (47,204) | - | 147,204 |
| Total expenditures | <u>113,502</u> | <u>159,185</u> | <u>(45,683)</u> | <u>14,381</u> | <u>144,804</u> |
| Other Financing Sources (Uses) | | | | | |
| Transfers from upper floors redevelopment fund | - | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess (deficiency) of revenues over (under) expenditures | 20,160 | (136,682) | (156,842) | 49,533 | (186,215) |
| Fund balances - beginning | 1,131,007 | 1,131,007 | - | 1,081,474 | 49,533 |
| Fund balances - ending | \$ <u>1,151,167</u> | \$ <u>994,325</u> | \$ <u>(156,842)</u> | \$ <u>1,131,007</u> | \$ <u>(136,682)</u> |

City of Hagerstown, Maryland
Excise Tax
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2020

| | <u>Original and Final Budget</u> | <u>2020 Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> | <u>2019 Actual</u> | <u>Increase/ (Decrease) Over Prior Year</u> |
|--|--|------------------------|---|------------------------|---|
| Revenues | | | | | |
| Investment earnings | \$ 100 | \$ 256 | \$ 156 | \$ 299 | \$ (43) |
| Excise tax | - | - | - | - | - |
| Total revenues | <u>100</u> | <u>256</u> | <u>156</u> | <u>299</u> | <u>(43)</u> |
| Expenditures | | | | | |
| Total expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Other Financing Sources (Uses) | | | | | |
| Transfers to capital projects fund | - | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess (deficiency) of revenues over (under) expenditures | 100 | 256 | 156 | 299 | (43) |
| Fund balances - beginning | 2,693 | 2,693 | - | 2,394 | 299 |
| Fund balances - ending | <u><u>\$ 2,793</u></u> | <u><u>\$ 2,949</u></u> | <u><u>\$ 156</u></u> | <u><u>\$ 2,693</u></u> | <u><u>\$ 256</u></u> |

City of Hagerstown, Maryland
Grant Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2020

| | <u>Budgeted Amounts</u> | | <u>2020 Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> | <u>2019 Actual</u> | <u>Increase/ (Decrease) Over Prior Year</u> |
|---|--------------------------|--------------------------|--------------------------|---|--------------------------|---|
| | <u>Original</u> | <u>Final</u> | | | | |
| Revenues | | | | | | |
| Intergovernmental | \$ 342,379 | \$ 455,605 | \$ 387,705 | \$ (67,900) | \$ 302,398 | \$ 85,307 |
| Investment earnings | 50 | 50 | 1,064 | 1,014 | 972 | 92 |
| Contributions and donations | - | 4,424 | 4,359 | (65) | 1,704 | 2,655 |
| Total revenues | <u>342,429</u> | <u>460,079</u> | <u>393,128</u> | <u>(66,951)</u> | <u>305,075</u> | <u>88,053</u> |
| Expenditures | | | | | | |
| General government | - | - | - | - | 2,420 | (2,420) |
| Public safety | 307,945 | 379,635 | 319,921 | 59,713 | 256,838 | 63,083 |
| Culture and recreation | - | 3,296 | 3,296 | (1) | 1,704 | 1,592 |
| Economic and community development | - | 39,000 | 35,670 | 3,330 | 15,350 | 20,320 |
| Capital outlay | 34,434 | 49,396 | 44,471 | 4,925 | 52,747 | (8,276) |
| Total expenditures | <u>342,379</u> | <u>471,326</u> | <u>403,359</u> | <u>67,967</u> | <u>329,059</u> | <u>74,300</u> |
| Excess (deficiency) of revenues over (under) expenditures | 50 | (11,247) | (10,231) | 1,016 | (23,984) | 13,753 |
| Other Financing Sources (Uses) | | | | | | |
| Transfers from general fund | - | 11,297 | 11,295 | (2) | 24,956 | (13,661) |
| Total other financing sources (uses) | <u>-</u> | <u>11,297</u> | <u>11,295</u> | <u>(2)</u> | <u>24,956</u> | <u>(13,661)</u> |
| Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses) | | | | | | |
| | 50 | 50 | 1,064 | 1,014 | 972 | 92 |
| Fund balances - beginning | 174,585 | 174,585 | 174,585 | - | 173,613 | 92 |
| Fund balances - ending | <u>\$ 174,635</u> | <u>\$ 174,635</u> | <u>\$ 175,649</u> | <u>\$ 1,014</u> | <u>\$ 174,585</u> | <u>\$ 1,064</u> |

City of Hagerstown, Maryland
Forest Conservation Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2020

| | Original and Final Budget | 2020 Actual | Variance with Final Budget - Positive (Negative) | 2019 Actual | Increase/ (Decrease) Over Prior Year |
|--|------------------------------------|--------------------------|---|----------------------|---|
| Revenues | | | | | |
| Investment earnings | \$ - | \$ 834 | \$ 834 | \$ 551 | \$ 283 |
| Reforestation fees | 10,000 | 186,445 | 176,445 | 41,150 | 145,295 |
| Total revenues | <u>10,000</u> | <u>187,279</u> | <u>177,279</u> | <u>41,701</u> | <u>145,578</u> |
| Expenditures | | | | | |
| Total expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Other Financing Sources (Uses) | | | | | |
| Transfers to capital projects fund | (40,000) | (37,870) | 2,130 | - | (37,870) |
| Transfers from capital projects fund | - | - | - | 605 | (605) |
| Total other financing sources (uses) | <u>(40,000)</u> | <u>(37,870)</u> | <u>2,130</u> | <u>605</u> | <u>(38,475)</u> |
| Excess (deficiency) of revenues over (under) expenditures | (30,000) | 149,409 | 179,409 | 42,306 | 107,103 |
| Fund balances - beginning | 42,306 | 42,306 | - | - | 42,306 |
| Fund balances - ending | \$ <u>12,306</u> | \$ <u>191,715</u> | \$ <u>179,409</u> | <u>42,306</u> | <u>149,409</u> |

Growth and Expansion in Hagerstown



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.

Parking Fund - This fund is used to account for all activities related to parking lots, parking decks, and parking enforcement owned and managed by the City.

City of Hagerstown, Maryland
Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2020

| | <u>Golf Course</u> | <u>Property Management</u> | <u>Parking Facilities</u> | <u>Total Nonmajor Enterprise Funds</u> |
|--|--------------------------|--------------------------------|-------------------------------|--|
| Assets | | | | |
| Current assets: | | | | |
| Pooled cash and investments | \$ 98,606 | \$ 81,241 | \$ 1,480,054 | \$ 1,659,901 |
| Interest receivable | 35 | 30 | 623 | 688 |
| Accounts receivable (net of allowance for uncollectibles) | 18,843 | 25,985 | 3,617 | 48,445 |
| Prepaid items | 1,588 | - | 200 | 1,788 |
| Total current assets | <u>119,072</u> | <u>107,256</u> | <u>1,484,494</u> | <u>1,710,822</u> |
| Noncurrent assets: | | | | |
| Capital assets: | | | | |
| Land | 125,000 | 696,450 | 1,459,464 | 2,280,914 |
| Land improvements | 225,522 | - | 1,333,127 | 1,558,649 |
| Buildings and structures | 219,846 | 4,384,960 | 7,732,804 | 12,337,610 |
| Machinery and equipment | 425,559 | 48,029 | 534,513 | 1,008,101 |
| Automobiles and trucks | 157,461 | - | 62,141 | 219,602 |
| Infrastructure | 26,537 | - | - | 26,537 |
| Office furniture and fixtures | - | 109,993 | - | 109,993 |
| Less accumulated depreciation | <u>(676,811)</u> | <u>(1,592,305)</u> | <u>(4,975,941)</u> | <u>(7,245,057)</u> |
| Total capital assets, net | <u>503,114</u> | <u>3,647,127</u> | <u>6,146,108</u> | <u>10,296,349</u> |
| Total noncurrent assets | <u>503,114</u> | <u>3,647,127</u> | <u>6,146,108</u> | <u>10,296,349</u> |
| Total assets | <u>622,186</u> | <u>3,754,383</u> | <u>7,630,602</u> | <u>12,007,171</u> |
| Liabilities | | | | |
| Current liabilities: | | | | |
| Accounts and retainages payable | 15,632 | 6,173 | 1,688 | 23,493 |
| Compensated absences - current | 8,924 | - | 29,687 | 38,611 |
| Accrued liabilities | 7,551 | 2,859 | 14,816 | 25,226 |
| Customer deposits and rebates | - | 5,600 | 8,606 | 14,206 |
| Unearned revenue | 1,619 | 5,000 | - | 6,619 |
| General obligation bonds - current | - | 5,511 | 66,399 | 71,910 |
| Total current liabilities | <u>33,726</u> | <u>25,143</u> | <u>121,196</u> | <u>180,064</u> |
| Noncurrent liabilities: | | | | |
| General obligation bonds - long term | - | 115,682 | 419,255 | 534,936 |
| Compensated absences | 9,012 | - | 29,986 | 38,998 |
| Total noncurrent liabilities | <u>9,012</u> | <u>115,682</u> | <u>449,241</u> | <u>573,934</u> |
| Total liabilities | <u>42,738</u> | <u>140,824</u> | <u>570,436</u> | <u>753,998</u> |
| Net Position | | | | |
| Net Investment in Capital Assets | 503,114 | 3,525,934 | 5,660,455 | 9,689,503 |
| Unrestricted | 76,334 | 87,624 | 1,399,711 | 1,563,670 |
| Total net position | <u>\$ 579,448</u> | <u>\$ 3,613,559</u> | <u>\$ 7,060,166</u> | <u>\$ 11,253,173</u> |

City of Hagerstown, Maryland
Combining Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Enterprise Funds
For the Year Ended June 30, 2020

| | <u>Golf Course</u> | <u>Property Management</u> | <u>Parking Facilities</u> | <u>Total Nonmajor Enterprise Funds</u> |
|--|--------------------------|--------------------------------|-------------------------------|--|
| Operating revenues: | | | | |
| Service charges | \$ 242,675 | \$ 288,292 | \$ 697,812 | \$ 1,228,779 |
| Other revenues | 652 | 29,743 | 7,644 | 38,039 |
| Total operating revenues | <u>243,327</u> | <u>318,035</u> | <u>705,456</u> | <u>1,266,818</u> |
| Operating expenses: | | | | |
| Selling, general and administrative expenses | 453,110 | 321,154 | 600,976 | 1,375,240 |
| Depreciation | 39,513 | 137,421 | 256,189 | 433,123 |
| Total operating expenses | <u>492,623</u> | <u>458,575</u> | <u>857,165</u> | <u>1,808,363</u> |
| Operating income | <u>(249,296)</u> | <u>(140,540)</u> | <u>(151,709)</u> | <u>(541,545)</u> |
| Nonoperating revenues (expenses): | | | | |
| Gain (Loss) on disposal of capital assets | - | (37,474) | - | (37,474) |
| Investment earnings | 985 | 15,286 | 16,020 | 32,291 |
| Interest expense | - | (4,139) | (21,758) | (25,897) |
| Bond issuance costs | - | (56) | (7) | (63) |
| Total nonoperating revenue (expenses) | <u>985</u> | <u>(26,383)</u> | <u>(5,745)</u> | <u>(31,143)</u> |
| Income (loss) before contributions and transfers | (248,311) | (166,923) | (157,454) | (572,688) |
| Transfers in | 272,555 | - | - | 272,555 |
| Transfers out | - | - | (10,378) | (10,378) |
| Changes in net position | <u>24,244</u> | <u>(166,923)</u> | <u>(167,832)</u> | <u>(310,511)</u> |
| Total net position - beginning | 555,204 | 3,780,482 | 7,227,998 | 11,563,684 |
| Total net position - ending | \$ <u>579,448</u> | \$ <u>3,613,559</u> | \$ <u>7,060,166</u> | \$ <u>11,253,173</u> |

