



# Comprehensive Annual Financial Report

For The Fiscal Year Ended June 30, 2017

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





# City of Hagerstown

MARYLAND



## Comprehensive Annual Financial Report Fiscal Year 2017

July 1, 2016 - June 30, 2017

Prepared by:

**Finance and Accounting**

Michelle D. Hepburn, Director of Finance

# City Council



**Robert E. Bruchey**  
MAYOR



**Valerie A. Means**  
CITY ADMINISTRATOR



**Kristin Aleshire**  
COUNCIL MEMBER



**Paul Corderman**  
COUNCIL MEMBER



**Emily Keller**  
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**Lewis Metzner**  
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**Donald Munson**  
COUNCIL MEMBER

**City of Hagerstown**  
 Comprehensive Annual Financial Report  
 For the Fiscal Year Ended June 30, 2017

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## INTRODUCTORY SECTION







# City of Hagerstown, Maryland

Finance Department

October 31, 2017

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

State law requires that all general purpose local governments publish within four months of the close of each fiscal year a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America and audited in accordance with auditing standards by a firm of licensed certified public accountants. Pursuant to that schedule, and in accordance with Article VII, Section 722 of the City's Charter, we hereby issue the comprehensive annual financial report (CAFR) for the City of Hagerstown, for the year ended June 30, 2017.

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, 2017, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent accountant concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Hagerstown's financial statements for the fiscal year ended June 30, 2017, are fairly presented in conformity with GAAP. The independent public accountant's report is presented in the beginning of the Financial Section of the CAFR.

The independent audit of the financial statements of the City of Hagerstown was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of Hagerstown's separately issued Single Audit Report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis. This letter of transmittal is designed to complement the Management's Discussion and Analysis and should be read in conjunction with it. The City of Hagerstown's Management's Discussion and Analysis can be found at the beginning of the Financial Section of the CAFR.

## **Profile of the Government**

The City of Hagerstown (The City), founded in 1762 and incorporated in 1813, is the county seat of Washington County, Maryland. The City is located approximately 70 miles northwest of Washington D.C., about 72 miles west of Baltimore, Maryland, and 65 miles southwest of Harrisburg, Pennsylvania. The City currently occupies a land area of 12.1 square miles and serves a population of 40,210 per the latest update from the Maryland State Archives Census Bureau. The City is empowered to levy a property tax on real properties and business personal property within its boundaries and to charge user fees for services it provides.

The City adopted its present charter in 1983. Under the Charter, the legislative functions of the City are vested in a council, which consists of five council members. In addition, the City has a Mayor. The Mayor serves as President of the Council and as such may participate in all Council discussions and has veto power on all ordinances passed by the

Council. The Mayor is also the ceremonial head of the City government. The Mayor and all Council members are elected on an at large basis for four-year terms.

The City Administrator serves as the Chief Administrative Officer of the City, responsible to the Mayor and Council for the administration of all City affairs, including financial affairs. The Director of Finance is the Chief Financial Officer of the City and has been delegated the task of supervising and directing the proper accounting of all revenues and expenditures, and the preparation of the annual operating budget and financial reports.

The City provides the full range of municipal services contemplated by statute or charter. This includes public safety (police, fire, traffic control and inspection services), highways and streets, waste collection and disposal, electric, water, wastewater, parking, parks, culture and recreation, public improvements, planning and zoning, economic and community development, and general administrative services. There are no other reporting entities for which the City is considered to be financially accountable.

The annual budget serves as the foundation for the City's financial planning and control. The Charter of the City requires the City Administrator to submit a budget to the Mayor and Council at least ninety days before the beginning of the fiscal year or by March 31. The Charter states that "the budget shall provide a complete financial plan for the budget year and shall contain estimates of anticipated revenues and proposed expenditures for the coming year. The total of the anticipated revenues shall equal or exceed the total of the proposed expenditures." The council is required to hold public hearings on the proposed budget and to adopt a final budget by no later than June 1, thirty days before the beginning of the fiscal year. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., fire). Department heads may make transfers of appropriations within a department. However transfers of appropriations between departments, require the special approval of the governing council.

Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund, this comparison is presented on pages 85 through 87 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 88 and 89 through 97.

### **Factors Affecting Financial Condition**

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

**Local economy.** There is a diverse employer base in Washington County that includes companies from the manufacturing, transportation, service, retail, and finance industries as well as local and state government. The unemployment rate for Hagerstown decreased from 6.7% in June 2016 to 5.4% in June 2017; and, the most recent figure for August 2017 decreased slightly to 5.3%. The state of Maryland unemployment rate in June 2017 was 4.2%, but in Washington County it was 4.4%. Rebuilding the economy in Western Maryland continues to be a tenuous process. The average employment for Washington County in June 2016 showed slight growth to 74,773 compared to the prior June average of 73,381, and the Hagerstown metropolitan per capita income for June 2017 (\$39,981) increased slightly compared to June 2016 (\$38,166).

The City's assessable tax base experienced mild growth. Total property tax revenue increased slightly by \$0.4 million from FY15/16 when compared to FY16/17. Property tax revenue comprised approximately 69% of the City's total general fund revenue sources in FY16/17. The newest triennial property assessment for Hagerstown occurred in December 2016 and reflected a third consecutive decline in property values. As a result of this decline and increasing expenditures for employees' salaries and benefits, the City raised real estate property taxes to the constant yield which was 2.8 cent per \$100 of assessed value effective July 1, 2017.

During FY16/17, the City's Safe Speed for School Program continued which was implemented as a public safety initiative in April 2012 to monitor traffic speed in school zones. In FY16/17, \$1.0 million in speed camera violation fines were issued which is a decrease of \$0.2 million over FY15/16. It is anticipated that this revenue will continue to decline and become flat as public awareness and patterns change. In addition, approval has been given by Mayor and Council to implement a red light camera program in FY17/18 to further enhance the City's public safety initiatives. The City will continue to be fiscally responsible by achieving cost savings where applicable and seeking diverse revenues to maintain quality services and programs for City residents and businesses.

Lastly, Hagerstown is served by two major Interstate Highways, 1-70 (East-West) and 1-81 (North-South), U.S. Routes 11 and 40, as well as numerous regional arterial highways complementing its role as a regional transportation hub. Hagerstown is served by two major rail systems – Norfolk Southern and CSX Transportation – and the Hagerstown Regional Airport, which offers connections to a nearby international airport.

**Long-term financial planning.** In planning for the City's future, a significant amount of time and resources is spent on planning. The Community's City Center Plan, a redevelopment plan which identifies eight (8) catalytic projects, was completed in FY13/14. The plan calls for a mix of both private and public investment designed to be catalytic in nature to encourage further private investment and is available on the City's website. Through a mix of financial management policies, land use, and forecasting, the City will ensure stability by maximizing its current use of resources. The success of these initiatives and strong fiscal management is reflected in the City's credit rating from both Moody's and Standard and Poor's rating agencies. The City's ratings were reaffirmed in FY16/17 by Moody's Investor Service with a rating of Aa3 and by Standard and Poor's with a rating of AA.

To assist City policy makers, a five year forecast of the City's General and Enterprise Funds is included in the City's budget document to show them the financial impact of their decisions. The City continues to maintain an unreserved fund balance for the General Fund at or above its' current financial policy requirements of 10% of General Fund operating expenditures. At the end of FY16/17 unassigned fund balance for the General Fund was \$9.5 million or 23.8% of total General Fund expenditures (excluding the transfers to other funds). This represents 2.9 months of General Fund operating expenditures.

Additionally, the City has a community vision reflected in Mayor and Council goals and priorities for calendar 2015 and 2016. This plan provides a structure for the City's leaders to document important initiatives and projects and enables the community to be more involved. The Mayor and Council goals and priorities are broken down into the following main categories: Economic Development; Public Facilities and Infrastructure; Citizen-based Government; Neighborhoods; Active/Healthy Living; Public Safety; and Innovative/Progressive Government. Further details on these goals and priorities are located on the City's website ([www.hagerstownmd.org](http://www.hagerstownmd.org)) under Mayor & City Council and under FY17/18 Approved budget.