City of Hagerstown, Maryland
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2020

| | Golf Course | Property Management | Parking Facilities | Total Nonmajor Enterprise Funds |
|---|------------------------|--------------------------------|-------------------------------|--|
| Cash Flows From Operating Activities | | | | |
| Receipts from customers and users | \$ 235,001 | \$ 322,091 | \$ 754,572 | \$ 1,311,664 |
| Payments to suppliers | (156,025) | (175,940) | (128,555) | (460,520) |
| Payments to employees | (288,619) | (156,509) | (459,847) | (904,976) |
| Net cash used by operating activities | (209,643) | (10,358) | 166,170 | (53,832) |
| Cash Flows From Noncapital Financing Activities | | | | |
| Transfers from (to) other funds | 272,555 | - | (10,378) | 262,177 |
| Net cash provided (used) by noncapital and related financing activities | 272,555 | - | (10,378) | 262,177 |
| Cash Flows From Capital And Related Financing Activities | | | | |
| Acquisition and construction of capital assets | (34,579) | 37,474 | (21,985) | (19,090) |
| Principal paid on capital debt | - | (5,107) | (215,979) | (221,086) |
| Interest paid on capital debt | - | (3,325) | (25,556) | (28,881) |
| Proceeds from sale of capital assets | - | (37,474) | - | (37,474) |
| Net cash provided (used) by capital and related financing activities | (34,579) | (8,433) | (263,520) | (306,531) |
| Cash Flows From Investing Activities | | | | |
| Interest and dividends received | 976 | 15,292 | 16,062 | 32,330 |
| Net cash provided by investing activities | 976 | 15,292 | 16,062 | 32,330 |
| Net increase (decrease) in pooled cash and investments | 29,309 | (3,498) | (91,667) | (65,856) |
| Pooled cash and investments, beginning of year | 69,297 | 84,739 | 1,571,721 | 1,725,757 |
| Pooled cash and investments, end of year | \$ 98,606 | \$ 81,241 | \$ 1,480,054 | \$ 1,659,901 |
| Reconciliation of operating income to net cash (used) by operating activities: | | | | |
| Operating income (loss) | \$ (249,296) | \$ (140,540) | \$ (151,709) | \$ (541,545) |
| Adjustments to reconcile operating income to net cash used by operating activities: | | | | |
| Depreciation expense | 39,513 | 137,421 | 256,189 | 433,123 |
| Bond issuance costs | - | (56) | (7) | (63) |
| Net effect of changes in assets and liabilities | | | | |
| Accounts receivable | (7,903) | (1,194) | 48,725 | 39,628 |
| Prepaid items | (1,450) | 156 | 397 | (897) |
| Accounts and retainages payable | 1,036 | (11,568) | (1,424) | (11,956) |
| Compensated absences payable | 3,887 | - | 11,287 | 15,174 |
| Accrued liabilities | 1,800 | 173 | 2,322 | 4,295 |
| Customer deposits and rebates | - | 250 | 391 | 641 |
| Unearned revenue | (423) | 5,000 | - | 4,577 |
| Other long-term liabilities | 3,193 | - | - | 3,193 |
| Total adjustments | 39,653 | 130,181 | 317,879 | 487,713 |
| Net cash used by operating activities | \$ (209,643) | \$ (10,358) | \$ 166,170 | \$ (53,832) |
| Reconciliation of pooled cash and investments to the balance sheet | | | | |
| Pooled cash and investments | \$ 98,606 | \$ 81,241 | \$ 1,480,054 | \$ 1,659,901 |
| Totals | \$ 98,606 | \$ 81,241 | \$ 1,480,054 | \$ 1,659,901 |

City Center — The Heart of Hagerstown



INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

Worker's Compensation Fund - The City manages its uncovered workers' compensation risks and sets aside assets for claim settlement in its Internal Service Fund, the Workers' Compensation Fund (WCF). WCF services claims for risk of loss to which the City was exposed for workers' compensation injuries. All funds to which employees are assigned participate in the WCF. It allocates the cost of providing claims servicing and claims payment by charging a "premium" to each fund based on its exposure. This charge considers recent trends in actual claims experience of the City as whole and makes provision for catastrophic losses.

Health Insurance Fund - The City manages its new self-insurance program for health care in its Internal Service Fund, the Health Insurance Fund (HIF). Under this self-funded plan the City pays a standard monthly administrative fee for each covered member and accepts claim risks up to a specific stop loss for each individual covered. In addition, a second level of insurance called the aggregate stop loss which assures that the City does not pay more than the maximum projected expenses. All funds to which employees are assigned participate in the HIF. It allocates the costs by billing a pre-established internal "insurance" rate for each funds employees, retirees and dependents. This charge represents funding sources for the HIF from which all health care related administrative and medical reimbursement costs are paid.

Dental Insurance Fund – Similar to the Health Insurance Fund this Fund manages the Dental Insurance. It allocates the costs by billing a pre-established internal "insurance" rate for each fund's employees, retirees and dependents. This charge represents funding sources from which the dental care related administrative and reimbursement costs are paid.

City of Hagerstown, Maryland
Combining Statement of Net Position
Internal Service Funds
June 30, 2020

| | <u>Worker's Compensation</u> | <u>Health Insurance</u> | <u>Dental Insurance</u> | <u>Total Internal Service Funds</u> |
|--|----------------------------------|-----------------------------|-----------------------------|---|
| Assets | | | | |
| Current assets: | | | | |
| Pooled cash and investments | \$ - | \$ 4,350,759 | \$ 617,708 | \$ 4,968,467 |
| Interest receivable | - | 1,781 | 256 | 2,037 |
| Accounts receivable (net of allowance for uncollectibles) | - | 150,323 | 10,920 | 161,243 |
| Prepaid Items | <u>224,435</u> | <u>670,340</u> | <u>-</u> | <u>894,775</u> |
| Total current assets | <u>224,435</u> | <u>5,173,203</u> | <u>628,884</u> | <u>6,026,522</u> |
| Noncurrent assets: | | | | |
| Restricted assets: | | | | |
| Pooled cash and investments | <u>3,236,614</u> | <u>829,340</u> | <u>31,300</u> | <u>4,097,254</u> |
| Total noncurrent assets | <u>3,236,614</u> | <u>829,340</u> | <u>31,300</u> | <u>4,097,254</u> |
| Total assets | <u>3,461,049</u> | <u>6,002,543</u> | <u>660,184</u> | <u>10,123,776</u> |
| Liabilities | | | | |
| Current liabilities: | | | | |
| Accounts and retainages payable | 92,374 | 728,860 | 3,434 | 824,668 |
| Accrued liabilities | <u>1,739,659</u> | <u>627,828</u> | <u>10,407</u> | <u>2,377,894</u> |
| Total current liabilities | <u>1,832,033</u> | <u>1,356,688</u> | <u>13,841</u> | <u>3,202,562</u> |
| Total liabilities | <u>1,832,033</u> | <u>1,356,688</u> | <u>13,841</u> | <u>3,202,562</u> |
| Net Position | | | | |
| Unassigned | <u>1,629,016</u> | <u>4,645,855</u> | <u>646,343</u> | <u>6,921,214</u> |
| Total net position | <u>\$ 1,629,016</u> | <u>\$ 4,645,855</u> | <u>\$ 646,343</u> | <u>\$ 6,921,214</u> |

City of Hagerstown, Maryland
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2020

| | <u>Worker's Compensation</u> | <u>Health Insurance</u> | <u>Dental Insurance</u> | <u>Total Internal Service Funds</u> |
|---|----------------------------------|-----------------------------|-----------------------------|---|
| Operating revenues: | | | | |
| Service charges | \$ 1,173,050 | \$ 7,819,690 | \$ 422,578 | \$ 9,415,318 |
| Other revenues | - | 335,605 | - | 335,605 |
| Total operating revenues | <u>1,173,050</u> | <u>8,155,295</u> | <u>422,578</u> | <u>9,750,923</u> |
| Operating expenses: | | | | |
| Claim and premium expenses | 1,403,771 | 5,628,558 | 267,468 | 7,299,797 |
| Administrative expenses | 111,797 | 718,896 | 41,599 | 872,292 |
| Contributions to OPEB plan - Employer | - | 650,000 | - | 650,000 |
| Total operating expenses | <u>1,515,568</u> | <u>6,997,454</u> | <u>309,067</u> | <u>8,822,089</u> |
| Operating income (loss) | <u>(342,518)</u> | <u>1,157,841</u> | <u>113,511</u> | <u>928,834</u> |
| Nonoperating revenues (expenses): | | | | |
| Investment earnings | 13,415 | 50,639 | 6,613 | 70,667 |
| Total nonoperating revenue (expenses) | <u>13,415</u> | <u>50,639</u> | <u>6,613</u> | <u>70,667</u> |
| Income before contributions and transfers | <u>(329,103)</u> | <u>1,208,480</u> | <u>120,124</u> | <u>999,501</u> |
| Transfer in from other funds | - | - | - | - |
| Transfer out to other funds | - | (817,917) | - | (817,917) |
| Changes in net position | <u>(329,103)</u> | <u>390,563</u> | <u>120,124</u> | <u>181,584</u> |
| Total net position - beginning | 1,958,119 | 4,255,292 | 526,219 | 6,739,630 |
| Total net position - ending | <u>\$ 1,629,016</u> | <u>\$ 4,645,855</u> | <u>\$ 646,343</u> | <u>\$ 6,921,214</u> |

City of Hagerstown, Maryland
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2020

| | Worker's Compensation | Health Insurance | Dental Insurance | Total Internal Service Funds |
|--|----------------------------------|-----------------------------|-----------------------------|---|
| Cash Flows From Operating Activities | | | | |
| Receipts from interfund services provided | \$ 1,173,050 | \$ 8,105,648 | \$ 417,069 | \$ 9,695,767 |
| Payments to suppliers | (786,587) | (6,924,298) | (312,338) | (8,023,223) |
| Net cash provided (used) by operating activities | 386,463 | 1,181,350 | 104,731 | 1,672,544 |
| Cash Flows From Noncapital Financing Activities | | | | |
| Transfers to other funds | - | (817,917) | - | (817,917) |
| Net cash used by capital and related financing activities | - | (817,917) | - | (817,917) |
| Cash Flows From Investing Activities | | | | |
| Interest and dividends received | 13,415 | 50,667 | 6,572 | 70,654 |
| Net cash provided by investing activities | 13,415 | 50,667 | 6,572 | 70,654 |
| Net increase in pooled cash and investments | 399,878 | 414,100 | 111,303 | 925,281 |
| Pooled cash and investments, beginning of year | 2,836,736 | \$ 4,765,999 | \$ 537,705 | \$ 8,140,440 |
| Pooled cash and investments, end of year | \$ 3,236,614 | \$ 5,180,099 | \$ 649,008 | \$ 9,065,721 |
| Reconciliation of operating income to net cash provided (used) by operating activities: | | | | |
| Operating Income (loss) | \$ (342,518) | \$ 1,157,841 | \$ 113,511 | \$ 928,834 |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | | | |
| Net effect of changes in assets and liabilities | | | | |
| Accounts receivable | - | (49,647) | (5,509) | (55,156) |
| Prepaid items | 3,344 | (41,533) | - | (38,189) |
| Accounts and retainages payable | 40,994 | 90,842 | 53 | 131,889 |
| Accrued liabilities | 684,643 | 23,847 | (3,324) | 705,166 |
| Unearned revenue | - | - | - | - |
| Total adjustments | 728,981 | 23,509 | (8,780) | 743,710 |
| Net cash provided (used) by operating activities | \$ 386,463 | \$ 1,181,350 | \$ 104,731 | \$ 1,672,544 |
| Reconciliation of pooled cash and investments to the balance sheet | | | | |
| Pooled cash and investments | \$ - | \$ 4,350,759 | \$ 617,708 | \$ 4,968,467 |
| Restricted pooled cash and investments | 3,236,614 | 829,340 | 31,300 | 4,097,254 |
| Totals | \$ 3,236,614 | \$ 5,180,099 | \$ 649,008 | \$ 9,065,721 |

Healthy Living



STATISTICAL SECTION

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

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

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

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

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

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

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

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

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Governmental activities: | | | | | | | | | | |
| Net investment in capital assets | \$ 62,031,859 | \$ 60,445,265 | \$ 62,661,321 | \$ 62,841,007 | \$ 63,756,574 | \$ 66,555,727 | \$ 66,954,557 | \$ 66,650,974 | \$ 66,784,135 | \$ 67,629,556 |
| Restricted | 10,247,443 | 9,233,959 | 8,785,932 | 8,917,240 | 11,415,507 | 9,170,892 | 9,737,523 | 9,650,397 | 11,549,646 | 4,804,175 |
| Unassigned | 5,460,533 | 6,893,284 | 6,658,627 | 7,231,204 | (28,125,591) | (24,646,579) | (26,153,187) | (48,291,059) | (48,457,814) | (44,072,990) |
| Total governmental activities net position | \$ 77,739,835 | \$ 76,572,508 | \$ 78,105,880 | \$ 78,989,451 | \$ 47,046,490 | \$ 51,080,040 | \$ 50,538,893 | \$ 28,010,312 | \$ 29,875,967 | \$ 28,360,741 |
| Business-type activities: | | | | | | | | | | |
| Net investment in capital assets | \$ 149,999,762 | \$ 148,779,228 | \$ 149,983,855 | \$ 152,917,402 | \$ 146,018,608 | \$ 147,056,392 | \$ 145,943,803 | \$ 146,353,536 | \$ 154,076,732 | \$ 159,951,215 |
| Unassigned | 15,816,722 | 20,605,158 | 18,919,557 | 18,718,678 | 20,703,309 | 21,469,141 | 24,760,819 | 20,475,472 | 15,681,500 | 15,286,548 |
| Total business-type activities net position | \$ 165,816,484 | \$ 169,384,386 | \$ 168,903,412 | \$ 171,636,080 | \$ 166,721,917 | \$ 168,525,533 | \$ 170,704,622 | \$ 166,829,008 | \$ 169,758,232 | \$ 175,237,763 |
| Primary government: | | | | | | | | | | |
| Net investment in capital assets | \$ 212,031,621 | \$ 209,224,493 | \$ 212,645,176 | \$ 215,758,409 | \$ 209,775,182 | \$ 213,612,119 | \$ 212,898,360 | \$ 213,004,510 | \$ 220,860,867 | \$ 227,580,771 |
| Restricted | 10,247,443 | 9,233,959 | 8,785,932 | 8,917,240 | 11,415,507 | 9,170,892 | 9,737,523 | 9,650,397 | 11,549,646 | 4,804,175 |
| Unrestricted | 21,277,255 | 27,498,442 | 25,578,184 | 25,949,882 | (7,422,282) | (3,177,438) | (1,392,368) | (27,815,587) | (32,776,314) | (28,786,442) |
| Total primary government net position | \$ 243,566,319 | \$ 245,956,894 | \$ 247,009,292 | \$ 250,625,531 | \$ 213,768,407 | \$ 219,605,573 | \$ 221,243,515 | \$ 194,839,320 | \$ 199,634,199 | \$ 203,598,504 |

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

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|----------------|
| Expenses | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General Government | \$ 8,445,750 | \$ 9,625,176 | \$ 9,581,916 | \$ 9,380,546 | \$ 9,672,724 | \$ 10,564,629 | \$ 9,562,623 | \$ 8,627,247 | \$ 10,613,252 | \$ 10,986,324 |
| Public Safety | 18,387,128 | 19,964,292 | 21,070,864 | 21,088,870 | 23,566,366 | 22,889,590 | 24,950,023 | 25,773,111 | 24,243,025 | 26,395,843 |
| Highways and Streets | 2,981,654 | 2,684,522 | 2,828,009 | 2,923,564 | 2,810,855 | 2,680,585 | 2,650,626 | 2,791,282 | 3,258,426 | 3,044,652 |
| Waste Collection & Disposal | 2,035,237 | 2,637,297 | 1,937,485 | 1,950,228 | 1,971,595 | 2,000,312 | 2,021,510 | 2,293,396 | 2,562,226 | 2,621,986 |
| Culture and Recreation | 2,559,785 | 2,622,512 | 2,665,582 | 2,729,399 | 2,788,927 | 2,845,481 | 2,948,143 | 3,005,649 | 3,090,190 | 3,267,389 |
| Economic & Community Development | 2,519,688 | 2,419,346 | 3,174,443 | 1,349,844 | 4,053,605 | 966,551 | 3,393,612 | 3,204,744 | 4,757,014 | 4,958,500 |
| Interest on Long-term Debt | 539,668 | 532,560 | 514,648 | 550,317 | 557,668 | 540,521 | 628,301 | 622,454 | 615,223 | 668,563 |
| Total governmental activities expenses | \$ 37,468,910 | \$ 40,485,705 | \$ 41,772,947 | \$ 39,972,768 | \$ 45,421,740 | \$ 42,487,669 | \$ 46,154,838 | \$ 46,317,883 | \$ 49,139,356 | \$ 51,943,257 |
| Business-type activities: | | | | | | | | | | |
| Electric | 32,063,217 | 27,907,324 | 27,216,777 | 24,252,793 | 24,157,287 | 22,855,165 | 23,184,083 | 23,814,395 | 26,194,218 | 24,669,525 |
| Water | 9,189,223 | 10,429,856 | 10,454,834 | 10,143,760 | 11,147,791 | 11,439,748 | 11,288,656 | 10,995,786 | 12,002,597 | 11,839,287 |
| Wastewater | 11,621,172 | 12,408,290 | 12,697,968 | 12,499,357 | 12,643,801 | 13,114,426 | 13,112,003 | 12,343,489 | 13,887,499 | 14,190,230 |
| Parking Facilities | 723,980 | 786,348 | 699,693 | 742,030 | 739,264 | 738,566 | 724,828 | 771,525 | 794,876 | 854,950 |
| Golf Course | 418,962 | 388,840 | 467,869 | 407,944 | 435,174 | 443,541 | 481,273 | 432,368 | 440,537 | 470,640 |
| Property Management | 410,706 | 577,208 | 668,343 | 542,884 | 517,393 | 527,751 | 613,979 | 451,559 | 724,383 | 459,988 |
| Ice Rink | - | - | - | - | - | - | - | - | - | - |
| Total business-type activities expenses | \$ 54,427,260 | \$ 52,497,866 | \$ 52,205,484 | \$ 48,588,768 | \$ 49,640,710 | \$ 49,119,197 | \$ 49,404,822 | \$ 48,809,122 | \$ 54,044,110 | \$ 52,484,620 |
| Total primary government expenses | \$ 91,896,170 | \$ 92,983,571 | \$ 93,978,431 | \$ 88,561,536 | \$ 95,062,450 | \$ 91,606,866 | \$ 95,559,660 | \$ 95,127,005 | \$ 103,183,466 | \$ 104,427,877 |
| Program Revenues | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| General Government | \$ 3,035,144 | \$ 2,931,762 | \$ 3,130,802 | \$ 2,784,242 | \$ 2,795,421 | \$ 2,722,732 | \$ 2,618,155 | \$ 2,633,174 | \$ 2,939,050 | \$ 2,403,598 |
| Public Safety | 1,373,876 | 1,883,089 | 2,962,729 | 2,549,248 | 3,367,522 | 3,016,955 | 2,722,862 | 3,014,038 | 2,759,137 | 2,652,804 |
| Streets and Alleys | 75,676 | 86,045 | 102,791 | 87,261 | 73,088 | 48,843 | 149,743 | 73,337 | 68,235 | 64,644 |
| Waste Collection & Disposal | 2,164,998 | 2,298,388 | 2,478,721 | 2,220,898 | 2,238,358 | 2,252,262 | 2,258,122 | 2,579,249 | 2,772,301 | 2,800,885 |
| Parks and Recreation | 234,637 | 225,306 | 209,899 | 195,633 | 259,668 | 230,561 | 273,319 | 310,218 | 298,623 | 244,545 |
| Economic & Community Development | 96,216 | 95,246 | 97,321 | 89,771 | 245,921 | 62,417 | 61,746 | 150,415 | 201,209 | 60,608 |
| Operating grants and contributions | 2,407,886 | 2,072,808 | 2,331,085 | 2,119,193 | 1,930,908 | 1,963,246 | 1,783,552 | 1,554,570 | 3,061,406 | 2,246,769 |
| Capital grants and contributions | 1,594,649 | 2,611,299 | 3,792,121 | 543,261 | 1,807,299 | 2,034,072 | 1,315,570 | 1,236,493 | 845,126 | 1,006,232 |
| Total governmental activities program revenues | \$ 10,983,082 | \$ 12,203,943 | \$ 15,105,469 | \$ 10,589,507 | \$ 12,718,185 | \$ 12,331,088 | \$ 11,783,069 | \$ 11,551,494 | \$ 12,945,087 | \$ 11,480,085 |

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)