**Major Projects and Initiatives.** The Mayor and Council continue to prioritize initiatives with the desire to strengthen the City and its City Center core. The Mayor and Council have endorsed the Community's City Center Plan and the plan's goals. The City is working with private and public entities on funding of these projects and initiatives. The core initiatives identified in the Community's City Center Plan are the catalyst projects outlined below. This plan is a long-term plan and goals for the City that stretches beyond a five year completion period. An update of the catalyst projects are as follows:

The Catalyst Projects were initiated in FY14/15 with work ongoing in FY16/17 and beyond include:

- Catalyst Project 1 - Position downtown to offer new Class A office development using portions of the Central Parking lot. The City and Bowman Development are in the exploratory phase on the Class A Office Building project. This project is intended to create 154,000 square feet in three office buildings in the Central Parking Lot downtown.
- Catalyst Project 2 - Improve the Maryland Theatre facility and grow performance days per year. The Maryland Theatre is engaged on two fronts on this project. Back of the house improvements have been underway for a few years and are nearing completion. In FY16/17, the theatre engaged an architect to develop the plans for a major expansion across the front of the facility and the City committed a maximum of \$500,000 to help fund the cost of this design and architect phase. The Theatre's fund-raising consultant began work in FY16/17 and the contract was extended in the fall of 2017 to raise the private funding for the project.
- Catalyst Project 3 - Support for expansion of the University System of Maryland Hagerstown (USMH) through a dedicated student housing project. Construction was completed on the first student housing project in August 2015 which offers four (4) two-bedroom, two-bathroom student apartments. The City contributed a total of \$340,077 toward this project and the remaining balance was privately funded. In FY16/17, the City was awarded a \$200,000 state grant to help facilitate a second student housing project. The City in partnership with USMH, State of Maryland representatives and other interested partners developed and posted a bid to identify a private developer to help with this initiative that is anticipated to be completed by the summer of 2019.
- Catalyst Project 4 - Development of a new hotel, conference center and Civil War heritage center and commemorative park. Exploratory conversations to date as project is more long-term in nature.
- Catalyst Project 5 - Trail Project connecting the Arts and Entertainment District to City Park and Washington County Museum of Fine Arts. The initial construction of the trail was completed in FY16/17 and open to the public. Additional public and interactive art will continue to be installed over the next few fiscal years.
- Catalyst Project 6 - Efforts continued on strengthening events focused on the City Center, and growth in City Center programming through the Main Street Hagerstown initiatives.
- Catalyst Project 7 - The Farmers' Market entered into a two-year partnership with the Valley Co-op for usage of the back area of the market building. Staff continue work to draft a modified Request for Proposals for private management of the Farmers' Market based on feedback.
- Catalyst Project 8 - Expansion of home ownership programs and renovations in targeted areas and the addition of Neighborhood Service Inspector positions and establishment of annual exterior inspections for rental properties. City nuisance, rental licensing, and vacant properties inspections continue efforts to improve quality of life of residents and surrounding property owners and to support home-ownership. The City was awarded a

\$150,000 State grant in FY15/16 to assist with our acquisition and/or renovation efforts to create more home-ownership opportunities. The City launched this effort with three projects. The City was awarded a \$50,000 State grant in FY16/17 to provide a down payment assistance program incentive for new home-owners.

The Urban Improvement Project is a \$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 is working in partnership with Washington County, the Board of Education, the Maryland Theatre, the USMH, other community partners and private developers on this major investment project. In December 2016, Maryland Governor Larry Hogan pledged \$7 million towards this project over 5 years. Washington County and the Board of Education each pledged \$4 million towards the Board of Education expansion project portion. Additionally, the City will be contributing \$1 million for the creation and construction of a plaza area within the area of this overall project.

Gigabit Downtown is an innovative public/private partnership with Antietam Cable to create a 1 Gigabit Downtown which will support business retention, expansion and attraction. A committee consisting of City of Hagerstown and Washington County staff is working on joint marketing efforts of the 1 Gigabit service tied to investment promotion. 1 Gigabit Service is being offered by both Antietam Cable and New Frontier Solutions

In FY16/17, the City Park Lake was dredged. This lake is a 100 year old lake that was not dredged prior to the work completed in FY16/17. The average depth of the lake is 2.4 feet with significant portions of the lake being less than 18 inches deep. This project removed 18,000 cubic yards of silt and will provide numerous cultural and ecological benefits for many years.

The Edgemont Reservoir Improvements continue to move forward. The final evaluation is complete and design is underway to repair the earthen dam, ogee, and emergency spillway. The final design will be completed in FY18 and construction of needed improvements to address ongoing seepage is anticipated to begin in FY19. Final evaluation and planning was initiated in FY16 for required upgrades to the Breichner WTP to comply with the Stage 2 DBPR and the Long Term 2 ESWTR. Funding packages have been submitted to MDE for both Grant and Loan funding. MDE required planning document preparation will begin in FY19 followed by design and construction of the required improvements.

**Neighborhood and Commercial Redevelopment.** The Department of Community and Economic Development continued to offer incentive programs to encourage residential and commercial redevelopment. The Partners in Economic Progress (PEP) Program, Business Revolving Loan Program, and Retail and Restaurant Incentive Program support business growth and expansion. Residential homeownership programs and home repair programs assist in revitalizing residential buildings and neighborhoods.

Adding to the City's impressive public park system remains a priority. In FY16/17, the City made the following park additions: continued construction phase of National Park 806/808 Washington Street; completed and opened the indoor Fit/Recreation Room at Fairgrounds Park; and completed the construction of phase I for the Hagerstown Cultural Trail which will connect City Park to Downtown and is identified as Catalyst Project #5 in the City's Community Plan. The City will continue to explore other parks and downtown 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, 2016. This was the twenty-first 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, 2016. 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 Jeffrey Lear, Senior Financial Accountant, and Brooke Garver, Senior Accountant, for the commitment and teamwork displayed during the preparation of the CAFR. Special thanks must also be given to our independent accounting firm, SB & Company, LLC for their support and assistance in conducting the audit and for their insights and guidance on improving our financial reporting. 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,

A handwritten signature in cursive script that reads "Michelle Hepburn". The ink is dark and the signature is fluid and legible.

Michelle Hepburn, Director of Finance



Government Finance Officers Association

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

Presented to

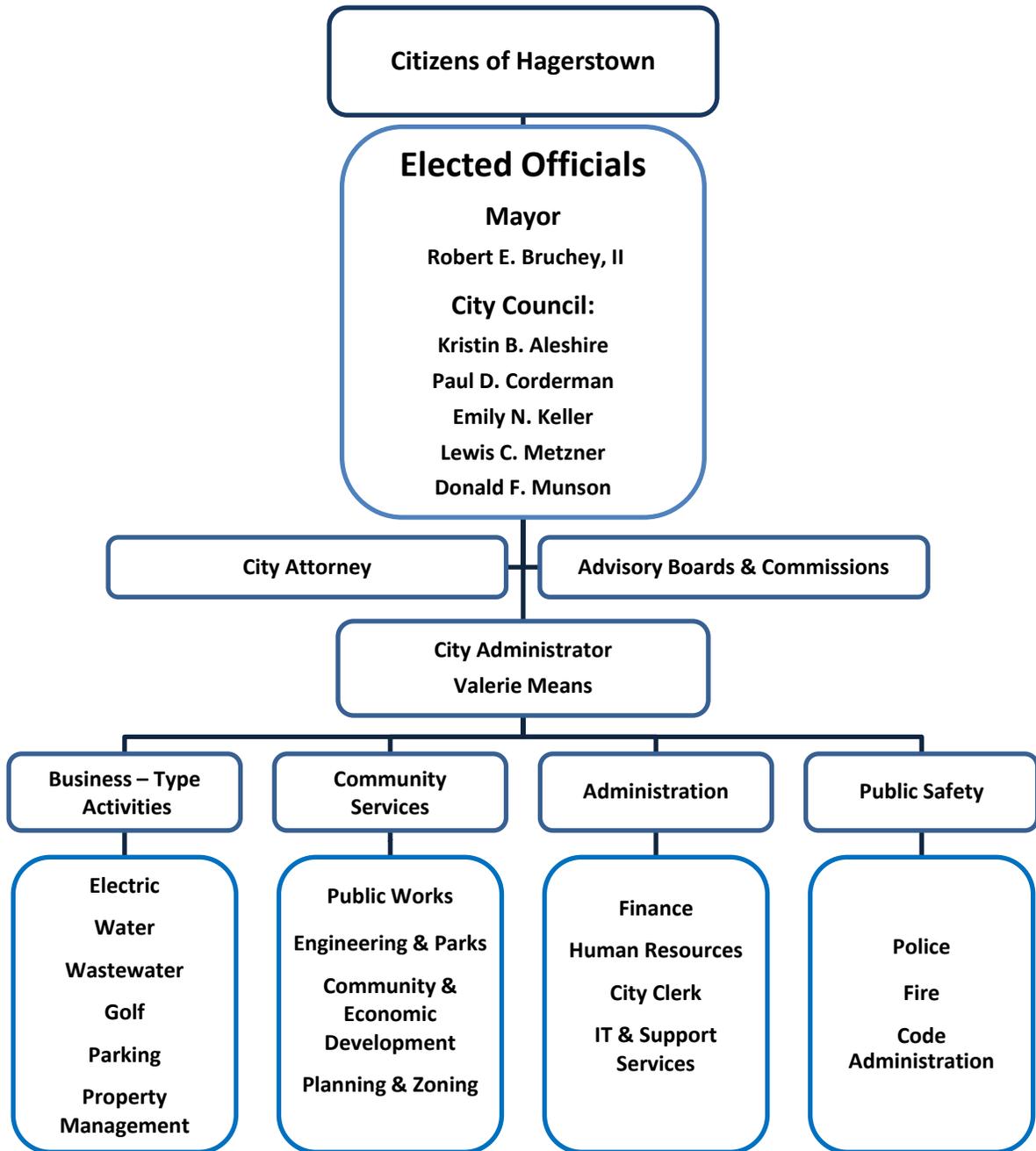
**City of Hagerstown  
Maryland**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

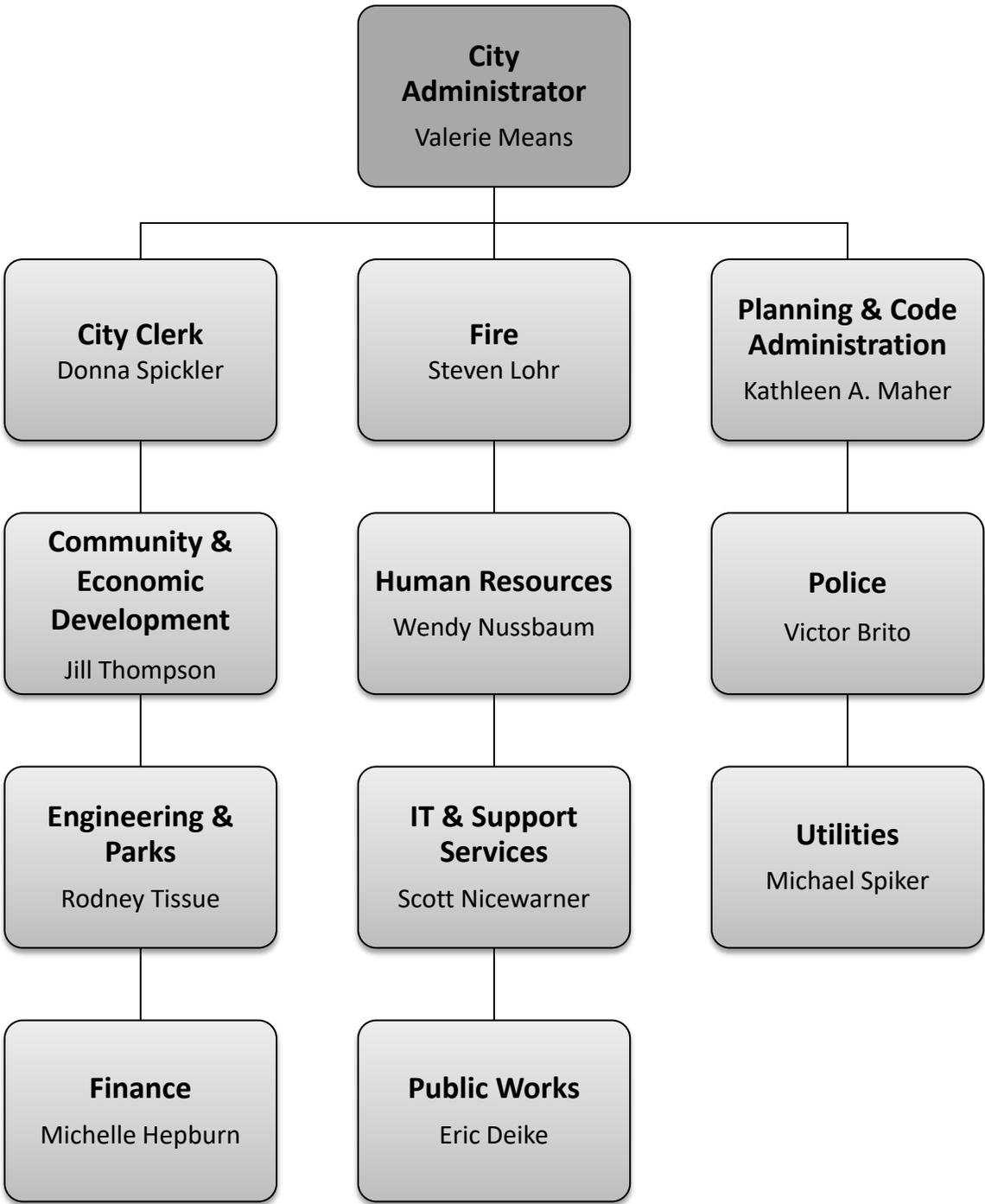
**June 30, 2016**

Executive Director/CEO

# City of Hagerstown Organizational Structure



# City of Hagerstown Department Organizational Structure



**FINANCIAL SECTION**







**SB & COMPANY, LLC**  
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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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



**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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budget and actual for the general and capital projects funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of the net pension liability and schedule of contributions for the Maryland State Retirement and Pension System, the schedule of changes in pension fund net pension liability and related ratios and schedule of employer contributions for the City of Hagerstown Police and Fire Employees' Retirement Plan, and the schedule of OPEB funding progress, the schedules of OPEB employer and other contributing entities' 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.



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

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

Hunt Valley, Maryland  
October 30, 2017

*SB & Company, LLC*

# Management's Discussion and Analysis (MD&A)

## Introduction

As management of the City of Hagerstown, Maryland (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2017. The MD&A is best understood if read in conjunction with the Transmittal Letter and the City's basic financial statements.

## Financial Highlights

- The City's assets exceeded its liabilities at the close of the most recent fiscal year by \$221.2 million (*net position*). Approximately 70.7% of this amount is attributable to the City's three utilities (Electric, Water and Wastewater). Of the total net position, there is negative <\$1.4> million (*unrestricted net position*) to meet ongoing obligations to citizens and creditors (attributable to the City's total net pension liabilities of \$49.9 million reflected per GASB 68 implementation), \$9.7 million is restricted for specific purposes (*restricted net position*), and \$212.9 million is net investment in capital assets.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$20.1 million. Of this total amount \$9.4 million is unassigned and represents working capital available to support governmental operating needs and future years' expenditures.
- The City's total net bonded debt increased by \$2.8 million during the current fiscal year from \$70.9 million to \$73.7 million. Total new debt (with premium) added during the fiscal year was \$7.9 million, which reflects new MDE draws of \$0.4 million on an existing Maryland Water Quality Revolving Loan; and \$7.5 million in a new 2017A and 2017B Public Facilities bond which includes a premium of \$0.2 million. The City's adherence to its amortization schedules for existing debt reduced its debt by \$5.1 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 deficit of revenues over expenditures and other financial sources and uses by <\$0.1> million after making a \$1.0 million transfer to the Capital Projects Fund and operating transfers of \$0.3 million to the Golf Course Fund, and \$0.9 million to the Economic Redevelopment Fund for the Invest Hagerstown program initiatives. There was no change to property tax rates in FY16/17. The real estate property tax rate continued to be \$0.913 per \$100 assessed value and corporate personal property tax rate to be \$2.283. There was slight growth in the assessable base in the City and as a result total property tax revenue was \$0.4 higher in FY16/17 for a total of \$28.9 million in revenue.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$9.5 million or 23.8% of total General Fund expenditures (excluding the transfers to other funds described above). This represents 2.9 months of General Fund expenditures and complies with the City financial policy requiring a minimum unassigned fund balance of 10% of the General Fund operating expenditures.

## Overview of the Financial Statements

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

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

The *statement of net position* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position and condition of the City is improving or deteriorating. In addition to the financial information provided in this report, evaluations of the overall health of the City extends to other non-financial factors, such as, the condition of City infrastructure or the diversification of the taxpayer base.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., uncollected taxes and earned but unused vacation leave). One of the *statement of activities* primary purposes is to illustrate the financial reliance of the City's distinctive activities or functions on City taxpayer revenue.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, streets and alleys, waste collection and disposal, engineering, parks and recreation, municipal buildings, and economic and community development. The business-type activities of the City include electric, water, wastewater, parking, golf course, and property management operations.

The government-wide financial statements include only the City of Hagerstown because the City has no component unit relationships with any other agency. The government-wide financial statements can be found on pages 18 and 19 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Hagerstown, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds; proprietary funds; and fiduciary funds. Within the basic financial statements, fund financial statements focus on the City's most significant funds. Major funds are reported separately, and all others are combined into a single, aggregated presentation. Combining statements provided in a later section of this report provide individual fund data for nonmajor funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same

functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is more narrow than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By so doing, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains nine individual governmental funds: the General; Capital Projects; Community Development Block Grant; Economic Redevelopment; Flexible Spending; Business Revolving Loan; Excise Tax; Grant Revenue; and Upper Floors Redevelopment funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for all 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 20 through 23 of this report. The other governmental fund financial statements can be found on pages 85 through 97.