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Business-type activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Electric | \$ 33,144,474 | \$ 27,521,532 | \$ 26,510,826 | \$ 24,683,126 | \$ 24,460,137 | \$ 22,532,600 | \$ 22,919,701 | \$ 24,575,942 | \$ 25,644,738 | \$ 24,418,023 |
| Water | 9,664,205 | 10,226,718 | 10,859,180 | 11,125,535 | 11,128,131 | 11,455,228 | 11,640,701 | 11,658,823 | 11,990,596 | 12,606,536 |
| Wastewater | 9,918,807 | 10,266,294 | 10,699,798 | 10,785,125 | 12,241,385 | 12,401,054 | 13,046,779 | 13,442,122 | 14,044,501 | 13,811,461 |
| Parking Facilities | 811,868 | 855,638 | 936,246 | 869,670 | 975,936 | 953,580 | 993,779 | 961,827 | 935,195 | 705,456 |
| Golf Course | 137,884 | 149,074 | 178,462 | 196,758 | 205,199 | 224,893 | 174,035 | 174,021 | 199,889 | 243,327 |
| Property Management | 330,576 | 344,856 | (985,215) | (132,163) | 203,395 | 344,644 | 308,646 | 356,826 | (225,351) | 280,561 |
| Operating grants and contributions | 107,730 | - | - | - | 51,110 | 69,489 | 44,502 | 5,616 | 750,196 | 1,578,358 |
| Capital grants and contributions | 7,252,709 | 5,322,246 | 2,546,931 | 3,607,284 | 2,135,780 | 2,669,305 | 2,136,516 | 1,449,023 | 2,568,732 | 3,699,056 |
| Total business-type activities program revenues | <u>61,368,253</u> | <u>54,686,358</u> | <u>50,746,228</u> | <u>51,135,335</u> | <u>51,401,073</u> | <u>50,650,793</u> | <u>51,264,659</u> | <u>52,614,200</u> | <u>55,908,496</u> | <u>57,342,758</u> |
| Total primary government program revenues | <u>\$ 72,351,335</u> | <u>\$ 66,890,301</u> | <u>\$ 65,851,697</u> | <u>\$ 61,724,842</u> | <u>\$ 64,119,258</u> | <u>\$ 62,981,881</u> | <u>\$ 62,447,728</u> | <u>\$ 64,165,694</u> | <u>\$ 68,853,583</u> | <u>\$ 68,822,843</u> |
| Net (expense)/revenue | \$ (26,485,828) | \$ (28,281,762) | \$ (26,667,478) | \$ (29,383,261) | \$ (32,703,555) | \$ (30,156,581) | \$ (34,971,769) | \$ (34,766,389) | \$ (36,194,269) | \$ (40,463,172) |
| Governmental activities | 6,940,993 | 2,188,492 | (1,459,256) | 2,546,567 | 1,760,363 | 1,531,596 | 1,859,837 | 3,805,078 | 1,864,386 | 4,858,138 |
| Business-type activities | <u>(19,544,835)</u> | <u>(26,093,270)</u> | <u>(28,126,734)</u> | <u>(26,836,694)</u> | <u>(30,943,192)</u> | <u>(28,624,985)</u> | <u>(33,111,932)</u> | <u>(30,961,311)</u> | <u>(34,329,883)</u> | <u>(35,605,034)</u> |
| Total primary government net expense | | | | | | | | | | |
| General Revenues and Other Changes in Net Position | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Taxes: | | | | | | | | | | |
| Property Taxes | 26,910,889 | 24,077,697 | 25,227,705 | 25,365,054 | 27,209,882 | 28,463,400 | 28,882,713 | 29,674,582 | 32,047,754 | 32,399,365 |
| Income and Other taxes | 3,420,814 | 3,649,661 | 3,510,080 | 4,834,311 | 5,105,039 | 5,003,437 | 5,317,337 | 5,057,155 | 5,735,651 | 5,930,706 |
| Excise Tax | 96,342 | 113,485 | 115,492 | 69,278 | - | - | - | - | - | - |
| Investment Earnings | 72,526 | 86,685 | 37,871 | 13,880 | 10,695 | 38,498 | 62,960 | 130,598 | 387,646 | 387,775 |
| Property Sales | - | - | - | - | - | - | - | - | - | - |
| Gain/(Loss) on Disposal of Capital Assets | 171,968 | 312,796 | 107,791 | 220,674 | 269,201 | 803,541 | 285,595 | 295,497 | 544,636 | 555,819 |
| Miscellaneous | (939,642) | (1,125,889) | (798,089) | (175,455) | 183,935 | (118,745) | (117,983) | (478,644) | (655,763) | (325,719) |
| Transfers | - | - | - | - | - | - | - | - | - | - |
| Capital Transfer from Closed Ice Rink Fund | - | - | - | - | - | - | - | - | - | - |
| Changes in Accounting Estimate | - | - | - | - | - | - | - | - | - | - |
| Total governmental activities | <u>29,732,897</u> | <u>27,114,435</u> | <u>28,200,850</u> | <u>30,327,742</u> | <u>32,778,752</u> | <u>34,190,131</u> | <u>34,430,622</u> | <u>34,679,188</u> | <u>38,059,924</u> | <u>38,947,946</u> |
| Business-type activities: | | | | | | | | | | |
| Investment Earnings | 185,587 | 253,521 | 180,193 | 156,910 | 146,024 | 153,275 | 201,269 | 265,659 | 409,075 | 295,674 |
| Transfers | 939,642 | 1,125,889 | 798,089 | 175,455 | (183,935) | 118,745 | 117,983 | 478,644 | 655,763 | 325,719 |
| Total business-type activities | <u>1,125,229</u> | <u>1,379,410</u> | <u>978,282</u> | <u>332,365</u> | <u>(37,911)</u> | <u>272,020</u> | <u>319,252</u> | <u>744,303</u> | <u>1,064,838</u> | <u>621,393</u> |
| Total primary government | <u>\$ 30,858,126</u> | <u>\$ 28,493,845</u> | <u>\$ 29,179,132</u> | <u>\$ 30,660,107</u> | <u>\$ 32,740,841</u> | <u>\$ 34,462,151</u> | <u>\$ 34,749,874</u> | <u>\$ 35,423,491</u> | <u>\$ 39,124,762</u> | <u>\$ 39,569,339</u> |
| Change in Net Position | | | | | | | | | | |
| Governmental activities | \$ 3,247,069 | \$ (1,167,327) | \$ 1,533,372 | \$ 944,481 | \$ 75,197 | \$ 4,033,550 | \$ (541,147) | \$ (87,201) | \$ 1,865,655 | \$ (1,515,226) |
| Business-type activities | 8,066,222 | 3,567,902 | (480,974) | 2,878,932 | 1,722,452 | 1,803,616 | 2,179,089 | 4,549,381 | 2,929,224 | 5,479,531 |
| Total primary government | <u>\$ 11,313,291</u> | <u>\$ 2,400,575</u> | <u>\$ 1,052,398</u> | <u>\$ 3,823,413</u> | <u>\$ 1,797,649</u> | <u>\$ 5,837,166</u> | <u>\$ 1,637,942</u> | <u>\$ 4,462,180</u> | <u>\$ 4,794,879</u> | <u>\$ 3,964,305</u> |

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 |
|-------------|----------------|--------------|----------------|------------------|-------------------|------------------------|-------------------------|---------------------|----------------------|--------------|------------|
| 2011 | 26,910,889 | 2,068,330 | 173,017 | 161,387 | 516,752 | 34,214 | 53,562 | 137,741 | 147,663 | - | 30,203,555 |
| 2012 | 24,077,697 | 2,271,796 | 202,180 | 79,493 | 516,752 | 34,214 | 53,450 | 110,756 | 164,257 | - | 27,510,595 |
| 2013 | 25,227,705 | 2,305,373 | 206,234 | 301,935 | 516,752 | 34,214 | 55,352 | 101,850 | 165,898 | - | 28,915,313 |
| 2014 | 25,365,054 | 2,452,366 | 207,892 | 1,039,880 | 750,454 | 34,214 | 54,797 | 86,976 | 176,220 | - | 30,167,853 |
| 2015 | 27,209,882 | 2,559,272 | 214,162 | 1,081,978 | 720,362 | 34,214 | 63,836 | 69,699 | 191,456 | - | 32,144,861 |
| 2016 | 28,463,400 | 2,427,965 | 328,649 | 1,224,207 | 686,126 | 34,214 | 70,395 | 48,676 | 193,894 | - | 33,477,526 |
| 2017 | 28,882,713 | 2,628,280 | 443,873 | 1,206,125 | 739,779 | 34,214 | 78,697 | 30,485 | 187,687 | - | 34,231,853 |
| 2018 | 29,674,582 | 2,177,627 | 410,160 | 1,250,241 | 737,861 | 34,214 | 78,390 | 27,707 | 202,103 | - | 34,592,885 |
| 2019 | 32,047,754 | 2,746,653 | 360,785 | 1,375,305 | 736,490 | 34,214 | 77,933 | 11,054 | 219,975 | - | 37,610,163 |
| 2020 | 32,399,365 | 2,838,385 | 182,599 | 1,558,316 | 693,469 | 34,214 | 77,865 | 10,066 | 157,258 | - | 37,951,537 |

Source: City of Hagerstown Accounting Department

Note: Highway User Tax Revenue includes one time grants and the annual allotment.

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

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| General Fund | | | | | | | | | | |
| Reserved | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Unreserved/Undesignated | - | - | - | - | - | - | - | - | - | - |
| Nonspendable | 493,492 | 487,902 | 254,914 | 216,127 | 226,974 | 256,353 | 181,006 | 167,197 | 278,377 | 199,133 |
| Restricted | 240,816 | - | - | - | - | - | - | - | - | - |
| Committed | - | - | - | - | - | - | - | 250,000 | 251,426 | 251,426 |
| Assigned | 186,504 | 199,174 | 1,783,143 | 1,596,838 | 1,555,317 | 1,077,515 | 786,785 | 1,248,537 | 465,429 | 471,031 |
| Unassigned | 7,851,817 | 7,837,687 | 7,668,912 | 8,053,185 | 8,181,345 | 9,191,926 | 9,462,818 | 9,958,056 | 12,378,375 | 12,563,471 |
| Total General Fund | \$ 8,772,629 | \$ 8,524,763 | \$ 9,706,969 | \$ 9,866,150 | \$ 9,963,636 | \$ 10,525,794 | \$ 10,430,609 | \$ 11,623,790 | \$ 13,373,607 | \$ 13,484,061 |
| All other governmental funds | | | | | | | | | | |
| Reserved | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Unreserved/Undesignated, reported in: | | | | | | | | | | |
| Special revenue funds | - | - | - | - | - | - | - | - | - | - |
| Capital projects funds | - | - | - | - | - | - | - | - | - | - |
| Nonspendable | 2,683,659 | 1,784 | 998,603 | 1,165,495 | 1,809,108 | 2,034,494 | 2,555,252 | - | - | - |
| Restricted | 2,698,153 | 5,480,693 | 2,953,196 | 2,908,949 | 2,829,671 | 2,815,706 | 2,562,152 | 2,588,167 | 2,840,076 | 3,723,126 |
| Committed | 2,839,528 | 1,817,278 | 43,775 | 1,672 | 2,537,161 | 705,958 | 2,024,224 | 2,757,307 | 4,739,229 | 945,828 |
| Assigned | 2,026,103 | 1,934,204 | 4,790,358 | 4,841,125 | 4,239,568 | 3,614,734 | 2,595,895 | 4,304,923 | 3,970,340 | 4,821,536 |
| Unassigned | - | - | (146,717) | (150,415) | (1,068,345) | 276,605 | (92,306) | - | - | - |
| Total all other governmental funds | \$ 10,247,443 | \$ 9,233,959 | \$ 8,639,215 | \$ 8,766,826 | \$ 10,327,163 | \$ 9,447,497 | \$ 9,645,217 | \$ 9,650,397 | \$ 11,549,645 | \$ 9,490,490 |
| Total governmental funds | | | | | | | | | | |
| Reserved | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Unreserved/Undesignated, reported in: | | | | | | | | | | |
| General fund | - | - | - | - | - | - | - | - | - | - |
| Special revenue funds | - | - | - | - | - | - | - | - | - | - |
| Capital projects funds | - | - | - | - | - | - | - | - | - | - |
| Nonspendable | 3,177,151 | 489,686 | 1,253,517 | 1,381,622 | 2,036,082 | 2,290,847 | 2,736,258 | 167,197 | 278,377 | 199,133 |
| Restricted | 2,938,969 | 5,480,693 | 2,953,196 | 2,908,949 | 2,829,671 | 2,815,706 | 2,562,152 | 2,588,167 | 2,840,076 | 3,723,126 |
| Committed | 2,839,528 | 1,817,278 | 43,775 | 1,672 | 2,537,161 | 705,958 | 2,024,224 | 3,007,307 | 4,990,655 | 1,197,254 |
| Assigned | 2,212,607 | 2,133,378 | 6,573,501 | 6,437,963 | 5,794,885 | 4,692,249 | 3,382,680 | 5,553,460 | 4,435,769 | 5,292,567 |
| Unassigned | 7,851,817 | 7,837,687 | 7,522,195 | 7,902,770 | 7,093,000 | 9,468,531 | 9,370,512 | 9,958,056 | 12,378,375 | 12,563,471 |
| Total all other governmental funds | \$ 19,020,072 | \$ 17,758,722 | \$ 18,346,184 | \$ 18,632,976 | \$ 20,290,799 | \$ 19,973,290 | \$ 20,075,827 | \$ 21,274,187 | \$ 24,923,252 | \$ 22,974,550 |