**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 24 to 28 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 29 to 30 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are part of the basic financial statements and can be found on pages 31 to 77.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 78 to 84 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 \$221.2 and \$219.6 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 (96.2% or \$212.9 million) reflects its net investment in capital assets (e.g., land and improvements, buildings, machinery, equipment, infrastructure, and improvements), less any unmatured debt used to acquire those assets. The City uses these capital assets to provide services to citizens. Consequently, these assets are *not* available for future spending.

Restricted net position represents 4.4% or \$9.7 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 <\$1.4> million (negative 0.6% 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 \$24.8 million and the unrestricted net position portion for governmental activities has a negative balance of <\$26.2> million.

It is important to note that the City has fully implemented GASB Statement 68 and the result is a total of \$49.9M in net pension liability to fully fund both of the City's pension plans. This \$49.9M 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, 2017 and 2016**

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Assets:</b>						
Current assets	\$ 29,384,506	\$ 29,448,173	\$ 33,943,264	\$ 30,120,564	\$ 63,327,770	\$ 59,568,737
Long-term and restricted assets	2,428,582	1,362,607	9,111,982	5,072,444	11,540,564	6,435,051
Capital assets, net	85,329,222	81,481,719	199,299,441	201,374,251	284,628,663	282,855,970
Total Assets	117,142,310	112,292,499	242,354,687	236,567,259	359,496,997	348,859,758
Deferred outflows related to pensions	3,330,318	3,776,739	2,243,526	2,072,298	5,573,844	5,849,037
<b>Liabilities:</b>						
Long-term liabilities	61,457,472	55,504,898	60,740,922	61,113,179	122,198,394	116,618,077
Other liabilities	8,206,723	8,381,847	12,924,575	8,287,988	21,131,298	16,669,835
Total Liabilities	69,664,195	63,886,745	73,665,497	69,401,167	143,329,692	133,287,912
Deferred inflows related to pensions	269,540	1,102,455	228,094	712,857	497,634	1,815,312
<b>Net Position:</b>						
Investment in capital assets, net	66,954,557	66,555,727	145,943,803	147,056,392	212,898,360	213,612,119
Restricted	9,737,523	9,170,892	-	-	9,737,523	9,170,892
Unrestricted	(26,153,187)	(24,646,579)	24,760,819	21,469,141	(1,392,368)	(3,177,438)
Total Net Position	\$ 50,538,893	\$ 51,080,040	\$ 170,704,622	\$ 168,525,533	\$ 221,243,515	\$ 219,605,573

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

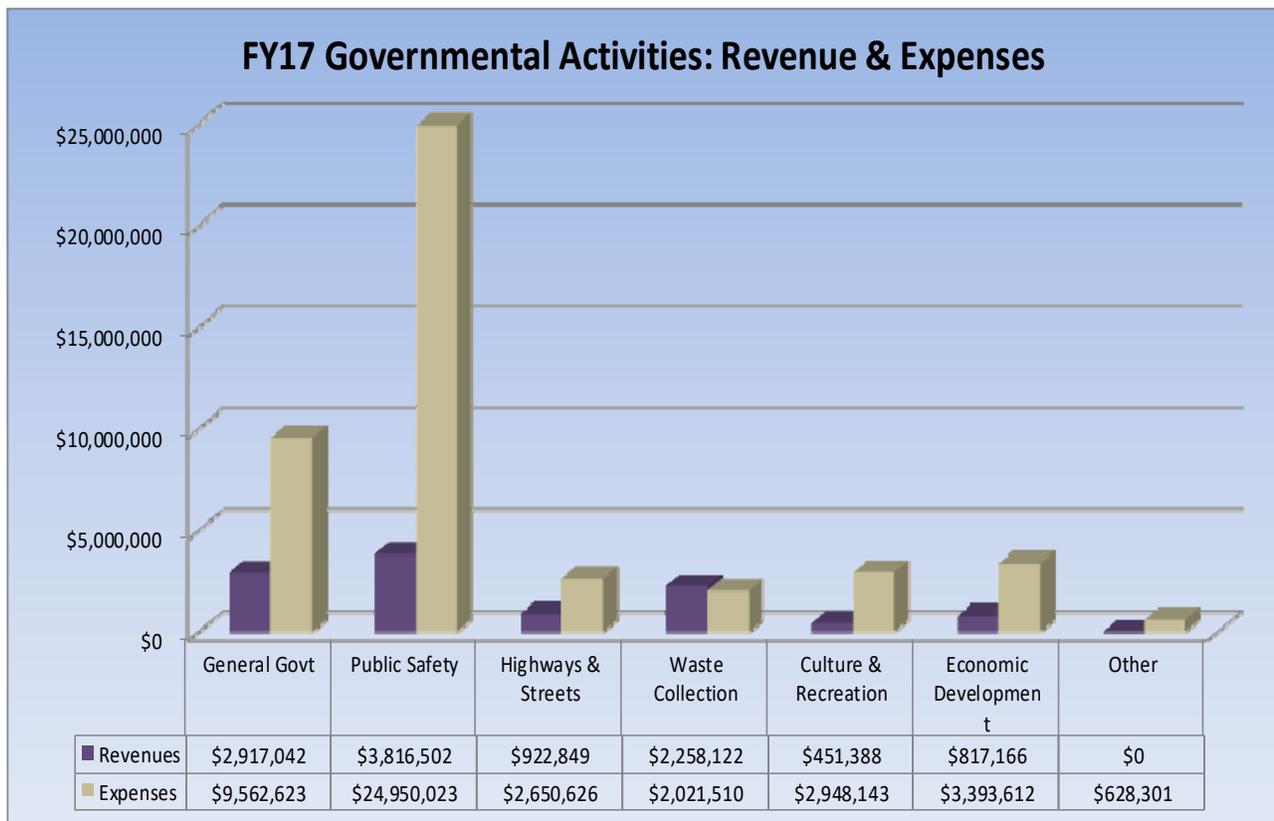
**Changes in Net Position  
June 30, 2017 and 2016**

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for services	\$ 8,083,947	\$ 8,333,770	\$ 49,083,641	\$ 47,911,999	\$ 57,167,588	\$ 56,245,769
Operating grants and contributions	1,783,552	1,963,246	44,502	69,489	1,828,054	2,032,735
Capital grants and contributions	1,315,570	2,034,072	2,136,516	2,669,305	3,452,086	4,703,377
<b>General Revenues:</b>						
Property taxes	28,882,713	28,463,400	-	-	28,882,713	28,463,400
Income and other taxes	5,317,337	5,003,437	-	-	5,317,337	5,003,437
Miscellaneous	348,555	842,039	201,269	153,275	549,824	995,314
<b>Total Revenues</b>	<b>45,731,674</b>	<b>46,639,964</b>	<b>51,465,928</b>	<b>50,804,068</b>	<b>97,197,602</b>	<b>97,444,032</b>
<b>Expenses:</b>						
<b>Program Expenses:</b>						
General government	9,562,623	10,564,629	-	-	9,562,623	10,564,629
Public safety	24,950,023	22,889,590	-	-	24,950,023	22,889,590
Highways and streets	2,650,626	2,680,585	-	-	2,650,626	2,680,585
Waste collection and disposal	2,021,510	2,000,312	-	-	2,021,510	2,000,312
Culture and recreation	2,948,143	2,845,481	-	-	2,948,143	2,845,481
Economic and community development	3,393,612	966,551	-	-	3,393,612	966,551
Interest on long-term debt	628,301	540,521	-	-	628,301	540,521
Utilities and other proprietary funds	-	-	49,404,822	49,119,197	49,404,822	49,119,197
<b>Total Expenses</b>	<b>46,154,838</b>	<b>42,487,669</b>	<b>49,404,822</b>	<b>49,119,197</b>	<b>95,559,660</b>	<b>91,606,866</b>
<b>Excess (deficiency) before transfers</b>	<b>(423,164)</b>	<b>4,152,295</b>	<b>2,061,106</b>	<b>1,684,871</b>	<b>1,637,942</b>	<b>5,837,166</b>
Transfers	(117,983)	(118,745)	117,983	118,745	-	-
<b>Change in net position</b>	<b>(541,147)</b>	<b>4,033,550</b>	<b>2,179,089</b>	<b>1,803,616</b>	<b>1,637,942</b>	<b>5,837,166</b>
Net Position - Beginning	51,080,040	47,046,490	168,525,533	166,721,917	219,605,573	213,768,407
<b>Net Position - Ending</b>	<b>\$ 50,538,893</b>	<b>\$ 51,080,040</b>	<b>\$ 170,704,622</b>	<b>\$ 168,525,533</b>	<b>\$ 221,243,515</b>	<b>\$ 219,605,573</b>