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

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|
| Revenues: | | | | | | | | | | |
| Property taxes | \$ 26,910,889 | \$ 24,077,697 | \$ 25,227,703 | \$ 25,365,054 | \$ 27,209,882 | \$ 28,463,400 | \$ 28,882,713 | \$ 29,674,582 | \$ 32,047,754 | \$ 32,399,365 |
| Income and other taxes | 3,292,667 | 3,822,731 | 3,687,610 | 4,802,799 | 4,934,979 | 5,014,126 | 5,349,140 | 4,918,303 | 5,562,409 | 5,552,172 |
| Licenses and permits | 1,584,465 | 1,723,790 | 1,545,344 | 1,524,702 | 2,259,693 | 1,910,357 | 1,922,814 | 2,157,177 | 2,144,825 | 2,144,423 |
| Intergovernmental grant revenues | 2,867,521 | 2,866,712 | 2,856,056 | 2,371,405 | 2,181,225 | 3,692,490 | 2,672,576 | 2,472,496 | 3,600,723 | 3,025,971 |
| Program Income | 178,801 | 187,926 | 194,232 | 141,952 | 224,855 | 51,859 | 50,888 | 145,915 | 196,959 | 60,608 |
| Charges for services | 2,937,027 | 3,196,544 | 3,326,693 | 2,984,147 | 2,959,862 | 2,957,509 | 2,998,972 | 3,333,800 | 3,787,489 | 3,332,932 |
| Fines and forfeitures | 73,634 | 384,137 | 1,654,158 | 1,333,317 | 1,548,400 | 1,426,168 | 1,151,264 | 1,163,093 | 949,862 | 966,215 |
| Investment Earnings | 72,526 | 86,688 | 37,872 | 13,880 | 10,695 | 38,498 | 62,960 | 130,598 | 387,646 | 387,775 |
| Property Sales | 46,547 | 128,768 | 121,266 | 34,546 | 22,119 | 32,306 | 44,401 | 39,898 | 282,254 | 177,464 |
| Contributions and Donations | 453,244 | 211,248 | 278,945 | 271,247 | 1,556,831 | 303,831 | 426,546 | 318,567 | 305,810 | 227,030 |
| Unallocated general revenue | 2,445,006 | 2,273,943 | 2,409,113 | 2,217,577 | 2,278,109 | 2,802,237 | 2,272,194 | 2,253,098 | 2,258,782 | 2,375,855 |
| Total revenues | 40,832,327 | 38,960,184 | 41,338,992 | 41,060,626 | 45,186,650 | 46,692,781 | 45,834,468 | 46,607,527 | 51,524,513 | 50,649,810 |
| Expenditures: | | | | | | | | | | |
| General government | 6,161,681 | 5,613,325 | 5,482,651 | 5,841,183 | 6,235,937 | 6,140,214 | 6,104,766 | 5,910,549 | 5,988,744 | 5,878,797 |
| Public safety | 19,215,646 | 18,918,382 | 19,807,827 | 20,345,466 | 22,118,148 | 22,489,750 | 22,652,900 | 23,337,935 | 23,426,428 | 24,094,838 |
| Street and alleys | 2,592,544 | 2,441,836 | 2,392,855 | 2,627,391 | 2,564,690 | 2,516,304 | 2,451,010 | 2,586,683 | 3,057,832 | 2,644,230 |
| Waste collection & disposal | 2,035,308 | 2,637,018 | 1,936,153 | 1,950,525 | 1,972,012 | 2,001,190 | 2,022,219 | 2,294,415 | 2,562,818 | 2,622,380 |
| Parks and recreation | 2,134,694 | 2,180,967 | 2,157,094 | 2,312,665 | 2,415,204 | 2,552,328 | 2,503,353 | 2,536,793 | 2,610,018 | 2,726,959 |
| Municipal buildings | - | - | - | - | - | - | - | - | - | - |
| Economic and Community Development | 2,601,343 | 2,211,660 | 3,130,591 | 1,350,190 | 4,117,042 | 971,503 | 3,432,511 | 3,211,991 | 4,760,785 | 4,964,779 |
| Capital Outlay | 1,368,903 | 2,036,727 | 1,847,017 | 3,377,716 | 4,666,856 | 6,484,873 | 7,906,338 | 1,653,293 | 1,914,373 | 1,712,853 |
| Debt Service | - | - | - | - | - | - | - | - | - | - |
| Principal | 1,748,522 | 1,824,467 | 1,435,931 | 1,281,598 | 1,267,682 | 1,446,786 | 1,504,498 | 1,726,847 | 1,863,362 | 2,243,851 |
| Interest | 650,015 | 636,814 | 595,093 | 550,187 | 517,287 | 577,660 | 537,853 | 638,740 | 634,902 | 704,124 |
| Issuance costs | - | 975 | 1,105 | 1,105 | 44,215 | 1,656 | 117,200 | 29,595 | 34,520 | 1,778 |
| Unallocated general expenditures | 1,244,043 | 1,393,474 | 1,442,024 | 1,663,614 | 2,036,099 | 1,758,432 | 1,724,013 | 3,017,256 | 4,227,598 | 5,496,121 |
| Total expenditures | 39,752,699 | 39,895,645 | 40,228,341 | 41,301,640 | 47,955,172 | 46,940,696 | 50,956,661 | 46,944,097 | 51,081,380 | 53,090,711 |
| Excess of revenues over(under) expenditures | 1,079,628 | (935,461) | 1,110,650 | (241,014) | (2,768,522) | (247,915) | (5,122,193) | (336,570) | 443,133 | (2,440,901) |
| Other financing sources(uses): | | | | | | | | | | |
| Transfers In | 2,209,522 | 1,623,420 | 2,389,966 | 1,885,273 | 2,282,549 | 2,125,813 | 3,041,116 | 2,053,092 | 3,327,778 | 4,872,678 |
| Transfers Out | (3,149,164) | (2,549,309) | (2,913,055) | (1,785,894) | (2,062,664) | (2,195,406) | (3,123,439) | (1,783,162) | (3,226,846) | (4,380,480) |
| Debt Issued | - | 600,000 | - | 428,427 | 3,923,743 | - | 4,793,526 | 1,265,000 | 3,105,000 | - |
| Sale of Capital Assets | - | - | - | - | - | - | - | - | - | - |
| Bond Financing Prior Proceeds Reprogram | - | - | - | - | - | - | 314,538 | - | - | - |
| Premium on Bond Financing | - | - | - | - | 282,716 | - | 198,989 | - | - | - |
| Proceeds of Long-term debt | - | - | - | - | - | - | - | - | - | - |
| Payment to Bond Escrow Agent | - | - | - | - | - | - | - | - | - | - |
| Total other funding sources(uses) | (939,642) | (325,889) | (523,089) | 527,806 | 4,426,344 | (69,593) | 5,224,730 | 1,534,930 | 3,205,932 | 492,198 |
| Net changes in Fund Balance | \$ 139,986 | \$ (1,261,350) | \$ 587,561 | \$ 286,792 | \$ 1,657,822 | \$ (317,508) | \$ 102,537 | \$ 1,198,360 | \$ 3,649,065 | \$ (1,948,703) |
| Debt Service as a percentage of noncapital expenditures | 6% | 7% | 5% | 5% | 4% | 5% | 5% | 5% | 5% | 6% |

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

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

| Fiscal Year Ended | Real Property | Apartment Real Property | Business Personal Property | Total Taxable Assessed Value | Total City Direct Tax Rate | Estimated Actual Value | Assessed Value As a Percentage of Actual Value |
|-------------------|---------------|-------------------------|----------------------------|------------------------------|----------------------------|------------------------|--|
| 2011 | 2,856,491 | - | 129,589 | 2,986,080 | 2.758 | 3,559,094 | 83.90% |
| 2012 | 2,625,439 | - | 109,650 | 2,735,089 | 2.758 | 3,275,555 | 83.50% |
| 2013 | 2,601,940 | - | 127,861 | 2,729,801 | 2.758 | 3,238,199 | 84.30% |
| 2014 | 2,599,512 | - | 150,650 | 2,750,162 | 2.758 | 3,224,106 | 85.30% |
| 2015 | 2,468,251 | - | 108,380 | 2,576,631 | 3.143 | 2,698,043 | 95.50% |
| 2016 | 2,521,123 | - | 135,120 | 2,656,243 | 3.196 | 2,702,180 | 98.30% |
| 2017 | 2,521,811 | - | 133,737 | 2,655,548 | 3.196 | 2,704,224 | 98.20% |
| 2018 | 2,538,466 | - | 133,670 | 2,672,136 | 3.294 | 2,640,451 | 101.20% |
| 2019 | 2,334,413 | 239,447 | 138,720 | 2,712,579 | 3.507 | 2,525,679 | 107.40% |
| 2020 | 2,400,047 | 240,820 | 152,376 | 2,793,243 | 3.507 | 2,569,681 | 108.70% |

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 Support Services Manager

City of Hagerstown, Maryland
Property Tax Rates
Per \$100 of Assessed Value
Direct and Overlapping Governments
Last Ten Fiscal Years

| Fiscal Year Ended | City | | | | County | | | | State | | | | Total Direct & Overlapping Rates | | | | | |
|----------------------|------------------|----------------------|------------------------------------|----------------------|------------------|----------------------|------------------------------------|----------------------|------------------|----------------------|------------------------------------|----------------------|--|-------------------------------------|----------------------|-------|-------|-------|
| | Apartment | | Business & Personal Property | | Real Property | | Business & Personal Property | | Real Property | | Business & Personal Property | | | Total State Property Tax Rate | | | | |
| | Real Property | Property Tax Rate | Real Property | Property Tax Rate | Real Property | Property Tax Rate | Real Property | Property Tax Rate | Real Property | Property Tax Rate | Real Property | Property Tax Rate | | Real Property | Property Tax Rate | | | |
| 2011 | 0.788 | 0.000 | 1.970 | 2.758 | 0.823 | 2.370 | 0.000 | 0.112 | 0.823 | 2.370 | 0.000 | 0.112 | 0.823 | 2.370 | 3.193 | 0.112 | 3.305 | 6.063 |
| 2012 | 0.788 | 0.000 | 1.970 | 2.758 | 0.823 | 2.370 | 0.000 | 0.112 | 0.823 | 2.370 | 0.000 | 0.112 | 0.823 | 2.370 | 3.193 | 0.112 | 3.305 | 6.063 |
| 2013 | 0.788 | 0.000 | 1.970 | 2.758 | 0.823 | 2.370 | 0.000 | 0.112 | 0.823 | 2.370 | 0.000 | 0.112 | 0.823 | 2.370 | 3.193 | 0.112 | 3.305 | 6.063 |
| 2014 | 0.788 | 0.000 | 1.970 | 2.758 | 0.823 | 2.370 | 0.000 | 0.112 | 0.823 | 2.370 | 0.000 | 0.112 | 0.823 | 2.370 | 3.193 | 0.112 | 3.305 | 6.063 |
| 2015 | 0.898 | 0.000 | 2.245 | 3.143 | 0.823 | 2.370 | 0.000 | 0.112 | 0.823 | 2.370 | 0.000 | 0.112 | 0.823 | 2.370 | 3.193 | 0.112 | 3.305 | 6.448 |
| 2016 | 0.913 | 0.000 | 2.283 | 3.196 | 0.823 | 2.370 | 0.000 | 0.112 | 0.823 | 2.370 | 0.000 | 0.112 | 0.823 | 2.370 | 3.193 | 0.112 | 3.305 | 6.501 |
| 2017 | 0.913 | 0.000 | 2.283 | 3.196 | 0.823 | 2.370 | 0.000 | 0.112 | 0.823 | 2.370 | 0.000 | 0.112 | 0.823 | 2.370 | 3.193 | 0.112 | 3.305 | 6.501 |
| 2018 | 0.941 | 0.000 | 2.353 | 3.294 | 0.823 | 2.370 | 0.000 | 0.112 | 0.823 | 2.370 | 0.000 | 0.112 | 0.823 | 2.370 | 3.193 | 0.112 | 3.305 | 6.599 |
| 2019 | 1.002 | 1.032 | 2.505 | 3.507 | 0.823 | 2.370 | 0.000 | 0.112 | 0.823 | 2.370 | 0.000 | 0.112 | 0.823 | 2.370 | 3.193 | 0.112 | 3.305 | 6.812 |
| 2020 | 1.002 | 1.032 | 2.505 | 3.507 | 0.823 | 2.370 | 0.000 | 0.112 | 0.823 | 2.370 | 0.000 | 0.112 | 0.823 | 2.370 | 3.193 | 0.112 | 3.305 | 6.812 |

Source: City of Hagerstown Support Services Manager and Washington County Treasurer

City of Hagerstown, Maryland
Principal Property Taxpayers (Includes Real Estate Property Taxes)
June 30, 2020

| Taxpayer | 2020 | | | 2011 | | |
|--|------------------------|------|--|------------------------|------|--|
| | Taxable Assessed Value | Rank | Percentage of Total Taxable Assessed Value | Taxable Assessed Value | Rank | Percentage of Total Taxable Assessed Value |
| Washington REIT Centre at Hagerstown | \$ 56,375,700 | 1 | 2.31% | | | |
| Cortpark II LLC | 32,936,300 | 2 | 1.35% | \$ 22,050,300.00 | 5 | 0.75% |
| Lowes Home Centers, Inc. | 29,824,200 | 3 | 1.22% | 25,978,800 | 2 | 0.89% |
| Bowman Railway LLC | 29,255,100 | 4 | 1.20% | | | |
| Homes For Hagerstown LLC | 25,156,800 | 5 | 1.03% | | | |
| RPAL Hagerstown LLC | 24,090,700 | 6 | 0.99% | | | |
| Stone House Maryland LLC (Oekos Stone House) | 22,893,300 | 7 | 0.94% | | | |
| Tractor Supply Company | 22,059,500 | 8 | 0.90% | 22,736,900 | 4 | 0.78% |
| Walmart Real Estate Business Trust | 19,852,800 | 9 | 0.81% | | | |
| Washington County Centre at Antietam | 15,548,500 | 10 | 0.64% | | | |
| Hagerstown Plaza LLC | | | | 17,005,900 | 8 | 0.58% |
| Washington Real Estate | | | | 55,271,400 | 1 | 1.89% |
| Verizon-Maryland | | | | 23,202,100 | 3 | 0.79% |
| I-81 Hollyhook LLC | | | | 18,701,700 | 6 | 0.64% |
| OEKOS Stone House LLC | | | | 17,999,700 | 7 | 0.61% |
| York Pinewood Apartments LP | | | | 15,940,000 | 9 | 0.54% |
| Sams Real Estate Business Trust | | | | 15,890,000 | 10 | 0.54% |
| Totals | \$ 277,992,900 | | 11.39% | \$ 234,776,800 | | 8.02% |

Source: City of Hagerstown Support Services Manager

**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 | Subsequent Years | Amount | Percentage of Levy | |
| 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% | 253,842 | 19,704,236 | 96.78% | |
| 2013 | 20,107,789 | 19,764,852 | 98.3% | 307,390 | 20,072,242 | 99.82% | |
| 2014 | 20,260,778 | 20,024,757 | 98.8% | 145,123 | 20,169,880 | 99.55% | |
| 2015 | 22,065,699 | 21,862,523 | 99.1% | 130,886 | 21,993,409 | 99.67% | |
| 2016 | 23,041,528 | 22,887,668 | 99.3% | 141,597 | 23,029,265 | 99.95% | |
| 2017 | 23,342,489 | 23,130,460 | 99.1% | 108,687 | 23,239,147 | 99.56% | |
| 2018 | 24,296,476 | 23,841,947 | 98.1% | 55,959 | 23,897,906 | 98.36% | |
| 2019 | 26,401,431 | 25,950,722 | 98.3% | 27,085 | 25,977,807 | 98.40% | |
| 2020 | 26,768,993 | 26,117,772 | 97.6% | 33,746 | 26,151,519 | 97.69% | |

Source: City of Hagerstown Support Services Manager.

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 | | |
| 2011 | 1,314,200,370 | 39,662 | 18,695,138 | 45,060,595 | 4.85% | 1,607 |
| 2012 | 1,335,141,906 | 39,662 | 17,459,565 | 48,904,318 | 4.97% | 1,673 |
| 2013 | 1,435,605,752 | 39,662 | 16,013,064 | 46,872,333 | 4.38% | 1,586 |
| 2014 | 1,435,605,752 | 39,662 | 15,168,166 | 51,139,325 | 4.62% | 1,672 |
| 2015 | 1,459,723,696 | 40,364 | 18,093,422 | 57,309,510 | 5.17% | 1,868 |
| 2016 | 1,543,127,712 | 40,432 | 16,621,899 | 54,317,860 | 4.60% | 1,755 |
| 2017 | 1,617,311,412 | 40,452 | 20,398,889 | 53,355,638 | 4.56% | 1,823 |
| 2018 | 1,649,885,804 | 40,306 | 19,902,356 | 49,867,569 | 4.23% | 1,731 |
| 2019 | 1,727,568,645 | 40,205 | 21,109,308 | 46,940,798 | 3.94% | 1,693 |
| 2020 | 1,760,269,700 | 40,100 | 18,840,748 | 43,139,894 | 3.52% | 1,546 |

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 | | |
| 2011 | 2,986,080 | 39,662 | 63,755,733 | 63,755,733 | 2.14% | 1,607 |
| 2012 | 2,735,089 | 39,662 | 66,363,883 | 66,363,883 | 2.43% | 1,673 |
| 2013 | 2,729,801 | 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 |
| 2017 | 2,655,548 | 40,452 | 73,754,527 | 73,754,527 | 2.78% | 1,823 |
| 2018 | 2,672,136 | 40,306 | 69,769,925 | 69,769,925 | 2.61% | 1,731 |
| 2019 | 2,712,579 | 40,205 | 68,050,106 | 68,050,106 | 2.51% | 1,693 |
| 2020 | 2,793,243 | 40,100 | 61,980,642 | 61,980,642 | 2.22% | 1,546 |

| 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 | | |
| 2011 | 2,986,080 | 39,662 | 18,695,138 | 18,695,138 | 0.63% | 471 |
| 2012 | 2,735,089 | 39,662 | 17,459,565 | 17,459,565 | 0.64% | 440 |
| 2013 | 2,729,801 | 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 |
| 2017 | 2,655,548 | 40,452 | 20,398,889 | 20,398,889 | 0.77% | 504 |
| 2018 | 2,672,136 | 40,306 | 19,902,356 | 19,902,356 | 0.74% | 494 |
| 2019 | 2,712,579 | 40,205 | 21,109,308 | 21,109,308 | 0.78% | 525 |
| 2020 | 2,793,243 | 40,100 | 18,840,748 | 18,840,748 | 0.67% | 470 |

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, 2020

| <u>City of Hagerstown</u> | <u>Debt Outstanding</u> | <u>Estimated Percentage Applicable*</u> | <u>Estimated Share of Overlapping Debt</u> |
|--|-------------------------|---|--|
| Debt repaid with property taxes: County | \$ 143,822,788 | 21.00% | \$ 30,202,785 |
| Subtotal, overlapping debt | | | |
| City of Hagerstown Direct Governmental Fund Debt | | | <u>18,840,748</u> |
| Total Direct and Overlapping Debt | | | <u>\$ 49,043,533.48</u> |

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

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

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

**City of Hagerstown, Maryland
Legal Debt Margin Information
Last Ten Fiscal Years**

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|------------------|
| Debt Limit | \$ 292,814,798 | \$ 267,405,166 | \$ 263,821,300 | \$ 264,795,100 | \$ 250,651,500 | \$ 265,624,272 | \$ 265,554,800 | 267,213,623 | 271,257,929 | 2,793,243,119 |
| Total net debt applicable to limit | 63,755,731 | 66,363,883 | 62,885,397 | 66,307,491 | 75,402,932 | 70,939,759 | 73,754,527 | 69,769,925 | 68,050,106 | 61,980,642 |
| Legal debt margin | \$ 229,059,067 | \$ 201,041,283 | \$ 200,935,903 | \$ 198,487,609 | \$ 175,248,568 | \$ 194,684,513 | \$ 191,800,273 | \$ 197,443,698 | \$ 203,207,823 | \$ 2,731,262,477 |
| Total net debt applicable to the limit as a percentage of debt limit | 21.77% | 24.82% | 23.84% | 25.04% | 30.08% | 26.71% | 27.77% | 26.11% | 25.09% | 2.22% |

Legal Debt Margin Calculation for Fiscal Year 2020

| | |
|--|-----------------------|
| Total assessed value | 2,793,243,119 |
| Debt limit (10% of total assessed value) | 279,324,312 |
| Debt applicable to limit: | |
| General obligation bonds | 61,980,642 |
| Legal debt margin | <u>\$ 217,343,670</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 | MSA | | MSA Unemployment Rate |
|-------------|------------|-----------------|-------------------------------|-----------------------------|
| | | Personal Income | Per Capita Personal Income | |
| 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 |
| 2017 | 40,452 | 1,617,311,412 | 39,981 | 5.4 |
| 2018 | 40,306 | 1,649,885,804 | 40,934 | 5.6 |
| 2019 | 40,205 | 1,727,568,645 | 42,969 | 5.3 |
| 2020 | 40,100 | 1,760,269,700 | 43,897 | 11.2 |

Data Source:

Population Data provided by the United States 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 FY17 on 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

| | 2020 | | | 2011 | | |
|--|---------------|------|---|---------------|------|---|
| Employer | Employees | Rank | Percentage of Total County Employment | Employees | Rank | Percentage of Total County Employment |
| Washington County Public Schools | 3,100 | 1 | 4.77% | 2,958 | 1 | 4.65% |
| Meritus Health, Inc. (Washington County Health System, Inc.) | 2,740 | 2 | 4.22% | 2,860 | 2 | 4.50% |
| Citicorp Credit Services, Inc | 2,300 | 3 | 3.54% | 2,067 | 5 | 3.25% |
| First Data Merchant Services | 2,185 | 4 | 3.36% | 2,170 | 4 | 3.41% |
| State of Maryland | 1,994 | 5 | 3.07% | 2,304 | 3 | 3.62% |
| Washington County Government | 1,352 | 6 | 2.08% | 1,149 | 7 | 1.81% |
| Volvo Powertrain NA (Mack Trucks, Inc.) | 1,300 | 7 | 2.00% | 1,165 | 6 | 1.83% |
| FedEx Ground | 900 | 8 | 1.39% | 734 | 8 | 1.15% |
| Hagerstown Community College | 745 | 9 | 1.15% | 689 | 10 | 1.08% |
| The Bowman Group, LLC | 545 | 10 | 0.84% | 695 | 9 | 1.09% |
| Total | 17,161 | | 26.42% | 16,791 | | 26.39% |

Source: Principal Employers for Washington County MD provided by Maryland Department of Commerce
Total County employment for 2020 was 64,943 and 2011 was 63,577 supplied by Bureau of Labor Statistics.

**City of Hagerstown, Maryland
Principal Electric Fund Customers
June 30, 2020**

| Customer | 2020 | | | | 2011 | | | |
|---|-------------------|---------------------|------|---|-------------------|---------------------|------|---|
| | Kwh | Amount Billed | Rank | Percentage of Total Electric Fund Billing | Kwh | Amount Billed | Rank | Percentage of Total Electric Fund Billing |
| Conagra Foods (Pinnacle Foods Group LLC) | 9,984,100 | \$ 663,367 | 1 | 2.79% | | | | |
| City of Hagerstown - Public Works | 7,070,695 | 587,415 | 2 | 2.47% | 8,397,355 | \$ 838,544 | 4 | 2.58% |
| Mari Holdings MD LLC | 9,192,000 | 577,406 | 3 | 2.43% | | | | |
| City of Hagerstown - Wastewater Plant | 8,845,200 | 545,269 | 4 | 2.30% | 10,192,988 | 818,902 | 5 | 2.52% |
| CM Offray, Inc | 3,275,680 | 256,226 | 5 | 1.08% | 4,288,340 | 401,573 | 7 | 1.23% |
| Western Maryland St. Hospital | 3,361,599 | 219,832 | 6 | 0.93% | | | | |
| Verizon #27787 | 3,348,684 | 212,152 | 7 | 0.89% | 3,144,465 | 274,240 | 9 | 0.84% |
| Board of Education/ North High | 2,689,440 | 211,365 | 8 | 0.89% | 10,837,546 | 1,058,431 | 2 | 3.25% |
| HBP, Inc. | 2,657,200 | 202,452 | 9 | 0.85% | | | | |
| Meritus Medical Center (Washington County Hospital) | 2,476,755 | 191,166 | 10 | 0.80% | | | | |
| Good Humor Breyers, Inc. | | | | | 11,492,778 | 988,830 | 3 | 3.04% |
| Hagerstown Housing Authority | | | | | 28,155,560 | 2,308,276 | 1 | 7.09% |
| Washington County Commissioners | | | | | 5,858,350 | 533,093 | 6 | 1.64% |
| C.E. Stevens Inc. | | | | | 3,764,103 | 349,046 | 8 | 1.07% |
| | | | | | 3,278,720 | 273,595 | 10 | 0.84% |
| Totals | 52,901,363 | \$ 3,666,650 | | 15.42% | 89,410,205 | \$ 7,844,530 | | 24.11% |

Source: City of Hagerstown Billing Department. Board of Education was a consolidated customer in FY08 and since has been split into multiple customers as reflected in FY17.