**Governmental activities:** General revenues for the governmental activities were \$34.5 million, while total expenses, net of charges for services, grants and contributions, were \$35.0 million. The increase in net position for governmental activities was <\$0.5> million and can be largely attributed to the following:

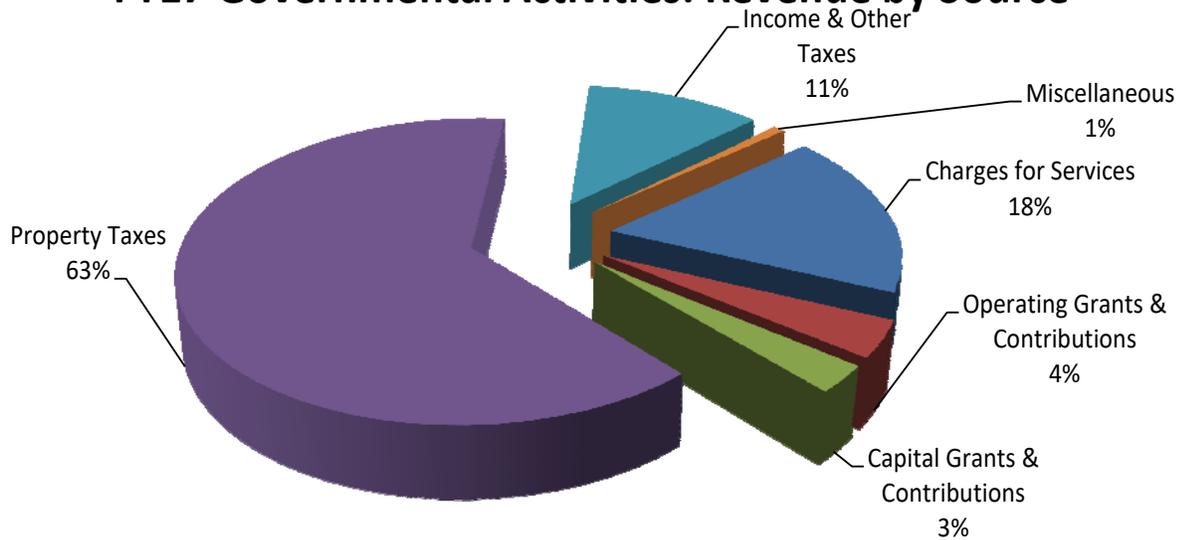
- <\$0.1> million of the decrease is due to the excess of actual expenses over revenues in the City's General Fund. This decrease is a result of slight growth in the total property revenues (includes personal property taxes) offset by decline in fines and forfeitures revenue. Additionally, overall expenses increased over prior year totals. Individual departments' expense savings were offset by the following: \$0.1 million more for stipend to Golf Course fund; \$0.4 million more in fund balance transfers for purchase of property on Indian Lane; and \$0.1 million more for capital infrastructure improvements and projects.
- \$0.2 million increase is a result of all other governmental funds including the General Capital Improvement Fund. The majority of this increase is a result of receiving new bond proceeds that have not yet been spent by the end of the fiscal year for capital projects.
- <\$0.6> million of the increase is a result of the City's necessary adjustments for Statement of Net Positons. Please see the reconciliation schedule from the Governmental Funds to the Statement of Activities on page 22 for further details.

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



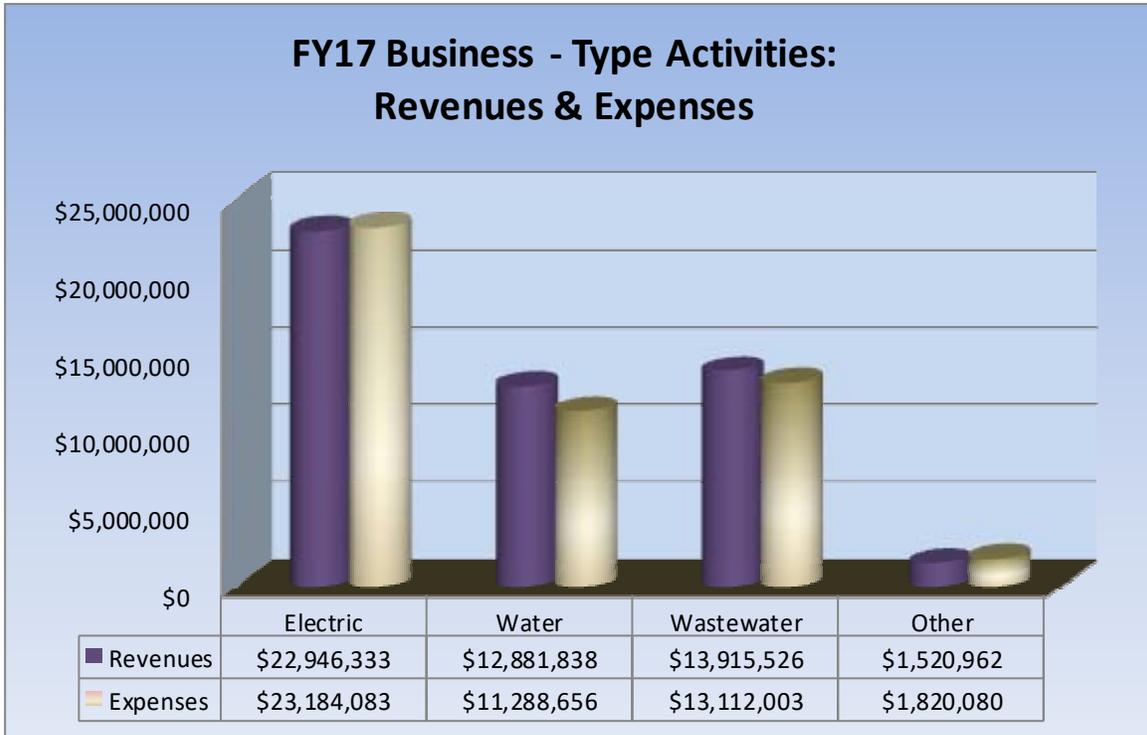
\*Please note that the chart above only includes revenue directly associated to each category and excludes \$34.5 million in general property tax, income tax, investment earnings, transfers and other miscellaneous revenue generated in FY16/17.

## FY17 Governmental Activities: Revenue by Source

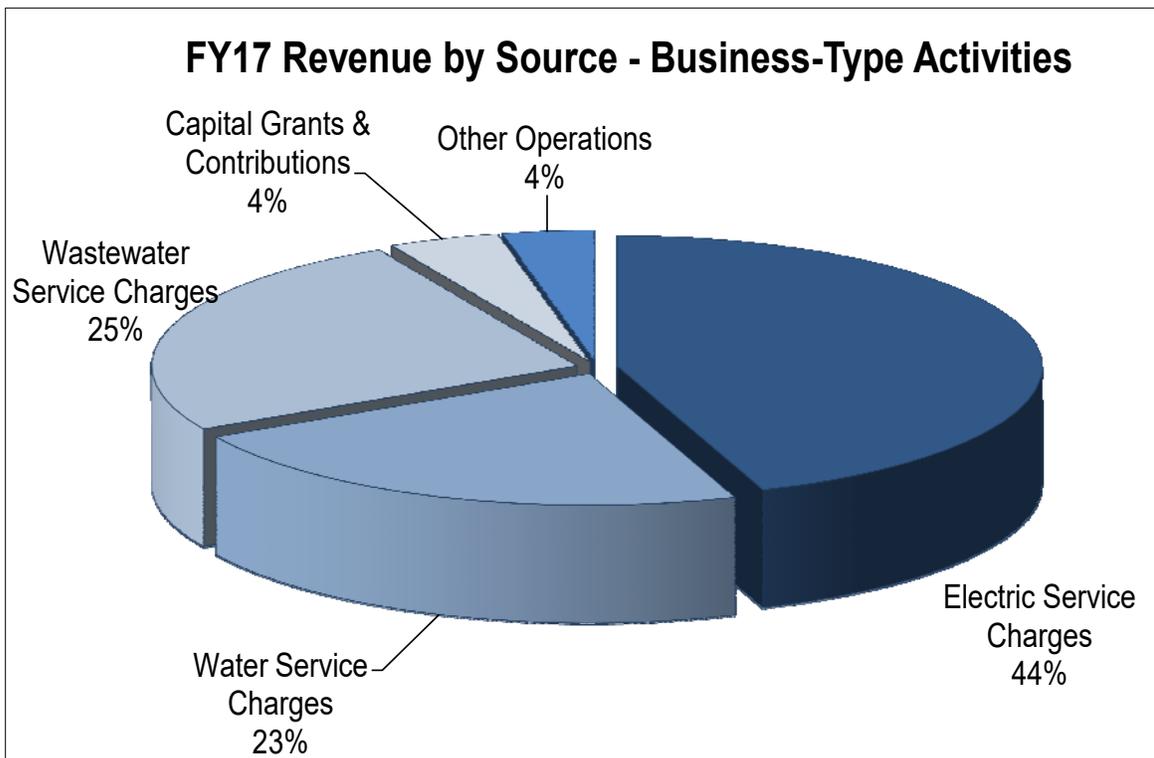


**Business-type Activities:** Business-type activities increased the City of Hagerstown's net position by \$2.2 million. Key elements of this increase are as follows:

- Water, Wastewater and Parking had positive changes in net position, or revenues in excess of expenditures while Electric, Golf, and Property Management had the opposite trend. The following is the breakdown of the positive net changes: \$1.6 million in the Water Fund, \$0.8 million in the Wastewater Fund, and \$0.3 million in the Parking Fund. The following is the breakdown of the negative net changes: <\$0.2> million in the Electric Fund, <\$0.3> million in the Golf Fund, and <\$0.3> million in the Property Management Fund. In addition to the operating income changes mentioned, in total there was an additional \$0.3 million added net position from investment earnings and transfers from other funds.
- Transfers in to the business-type activities account for \$0.1 million in revenue. These transfers were primarily for Golf Course operations from the General Fund.
- Capital grants and contributions remained a major revenue source for business-type activities. The Water fund received \$1.2 million and the Wastewater fund received \$0.9 million during the current fiscal year.
- Maryland State Retirement Pension expense recognized in the current fiscal year in the Electric, Water and Wastewater funds totaled \$0.4 million.



\*Please note that the chart above only includes revenue directly associated to each category and excludes \$0.3 million in general investment earnings and transfers between City funds generated in FY16/17.



## Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City of Hagerstown's governmental funds reported combined ending fund balances of \$20.1 million, an increase of \$0.1 million from the prior year. Approximately 46.7% of the total fund balance (\$20.1 million) constitutes *unassigned fund balance* (\$9.4 million), which represents working capital available to support governmental operating needs and future years' expenditures. The remainder of fund balance is *restricted* to indicate that it is not available for new spending because it has already been committed or is legally restricted as follows:

- 1) *Nonspendable and Restricted* fund balance represents amounts that are either legally restricted by outside parties for use for a specific purpose or are otherwise not available for appropriation (\$2.7 million and \$2.6 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 which includes unspent bond proceeds (\$2.0 million)
- 3) *Assigned* fund balance represents amounts reserved for tentative management plans that are subject to change (\$3.4 million)

The General Fund is the chief operating fund of the City of Hagerstown. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$9.5 million, while total fund balance equals \$10.5 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 23.8% of total General Fund expenditures or 2.9 months of fiscal expenditures.

The fund balance of the General Fund decreased by <\$0.1> million during the current fiscal year. This decrease is due to actual expenditures exceeding revenues. Below are some key elements for FY16/17:

### Revenues were under approved budget by \$0.4 million

- Total property taxes were above projections by \$0.5 million. The increase is a result of slightly higher than expected assessable base figures for both real estate and personal property taxes. The City had no change in tax rates from FY15/16 to FY16/17 and the rates remained at \$0.913 per \$100 assessed value for real estate taxes and \$2.285 per \$100 assessed value for personal property tax rates.
- Fines and forfeitures were less than projections by \$0.7 million due to safe speed camera program. The safe speed camera revenue generated during FY16/17 was also \$0.2 million lower than revenues experienced in FY15/16.

### Expenditures (excluding transfers to other funds) were under budgeted projections by \$0.8 million.

- Vehicle operating expenses were \$0.2 million under projections due to timing of vehicle

- repairs and replacement vehicle purchases.
- Materials, Supplies, and Utilities were \$0.3 million under projections due to lower utility costs and delayed timing of public safety supplies and uniforms..
- Other general expenditures were under projections by \$0.3 from budget due to delayed timing of public safety expenses and overall lower event expenditures

Transfers to other funds were over budgeted projections by \$0.5 million.

- Fund balance transfers were \$0.3 over budget as a result of Indian Lane property purchase and

The Capital Projects Fund has a total fund balance of \$4.2 million. Of the total fund balance, certain amounts are *restricted* to indicate that it is not available for new spending because it has already been committed or is legally restricted for capital projects as follows:

- 1) *Committed* fund balance represents amounts that are reserved for a particular purpose by the Mayor and Council of the City of Hagerstown and would require action by that governing body to release the fund balance from its commitment and are for unspent bond proceeds (\$2.0 million)
- 2) *Assigned* fund balance represents amounts reserved for tentative management plans and current encumbrances that are subject to change (\$2.2 million)
- 3) *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 \$3.8 million for the Electric Fund, \$10.7 million for the Water Fund and \$6.9 million for the Wastewater Fund. The total increase in the proprietary funds net position was \$2.2 million. Other factors concerning these funds' finances have been addressed in the discussion of the City of Hagerstown's business-type activities.

## General Fund Budgetary Highlights

The final budgeted revenues, expenditures, and transfers to other funds decreased by less than \$36 thousand over the original budget. The net change reflects an allocation of an original budget contingency across city departments; a reduction for retiree health insurance allocation that did not occur; 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 and one-time fund balance use.

## 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, 2017, amounts to \$284.6 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 \$1.8 million or less than 1%. There was a 4.7% increase for governmental activities and a 1.0% decrease for business-type activities.

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

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 6,862,932	\$ 6,862,932	\$ 5,705,970	\$ 5,705,970	\$ 12,568,902	\$ 12,568,902
Construction in progress	987,804	2,508,935	1,672,687	440,177	2,660,491	2,949,112
Buildings & Structures	6,611,957	6,650,991	139,757,640	142,434,878	146,369,597	149,085,869
Improvements other than buildings	7,718,621	5,448,308	653,088	696,696	8,371,709	6,145,004
Machinery & Equipment	7,274,488	5,700,880	51,485,730	52,071,320	58,760,218	57,772,200
Infrastructure	55,873,419	54,309,674	24,326	25,210	55,897,745	54,334,884
<b>Total</b>	<b>\$ 85,329,221</b>	<b>\$ 81,481,720</b>	<b>\$ 199,299,441</b>	<b>\$ 201,374,251</b>	<b>\$ 284,628,662</b>	<b>\$ 282,855,971</b>

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

For the City's governmental activities:

The City spent \$7.9 million in additions for capital assets and improvements during FY16/17. Some of the most notable additions are listed below:

- \$0.8 million was spent on construction in progress projects which include building improvements (roof replacements) and construction of road and bridges, signal networks, new and existing park improvements, and alley construction.
- \$7.1 million was spent on land improvements, buildings and structures, machinery and equipment, automobiles and trucks, office furniture, and infrastructure.

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

For the City's business activities:

Of the \$5.6 million the City spent on the acquisition and construction of business activity capital assets in FY16/17, \$0.7 million were funded from contributions from developers, and \$4.9 million from bond reimbursement draws and operations within the business funds.

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

**Long-term debt.** At the end of the current fiscal year, the City of Hagerstown had total bonded debt outstanding of \$73.8 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, \$53.4 million are considered self-supporting bonds, primarily funded through various charges related to the operation of the electric, water and wastewater systems of the City.

**City of Hagerstown's Outstanding Debt**

Bonded Debt

	Governmental		Business-type		Total	
	Activities		Activities			
	2017	2016	2017	2016	2017	2016
General Bonded Debt	\$20,398,887	\$16,621,899	\$53,355,638	\$54,317,860	\$73,754,525	\$70,939,759

Overall, the City of Hagerstown added new bonded debt of \$7.7 million, across all funds. The City added new debt of \$411 thousand from a MDE loan which was drawn from the existing Maryland Water Quality Revolving Loan Fund. In addition, the City issued a new 2017A and 2017B Public Facilities bond for a total of \$7.3 million. The City's continued adherence to its amortization schedules for debt repayments reduced its debt by \$5.1 million resulting in an overall net increase to debt of 2.8 million during the current year.

During FY16/17, the City of Hagerstown's ratings were affirmed as follows: Moody's Investor Service with a rating of Aa3, and Standard and Poor's with a rating of AA.

The amount of general obligation debt the City of Hagerstown may issue is not limited by State statute or local ordinance. However, the City adheres to a financial policy approved by its elected officials which prohibits general obligation debt from exceeding 10% of the assessed value of taxable property or \$1,000 per capita. At the end of FY16/17, governmental fund debt was 0.77% of the assessed value of taxable property and \$504 per capita while total city-wide debt was 2.78% of the assessed value of taxable property and \$1,823 per capita. Additional information on the City of Hagerstown's long-term debt can be found in Note IV. F. on pages 60 through 62 of this report.