City of Hagerstown, Maryland
Principal Water Fund Customers
June 30, 2020

| Customer | 2020 | | | | 2011 | | | |
|---|--------------------|---------------------|------|--|--------------------|------------------|------|--|
| | Gallons | Amount Billed | Rank | Percentage of Total Water Fund Billing | Gallons | Amount Billed | Rank | Percentage of Total Water Fund Billing |
| Hagerstown Prison Complex(MCI) | 341,287,300 | \$ 1,249,539 | 1 | 10.89% | 484,605,900 | \$ 1,321,874 | 1 | 18.11% |
| Town of Smithsburg | 83,815,700 | 256,593 | 2 | 2.24% | 85,668,300 | 195,978 | 2 | 2.69% |
| Town of Williamsport | 61,916,000 | 194,146 | 3 | 1.69% | 65,404,700 | 149,642 | 3 | 2.05% |
| Meritus Medical Center (Washington County Hospital) | 35,942,000 | 137,157 | 4 | 1.19% | 45,306,200 | 96,280 | 4 | 1.32% |
| PR Valley Limited Partnership | 26,768,100 | 116,054 | 5 | 1.01% | - | - | - | - |
| Town of Funkstown | 33,927,000 | 110,568 | 6 | 0.96% | 31,969,000 | 73,289 | 6 | 1.00% |
| Volvo Powertrain NA (Mack Trucks, Inc.) | 26,019,000 | 106,226 | 7 | 0.93% | 31,060,400 | 84892 | 5 | 1.16% |
| Maryland Paper Company | 24,196,200 | 90,735 | 8 | 0.79% | - | - | - | - |
| Oak Ridge Apartments | 20,702,900 | 85,067 | 9 | 0.74% | 19,244,700 | 54,372 | 9 | 0.75% |
| Lakeside Park | 20,846,000 | 83,198 | 10 | 0.72% | 21,731,000 | 59,373 | 7 | 0.81% |
| Good Humor Breyers, Inc. | | | | | 45,981,400 | 53,089 | 10 | 0.73% |
| CitiCorp Credit Services | | | | | 20,836,000 | 57,496 | 8 | 0.79% |
| Totals | 675,420,200 | \$ 2,429,284 | | 21.16% | 851,807,600 | 2,146,285 | | 29.41% |

Source: City of Hagerstown Billing Department.

City of Hagerstown, Maryland
Principal Wastewater Fund Customers
June 30, 2020

| Customer | 2020 | | | | 2011 | | | |
|---|--------------------|---------------------|------|---|--------------------|---------------------|------|---|
| | 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) | 34,935,000 | \$ 340,270 | 1 | 2.56% | 36,582,700 | \$ 228,105 | 1 | 2.90% |
| Conagra Foods (Pinnacle Foods Group, LLC) | 32,700,600 | 191,270 | 2 | 1.44% | - | - | 0 | - |
| Cortpark LLC | 30,576,000 | 173,831 | 3 | 1.31% | 23,762,200 | 93,878 | 6 | 1.19% |
| Volvo Powertrain NA (Mack Trucks, Inc.) | 14,515,700 | 157,400 | 4 | 1.18% | 15,786,600 | 110,128 | 4 | 1.40% |
| Washington County Detention Center | 15,917,000 | 157,105 | 5 | 1.18% | 16,630,000 | 116,115 | 3 | 1.47% |
| Brookhaven (Brandywine/Youngstown) | 9,243,900 | 102,088 | 6 | 0.77% | 10,933,100 | 76,422 | 9 | 0.97% |
| Homes for Hagerstown LLC (Realty Investment Co) | 14,253,500 | 87,230 | 7 | 0.66% | 20,295,400 | 80,189 | 8 | 1.02% |
| CM Offray (MD Ribbon) | 14,545,000 | 83,070 | 8 | 0.62% | 27,403,000 | 108,265 | 5 | 1.38% |
| Hagerstown Housing Authority/Noland Village | 13,751,400 | 78,065 | 9 | 0.59% | 45,981,400 | 181,671 | 2 | 2.31% |
| Robinwood Medical Center | 7,259,200 | 75,808 | 10 | 0.57% | 19,260,800 | 78,795 | 10 | 1.00% |
| Good Humor Breyers, Inc. | | | | | 12,930,500 | 90,222 | 7 | 1.15% |
| Board of Education | | | | | | | | |
| Hagerstown Community College | | | | | | | | |
| Totals | 187,697,300 | \$ 1,446,137 | | 10.87% | 229,565,700 | \$ 1,163,790 | | 14.78% |

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 | | | | | | | | | |
|---|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| City Administrator | 1.67 | 1.67 | 1.67 | 1.66 | 1.66 | 1.66 | 1.66 | 1.66 | 1.66 | 1.66 |
| City Clerk | 1.50 | 1.33 | 1.33 | 1.34 | 1.34 | 1.34 | 1.34 | 1.34 | 1.34 | 1.34 |
| Community & Economic Development (3)(7) | 23.00 | 23.50 | 23.85 | 23.80 | 28.80 | 28.84 | 6.75 | 6.75 | 6.75 | 6.75 |
| Public Information (3) | - | - | - | - | - | - | - | - | - | - |
| Subtotal Administration | 26.17 | 26.50 | 26.85 | 26.80 | 31.80 | 31.84 | 9.75 | 9.75 | 9.75 | 9.75 |
| Accounting (2) | 8.75 | 8.75 | 8.50 | 8.50 | 8.50 | 8.50 | 8.50 | 8.50 | 8.50 | 8.40 |
| Treasurer (2) | - | - | - | - | - | - | - | - | - | - |
| Information Technology, Communications & Support Services (4) | 12.00 | 12.00 | 12.00 | 12.00 | 12.00 | 12.00 | 14.10 | 14.10 | 14.10 | 13.10 |
| Billing/Customer Service (4) | - | - | - | - | - | - | - | - | - | - |
| Purchasing (2) | - | - | - | - | - | - | - | - | - | - |
| Human Resources | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 |
| Planning & Code Administration (3)(7) | - | - | - | - | - | - | 20.00 | 20.00 | 20.00 | 20.00 |
| Engineering (1) | 29.00 | 29.66 | 29.72 | 29.63 | 29.63 | 30.64 | 30.65 | 30.92 | 30.92 | 26.41 |
| Code Compliance (3) | - | - | - | - | - | - | - | - | - | - |
| Police Sworn | 105.00 | 105.00 | 108.00 | 107.00 | 107.00 | 108.00 | 112.00 | 112.00 | 112.00 | 112.00 |
| Police Administration/Civilian | 13.00 | 13.00 | 15.00 | 15.00 | 15.00 | 15.00 | 15.00 | 15.00 | 15.00 | 15.00 |
| Fire | 83.00 | 83.00 | 83.00 | 83.00 | 83.00 | 83.00 | 83.00 | 83.00 | 83.00 | 78.00 |
| Public Works | 34.00 | 32.90 | 32.90 | 32.90 | 32.90 | 32.50 | 32.90 | 32.90 | 32.90 | 23.55 |
| Parks & Recreation (1) | - | - | - | - | - | - | - | - | - | - |
| Stormwater | - | - | - | - | - | - | - | - | - | 5.86 |
| Total General Fund | 314.92 | 314.81 | 319.97 | 318.83 | 323.83 | 326.48 | 330.90 | 331.17 | 331.17 | 317.07 |
| Electric | 40.00 | 40.18 | 40.18 | 35.55 | 35.55 | 35.55 | 35.55 | 35.55 | 35.55 | 31.51 |
| Water | 54.25 | 55.49 | 55.02 | 55.02 | 55.02 | 54.52 | 54.52 | 54.52 | 54.02 | 50.36 |
| Wastewater | 48.00 | 47.40 | 47.76 | 47.76 | 47.76 | 48.26 | 48.26 | 48.26 | 48.76 | 46.56 |
| Golf Course | 3.00 | 2.52 | 2.37 | 2.53 | 2.53 | 2.52 | 2.52 | 2.25 | 2.25 | 2.25 |
| Parking | 2.40 | 2.20 | 2.20 | 2.20 | 2.20 | 2.40 | 2.20 | 2.20 | 2.20 | 2.20 |
| Property Management (6) | - | 0.90 | 0.90 | 0.90 | 0.90 | 1.10 | 0.90 | 0.90 | 0.90 | 0.90 |
| Community Development Block Grant | 3.43 | 2.50 | 2.20 | 2.21 | 2.21 | 2.01 | 2.00 | 2.00 | 2.00 | 2.00 |
| Business Revolving Loan Fund | - | - | - | - | - | 0.16 | 0.15 | 0.15 | 0.15 | 0.15 |
| Telework Center (5) | - | - | - | - | - | - | - | - | - | - |
| Approved City Staffing Levels | 466.00 | 466.00 | 470.60 | 465.00 | 470.00 | 473.00 | 477.00 | 477.00 | 477.00 | 453.00 |
| General Operations | 112.75 | 117.21 | 117.07 | 116.94 | 121.94 | 123.75 | 123.05 | 123.32 | 123.32 | 114.22 |
| Public Safety | 205.60 | 201.00 | 206.00 | 205.00 | 205.00 | 206.00 | 210.00 | 210.00 | 210.00 | 205.00 |
| Business-type Activities | 147.65 | 147.79 | 147.53 | 143.06 | 143.06 | 143.25 | 143.95 | 143.68 | 143.68 | 133.78 |

(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.
(7) Planning & Code Administration were split from Community & Economic Development in 2017
Source: City of Hagerstown Human Resource Department.