**Economic Factors and Next Year's Budgets and Rates**

- The FY16/17 budget reflected no change in real estate and personal property tax rates and is the last year before a new triennial assessment period. The real estate tax rate was \$0.913 cents per \$100 assessed value and personal property rates were \$2.283 cents per \$100 assessed value. The FY16/17 budget also reflects the third year changes for Water and Wastewater based on a five year cost study approved.
- The City is required by its Charter to have a balanced budget each fiscal year and has complied with this requirement. In FY17/18 General Fund final budget, there is net revenue surplus of \$41 thousand that includes utilizing \$1.3 million from fund balance reserves for the final commitment in the City's Invest Hagerstown community grant program and \$10 million for capital improvement 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 FY17/18 the City's major governmental fund approved budget, the General Fund, is projected to increase by 3.8% over the FY16/17 budget. Wages and benefits are projected to increase by 3.7% to include an increase in employee compensation and increased employer provided benefit costs. Debt service is projected to increase by 11.5% related to new bond issues needed to invest in infrastructure upgrades and other Mayor and Council priority projects.

- As a result of the December 2016 MD State Department of Assessment and Taxation's triennial reassessment, the City experienced a third consecutive decrease in real estate and personal property assessments. In a continuing effort to offset this decline in property values, the City implemented a tax rate increase of 2.8 cents per \$100 of assessed value effective July 1, 2016 which is the constant yield tax amount. This increase is necessary to support the salary enhancements and other rising expenditures mentioned above.
- The FY17/18 budget will remain flat for electric service charges. Annual rate increases were adopted for water service charges of 2% for inside and outside the City and wastewater service charges of 2% inside and outside the City effective July 1, 2016. Additionally, a complete five year rate schedule through FY18/19 was approved for both water and wastewater service charges. These annual increases will make possible the extensive continuing system improvements for these utilities. All of these factors were considered in preparing the City of Hagerstown's budget for FY17/18.

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

## **Requests for Information**

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

**City of Hagerstown, Maryland**  
**Statement of Net Position**  
**June 30, 2017**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Pooled cash and investments	\$ 19,615,977	\$ 23,812,645	\$ 43,428,622
Receivables (net of allowance for uncollectibles):			
Taxes	706,369	-	706,369
Intergovernmental	1,590,153	-	1,590,153
Customers	1,087,746	6,195,932	7,283,678
Loans	2,705,170	-	2,705,170
Other	19,757	4,016	23,773
Internal balances	(2,118,240)	2,118,240	-
Inventories	148,771	1,792,340	1,941,111
Properties held for resale	2,408,138	-	2,408,138
Prepaid items	231,446	7,867	239,313
Net OPEB asset	2,989,219	-	2,989,219
Due from other agencies	-	12,224	12,224
Restricted assets:			
Pooled cash and investments	2,428,582	8,522,294	10,950,876
Long-term receivables	-	589,688	589,688
Capital assets (net of accumulated depreciation):			
Land (not being depreciated)	6,862,932	5,705,970	12,568,902
Land improvements	9,097,065	1,791,717	10,888,782
Buildings and structures	16,467,462	215,151,673	231,619,135
Machinery and equipment	6,765,563	110,124,184	116,889,747
Automobiles and trucks	11,402,562	5,632,070	17,034,632
Office furniture and fixtures	3,351,954	852,110	4,204,064
Infrastructure	104,363,107	26,537	104,389,644
Construction in progress (not being depreciated)	987,804	1,672,687	2,660,491
Less accumulated depreciation	(73,969,228)	(141,657,507)	(215,626,735)
Total assets	<u>117,142,310</u>	<u>242,354,687</u>	<u>359,496,997</u>
<b>Deferred Outflow of Resources Related to Pensions</b>			
Deferred Outflows from Pensions	<u>3,330,318</u>	<u>2,243,526</u>	<u>5,573,844</u>
<b>Liabilities</b>			
Accounts and retainages payable	2,238,450	2,992,130	5,230,580
Accrued liabilities	1,996,933	187,078	2,184,011
Escrowed taxes and insurance	5,663	-	5,663
Accrued interest payable	235,484	366,731	602,215
Customer deposits payable	35,426	4,759,261	4,794,687
Due to other agencies	41,510	-	41,510
Unearned revenue	213,518	102,308	315,826
Compensated absences:			
Due within one year	1,712,887	770,246	2,483,133
Due in more than one year	2,923,504	1,055,941	3,979,445
Long-term liabilities:			
Due within one year	1,726,852	3,746,821	5,473,673
Due in more than one year	18,672,035	49,608,817	68,280,852
Net pension liabilities:			
Due in more than one year	<u>39,861,933</u>	<u>10,076,164</u>	<u>49,938,097</u>
Total liabilities	<u>69,664,195</u>	<u>73,665,497</u>	<u>143,329,692</u>
<b>Deferred Inflow of Resources Related to Pensions</b>			
Deferred Inflows from Pensions	<u>269,540</u>	<u>228,094</u>	<u>497,634</u>
<b>Net Position</b>			
Net investment in capital assets	66,954,557	145,943,803	212,898,360
Restricted for:			
Capital Projects Fund	4,248,361	-	4,248,361
Community Development Block Grant Fund	2,536,057	-	2,536,057
Economic Redevelopment Fund	1,740,336	-	1,740,336
Business Revolving Loan Fund	982,734	-	982,734
Excise Tax Fund	21,835	-	21,835
Grant Revenue Fund	173,282	-	173,282
Other Purposes	34,918	-	34,918
Unrestricted	<u>(26,153,187)</u>	<u>24,760,819</u>	<u>(1,392,368)</u>
<b>Total net position</b>	<b><u>\$ 50,538,893</u></b>	<b><u>\$ 170,704,622</u></b>	<b><u>\$ 221,243,515</u></b>

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

**City of Hagerstown, Maryland**  
**Statement of Activities**  
**For the Year Ended June 30, 2017**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Operating		Governmental Activities	Primary Government	
		Charges for Services	Grants and Contributions		Governmental Activities	Business-type Activities
<b>Primary government:</b>						
Governmental activities:						
General government	\$ 9,562,623	\$ 2,618,155	\$ 164,097	\$ (6,645,581)	\$ -	\$ (6,645,581)
Public safety	24,950,023	2,722,862	837,168	(21,133,521)	-	(21,133,521)
Highways and streets	2,650,626	149,743	-	(1,727,777)	-	(1,727,777)
Waste, collection and disposal	2,021,510	2,258,122	-	236,612	-	236,612
Culture and recreation	2,948,143	273,319	26,867	(2,496,755)	-	(2,496,755)
Economic and community development	3,393,612	61,746	755,420	(2,576,446)	-	(2,576,446)
Interest and issuance costs on LT debt	628,301	-	-	(628,301)	-	(628,301)
Total governmental activities	46,154,838	8,083,947	1,783,552	(34,971,769)	-	(34,971,769)
Business-type activities:						
Electric	23,184,083	22,919,701	-	-	(237,750)	(237,750)
Water	11,288,656	11,640,701	-	-	1,593,182	1,593,182
Wastewater	13,112,003	13,046,779	-	-	803,523	803,523
Parking facilities	724,828	993,779	-	-	268,951	268,951
Golf course	481,273	174,035	-	-	(307,238)	(307,238)
Property management	613,979	308,646	44,502	-	(260,831)	(260,831)
Total business-type activities	49,404,822	49,083,641	44,502	-	1,859,837	1,859,837
Total primary government	\$ 95,559,660	\$ 57,167,588	\$ 1,828,054	\$ (34,971,769)	\$ 1,859,837	\$ (33,111,932)
General revenues:						
Property taxes				28,882,713	-	28,882,713
Income and other taxes				5,317,337	-	5,317,337
Investment earnings				62,960	201,269	264,229
Miscellaneous				285,595	-	285,595
Transfers				(117,983)	117,983	-
Total general revenues and transfers				34,430,622	319,252	34,749,874
<b>Change in net position</b>				<b>(541,147)</b>	<b>2,179,089</b>	<b>1,637,942</b>
Net position - beginning				51,080,040	168,525,533	219,605,573
<b>Net position - ending</b>				<b>\$ 50,538,893</b>	<b>\$ 170,704,622</b>	<b>\$ 221,243,515</b>