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

| Function | Fiscal Year | | | | | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| Fire Department | | | | | | | | | | |
| Responses to Fire alarms | 2,428 | 2,573 | 2,587 | 2,978 | 3,236 | 3,623 | 3,575 | 3,774 | 3,801 | 3,910 |
| Average response time (in minutes) | 4:17 | 4:06 | 3:06 | 4:38 | 4:14 | 4:14 | 4:29 | 4:15 | 4:26 | 4:52 |
| False alarms (included in above number) | 18 | 30 | 25 | 30 | 32 | 30 | 51 | 62 | 66 | 89 |
| Public fire education programs | 927 | 1,452 | 825 | 1,288 | 1,302 | 1,029 | 1,131 | 1,187 | 1,222 | 978 |
| Persons in attendance at public education programs | 10,558 | 9,619 | 5,880 | 9,629 | 9,810 | 8,572 | 9,429 | 9,617 | 9,905 | 7,924 |
| Police Department | | | | | | | | | | |
| Calls for service | 54,555 | 63,697 | 60,764 | 61,329 | 61,250 | 54,762 | 55,519 | 61,944 | 55,224 | 55,224 |
| Alarm calls (included in above number) | 1,048 | 696 | 496 | 470 | 564 | 484 | 402 | 560 | 524 | 524 |
| Parks and Recreation | | | | | | | | | | |
| Claude M Potterfield Pool | | | | | | | | | | |
| Total attendance at swimming pool | 23,611 | 23,223 | 17,945 | 15,998 | 16,195 | 21,876 | 25,776 | 21,631 | 23,212 | 16,132 |
| Average daily attendance at pool | 353 | 332 | 285 | 222 | 176 | 264 | 293 | 254 | 273 | 249 |
| The Greens at Hamilton Run | | | | | | | | | | |
| Total attendance at golf course | 10,804 | 10,946 | 9,998 | 10,026 | 11,736 | 10,759 | 10,006 | 11,133 | 12,835 | 15,717 |
| Average daily attendance at golf course | 39 | 43 | 37 | 41 | 48 | 55 | 53 | 43 | 45 | 55 |
| Electric Department | | | | | | | | | | |
| Number of active accounts | 16,921 | 16,876 | 16,863 | 16,900 | 16,866 | 16,936 | 17,085 | 17,093 | 17,161 | 17,215 |
| Number of meters (in use) | 17,942 | 17,825 | 17,876 | 17,375 | 17,556 | 17,691 | 17,512 | 17,504 | 17,674 | 17,761 |
| Kilowatt hours purchased | 354,751,891 | 322,917,151 | 314,865,535 | 318,885,469 | 310,397,995 | 297,411,446 | 304,938,150 | 317,991,751 | 325,714,174 | 314,633,291 |
| Kilowatt hours sold | 343,746,297 | 312,875,929 | 304,005,581 | 307,256,238 | 306,698,130 | 287,368,823 | 297,368,988 | 311,618,237 | 317,822,554 | 306,202,234 |
| System peak demand-kilowatts | 71,024 | 68,180 | 66,100 | 68,144 | 67,655 | 60,680 | 60,850 | 67,464 | 69,608 | 60,071 |
| Water Department | | | | | | | | | | |
| Number of active accounts-City | 13,028 | 13,044 | 13,088 | 13,082 | 13,112 | 13,215 | 13,324 | 13,369 | 13,422 | 13,499 |
| Number of active accounts-County | 15,319 | 15,343 | 15,430 | 15,387 | 15,632 | 15,778 | 15,967 | 16,100 | 16,288 | 16,436 |
| Total number of active accounts | 28,347 | 28,387 | 28,518 | 28,469 | 28,744 | 28,993 | 29,291 | 29,469 | 29,710 | 29,935 |
| Daily average productions in million gallons | | | | | | | | | | |
| R.C. Willson Plant (365 days) | 11,854 | 11,637 | 11,559 | 11,423 | 11,317 | 11.7 | 11,000 | 10,010 | 10,250 | 10,340 |
| Wm. M. Breichner Plant (365 days) | 0.01 | - | - | - | - | - | - | - | - | - |
| Greatest consumption for a single day | 14,000 | 13,680 | 13,65 | 14.3 | 14.12 | 14.54 | 12,850 | 12,040 | 12,210 | 11,580 |
| Plant pumping capacity per day | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 |
| Average daily metered consumption | 8,698 | 8,244 | 7,729 | 8,129 | 8,244 | 8,160 | 7,980 | 7,680 | 7,706 | 7,797 |
| Wastewater Department | | | | | | | | | | |
| Number of active accounts-City | 12,778 | 12,779 | 12,795 | 12,764 | 12,853 | 12,930 | 13,060 | 13,107 | 13,157 | 13,229 |
| Number of active accounts-County | 2,922 | 2,903 | 2,902 | 2,889 | 2,912 | 2,934 | 2,976 | 2,987 | 3,032 | 3,071 |
| Number of active accounts-District (JSA) | 3,437 | 3,449 | 3,476 | 3,516 | 3,577 | 3,633 | 3,670 | 3,729 | 3,765 | 3,821 |
| Number of active accounts-Total | 19,137 | 19,131 | 19,173 | 19,169 | 19,342 | 19,497 | 19,706 | 19,823 | 19,954 | 20,121 |
| Daily average of sewage treated (million gallons)(including inflow and infiltration) | 7,430 | 7,29 | 6,55 | 7,08 | 6,94 | 7,02 | 6,700 | 6,300 | 6,600 | 5,560 |
| Daily average plant capacity (rated optimum efficiency)(million gallons) | 10,500 | 10,500 | 10,500 | 10,500 | 8,000 | 8,000 | 8,000 | 8,000 | 8,000 | 8,000 |

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

| Function | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Parking Facilities Department | | | | | | | | | | |
| Parking Deck: | | | | | | | | | | |
| Number of Parking Spaces | 625 | 625 | 625 | 625 | 625 | 625 | 625 | 625 | 625 | 625 |
| Number of Permit Parkers | 996 | 638 | 485 | 485 | 729 | 693 | 605 | 570 | 596 | 615 |
| Operating Revenue: | | | | | | | | | | |
| Meter Fees | \$ 186,781 | \$ 186,368 | \$ 182,763 | \$ 187,460 | \$ 189,227 | \$ 180,153 | \$ 170,999 | \$ 166,717 | \$ 167,100 | \$ 122,885 |
| Permit Fees | \$ 144,237 | \$ 161,600 | \$ 179,250 | \$ 198,800 | \$ 181,425 | \$ 157,777 | \$ 19,731 | \$ 191,471 | \$ 213,612 | \$ 150,989 |
| Deck | \$ 361,707 | \$ 378,655 | \$ 421,341 | \$ 400,545 | \$ 426,571 | \$ 500,368 | \$ 528,540 | \$ 439,464 | \$ 485,666 | \$ 353,246 |
| Parking ticket violations issued | 8,117 | 7,030 | 8,838 | 8,427 | 8,684 | 7,985 | 8,587 | 11,985 | 11,314 | 7,928 |
| Net parking fines | \$ 125,161 | \$ 91,860 | \$ 113,540 | \$ 107,135 | \$ 118,225 | \$ 118,163 | \$ 127,708 | \$ 183,458 | \$ 164,966 | \$ 85,325 |
| Sanitation | | | | | | | | | | |
| Number of Waste Collection and Disposal Accounts | | | | | | | | | | |
| Residential | 14,304 | 14,326 | 14,341 | 14,278 | 14,324 | 14,412 | 14,364 | 14,586 | 14,666 | 14,759 |
| Commercial (Trash only) | - | 25 | 38 | 53 | 60 | 68 | - | - | 24 | 33 |
| Special Revenue Funds | | | | | | | | | | |
| Number outstanding loans: | | | | | | | | | | |
| Community Development Block Grant | | | | | | | | | | |
| Single family | 6 | 6 | 4 | 4 | 4 | 2 | 5 | 7 | 13 | 14 |
| Residential Rental | 8 | 6 | 6 | 6 | 12 | 9 | 9 | 9 | 8 | 7 |
| Commercial | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 1 | - |
| Deferred | 36 | 37 | 36 | 35 | 36 | 35 | 37 | 35 | 36 | 36 |
| Public facilities and improvements | 4 | 4 | 4 | 4 | 4 | 3 | 4 | 4 | 2 | 2 |
| Homeownership | 4 | 4 | 4 | 4 | 5 | 5 | 5 | 6 | 4 | 4 |
| Direct Homeownership | 9 | 7 | 7 | 7 | 6 | 7 | 10 | 9 | 5 | 5 |
| Business Revolving Loans | 10 | 10 | 12 | 12 | 16 | 18 | 12 | 10 | 16 | 16 |
| Total | 79 | 76 | 75 | 74 | 85 | 79 | 84 | 82 | 85 | 84 |
| Outstanding loan balances: | | | | | | | | | | |
| Community Development Block Grant | | | | | | | | | | |
| Single family | 40,964 | 31,573 | 20,335 | 11,896 | 6,695 | 2,951 | 35,592 | 44,427 | 155,380 | 138,205 |
| Residential Rental | 623,803 | 596,347 | 716,986 | 696,938 | 813,401 | 795,402 | 656,671 | 688,176 | 871,961 | 836,582 |
| Commercial | 207,740 | 186,434 | 167,887 | 145,980 | 21,564 | 106,983 | 234,099 | 261,116 | 19,464 | - |
| Deferred | 788,302 | 789,367 | 783,641 | 758,431 | 804,257 | 839,607 | 797,529 | 863,392 | 893,032 | 882,717 |
| Public facilities and improvements | 627,758 | 585,653 | 548,366 | 584,687 | 546,291 | 324,546 | 671,463 | 715,276 | 267,712 | 254,897 |
| Homeownership | 137,620 | 125,424 | 117,211 | 109,331 | 101,600 | 93,023 | 217,964 | 266,411 | 73,399 | 67,674 |
| Business Revolving Loans | 569,807 | 654,480 | 732,901 | 773,247 | 903,163 | 1,202,994 | 830,909 | 686,774 | 1,107,384 | 1,096,066 |
| Total | \$ 2,995,994 | \$ 2,969,278 | \$ 3,087,327 | \$ 3,080,510 | \$ 3,196,971 | \$ 3,365,506 | \$ 3,444,227 | \$ 3,525,572 | \$ 3,388,332 | \$ 3,276,141 |
| Program income (interest and loan repayments) | | | | | | | | | | |
| Community Development Block Grant | | | | | | | | | | |
| Single family | 8,296 | 11,404 | 12,748 | 9,447 | 5,763 | 4,040 | 8,879 | 99,941 | 10,924 | 57,055 |
| Residential Rental | 62,950 | 56,975 | 47,244 | 46,853 | 149,291 | 32,477 | 57,651 | 58,745 | 75,132 | 60,631 |
| Commercial | 30,748 | 25,173 | 21,564 | 25,001 | 21,564 | 21,564 | 33,280 | 23,892 | 21,563 | 19,766 |
| Deferred | 18,951 | - | 20 | 20,550 | 3,544 | - | 2,561 | 2,301 | 1,549 | 26,239 |
| Public facilities and improvements | 67,292 | 63,989 | 57,383 | 55,438 | 55,991 | 235,477 | 69,578 | 68,309 | 20,474 | 19,386 |
| Homeownership* | 85,768 | 15,910 | 110,599 | 10,865 | 8,623 | 10,363 | 66,183 | 22,805 | 11,201 | 6,762 |
| Business Revolving Loans | 107,381 | 112,732 | 55,780 | 73,135 | 73,657 | 73,273 | 85,714 | 175,432 | 257,876 | 66,000 |
| Total | \$ 381,386 | \$ 286,183 | \$ 305,338 | \$ 241,289 | \$ 318,433 | \$ 377,194 | \$ 323,846 | \$ 451,425 | \$ 398,719 | \$ 255,839 |

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 | | | | | | | | | |
|--|-------------|-------|--------|--------|--------|--------|--------|--------|--------|--------|
| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| Fire Department | | | | | | | | | | |
| Number of stations (4 volunteer, 1 City owned) | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 5 | 5 | 5 |
| Police Department | | | | | | | | | | |
| Number of Stations and Substations | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 4 |
| Public Works Department | | | | | | | | | | |
| Miles of paved streets and alleys | 145.6 | 151.0 | 151.75 | 151.88 | 152.10 | 153.90 | 154.39 | 154.39 | 154.62 | 154.62 |
| Number of signalized intersections | 129 | 132 | 132 | 131 | 132 | 133 | 136 | 136 | 136 | 136 |
| Parks and Recreation | | | | | | | | | | |
| Parks and Playgrounds (302.161 acres) | 15 | 15 | 18 | 19 | 19 | 20 | 21 | 22 | 22 | 23 |
| Outdoor swimming pools | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Number of Municipal golf courses | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Ice Hockey Rinks | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Municipal Stadium | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Museums | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Electric Department | | | | | | | | | | |
| Number of substations - 34.5KV to 13.8KV | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 |
| Water Department | | | | | | | | | | |
| Miles of water mains (estimate) | 425 | 425 | 425 | 425 | 425 | 430 | 430 | 430 | 430 | 431 |
| Fire hydrants | 814 | 814 | 814 | 825 | 814 | 824 | 824 | 831 | 825 | 845 |
| City | 1,297 | 1,297 | 1,318 | 1,337 | 1,318 | 1,354 | 1,361 | 1,372 | 1,387 | 1,392 |
| County | | | | | | | | | | |
| Wastewater Department | | | | | | | | | | |
| Number of City owned pumping stations | 23 | 27 | 25 | 25 | 25 | 23 | 23 | 23 | 23 | 23 |
| Miles of collection system-City owned | 153 | 156 | 156 | 157 | 156 | 157 | 157 | 157 | 157 | 158 |
| Parking Facilities Department | | | | | | | | | | |
| Number of Lots | 7 | 7 | 7 | 7 | 7 | 7 | 8 | 7 | 7 | 7 |
| Number of Parking Spaces (Metered or Rented) | | | | | | | | | | |
| Lots | 678 | 709 | 701 | 701 | 701 | 701 | 716 | 716 | 699 | 699 |
| Streets | 519 | 363 | 374 | 372 | 372 | 372 | 376 | 376 | 333 | 333 |
| Number of Parking Decks | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |

Source: Corresponding City Department.

Hagerstown Gives Back