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

**City of Hagerstown, Maryland**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2017**

	General	Capital Projects	Non-Major Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Pooled cash and investments	\$ 10,498,884	\$ 4,202,586	\$ 379,913	\$ 15,081,383
Receivables (net of allowance for uncollectibles):				
Taxes	706,369	-	-	706,369
Intergovernmental	1,194,814	200,712	194,627	1,590,153
Customers	832,635	124,085	4,112	960,832
Loans	-	-	2,705,170	2,705,170
Other	18,461	299	92	18,852
Advances to other funds	126,000	-	-	126,000
Inventories	148,771	-	-	148,771
Properties held for resale	-	-	2,408,138	2,408,138
Prepaid items	32,235	-	1,956	34,191
Restricted assets:				
Pooled cash and investments	-	-	95,625	95,625
Total assets	\$ 13,558,169	\$ 4,527,682	\$ 5,789,633	\$ 23,875,484
 <b>Liabilities And Fund Balances</b>				
Liabilities:				
Accounts and retainages payable	\$ 1,748,839	\$ 279,321	\$ 157,796	\$ 2,185,956
Accrued liabilities	812,331	-	3,357	815,688
Advances from other funds	-	-	126,000	126,000
Escrowed taxes and insurance	-	-	5,663	5,663
Customer deposits payable	29,168	-	6,258	35,426
Undisbursed loan and grant commitments	-	-	93,703	93,703
Due to other agencies	41,510	-	-	41,510
Unearned revenue	30,429	-	-	30,429
Total liabilities	2,662,277	279,321	392,777	3,334,375
Deferred Inflows of Resources:				
Unavailable revenue-income taxes	465,282	-	-	465,282
Total deferred inflows of resources	465,282	-	-	465,282
Fund balances:				
Nonspendable	181,006	2,140	2,553,112	2,736,258
Restricted	-	-	2,562,152	2,562,152
Committed	-	2,024,224	-	2,024,224
Assigned	786,785	2,221,997	373,898	3,382,680
Unassigned	9,462,818	-	(92,306)	9,370,512
Total fund balances	10,430,610	4,248,361	5,396,856	20,075,827
Total liabilities and fund balances	\$ 13,558,169	\$ 4,527,682	\$ 5,789,633	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	85,329,221
Taxes and other receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds	465,282
Internal service funds are used by management to charge for the costs associated with uncovered general liability risk, the costs associated with uncovered workers' compensation risk, and the costs associated with the City's health and dental care program. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	3,751,261
Net OPEB asset is calculated by actuarial valuation and is included only in the city-wide statement of net position.	2,989,219
Long-term liabilities, including bonds payable and accrued interest charges are not due and payable in the current period and therefore are not reported in the funds.	(25,270,762)
Net pension liability (NPL), Deferred inflows, and Deferred outflows related to pension are calculated by actuarial valuation and are included only in the city-wide statement of net position.	(36,801,155)
Net position of governmental activities	\$ 50,538,893

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, 2017**

	<u>General</u>	<u>Capital Projects</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
Property taxes	\$ 28,882,713	\$ -	\$ -	\$ 28,882,713
Income and other taxes	4,143,015	1,206,125	-	5,349,140
Licenses and permits	1,922,814	-	-	1,922,814
Intergovernmental	471,229	992,549	1,208,798	2,672,576
Program income	-	-	50,888	50,888
Charges for services	2,998,972	-	-	2,998,972
Fines and forfeitures	1,151,264	-	-	1,151,264
Investment earnings	47,124	14,189	1,647	62,960
Sale of land & other property	44,401	-	-	44,401
Contributions and donations	103,525	323,021	-	426,546
Unallocated general revenue	2,123,960	76,127	72,107	2,272,194
Total revenues	<u>41,889,017</u>	<u>2,612,011</u>	<u>1,333,440</u>	<u>45,834,468</u>
<b>Expenditures</b>				
Current:				
General government	6,054,434	-	50,332	6,104,766
Public safety	22,294,624	-	358,276	22,652,900
Highways and streets	2,451,010	-	-	2,451,010
Waste, collection and disposal	2,022,219	-	-	2,022,219
Culture and recreation	2,503,353	-	-	2,503,353
Economic and community development	571,893	1,625,783	1,234,835	3,432,511
Unallocated general expenditures	1,723,762	-	251	1,724,013
Debt Service:				
Principal	1,504,498	-	-	1,504,498
Interest	537,853	-	-	537,853
Issuance costs	117,200	-	-	117,200
Capital outlay	-	7,881,555	24,783	7,906,338
Total expenditures	<u>39,780,846</u>	<u>9,507,338</u>	<u>1,668,477</u>	<u>50,956,661</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,108,171</u>	<u>(6,895,327)</u>	<u>(335,037)</u>	<u>(5,122,193)</u>
<b>Other Financing Sources (Uses)</b>				
New Bond Issuance:				
Debt issued	-	4,793,526	-	4,793,526
Premium on bond financing	-	198,989	-	198,989
Bond Financing Prior Proceeds Reprogram	-	314,538	-	314,538
Transfers in	61,947	2,054,800	924,369	3,041,116
Transfers out	(2,265,301)	-	(858,138)	(3,123,439)
Total other financing sources and uses	<u>(2,203,354)</u>	<u>7,361,853</u>	<u>66,231</u>	<u>5,224,730</u>
<b>Net change in fund balances</b>	<b>(95,183)</b>	<b>466,526</b>	<b>(268,806)</b>	<b>102,537</b>
Fund balances - beginning	10,525,793	3,781,835	5,665,662	19,973,290
<b>Fund balances - ending</b>	<b>\$ <u>10,430,610</u></b>	<b>\$ <u>4,248,361</u></b>	<b>\$ <u>5,396,856</u></b>	<b>\$ <u>20,075,827</u></b>

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

**City of Hagerstown, Maryland**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances of Governmental Funds**  
**To the Statement of Activities**  
**For the Year Ended June 30, 2017**

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

Net change in fund balances - total governmental funds	\$	102,537
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital additions exceeded depreciation in the current period.		3,954,150
The net effect of capital asset disposals is to decrease net position.		(70,991)
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.		(3,813,306)
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.		(25,565)
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.		(433,451)
OPEB asset is recorded based on actuarial reports and is not included in the governmental financial statements.		990,890
Net pension expense transactions based on actuarial calculations to determine net pension liabilities are not included in the governmental financial statements.		(1,780,281)
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>534,871</u>
Change in net position of governmental activities	\$	<u><u>(541,147)</u></u>

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

**City of Hagerstown, Maryland  
General Fund**

**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 28,306,523	\$ 28,306,523	\$ 28,882,713	\$ 576,190
Income and other taxes	3,738,580	3,788,580	4,143,015	354,435
Licenses and permits	2,083,100	2,083,100	1,922,814	(160,286)
Intergovernmental	503,003	503,003	471,229	(31,774)
Charges for services	3,050,203	3,057,019	2,998,972	(58,047)
Fines and forfeitures	1,844,896	1,844,896	1,151,264	(693,632)
Unallocated and other general revenue	2,280,742	2,288,077	2,319,010	30,933
Total revenues	41,807,047	41,871,198	41,889,017	17,819
<b>Expenditures</b>				
Current:				
General government	6,344,504	6,359,625	6,054,434	305,191
Public safety	22,896,364	22,791,583	22,294,624	496,959
Highways and streets	2,631,778	2,631,778	2,451,010	180,768
Waste, collection and disposal	2,050,687	2,050,687	2,022,219	28,468
Culture and recreation	2,537,091	2,465,713	2,503,353	(37,640)
Economic and community development	571,615	571,615	571,893	(278)
Unallocated general expenditures	1,477,011	1,589,840	1,723,762	(133,922)
Debt Service:				
Principal	1,493,758	1,493,758	1,504,498	(10,740)
Interest	671,204	671,204	537,853	133,351
Issuance Costs	1,105	1,105	117,200	(116,095)
Total expenditures	40,675,117	40,626,908	39,780,846	846,062
Excess (deficiency) of revenues over (under) expenditures	1,131,930	1,244,290	2,108,171	863,881
<b>Other Financing Sources (Uses)</b>				
Transfers in	73,564	73,564	61,947	(11,617)
Transfers out	(1,622,476)	(1,770,949)	(2,265,301)	(494,352)
Budgeted use of fund balance	420,031	420,031	-	(420,031)
Total other financing sources and (uses)	(1,128,881)	(1,277,354)	(2,203,354)	(926,000)
<b>Net change in fund balances</b>	<b>3,049</b>	<b>(33,064)</b>	<b>(95,183)</b>	<b>(62,119)</b>
Fund balances - beginning	10,525,793	10,525,793	10,525,793	-
<b>Fund balances - ending</b>	<b>\$ 10,528,842</b>	<b>\$ 10,492,729</b>	<b>\$ 10,430,610</b>	<b>\$ (62,119)</b>

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

**City of Hagerstown, Maryland**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2017**

	Business-type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds
	Electric	Water	Wastewater	Non-Major Enterprise Funds	Total	
<b>Assets</b>						
Current assets:						
Pooled cash and investments	\$ 6,314,682	\$ 8,272,496	\$ 8,052,636	\$ 1,172,831	\$ 23,812,645	\$ 4,534,594
Interest receivable	1,128	1,361	1,302	225	4,016	905
Accounts receivable (net of allowance for uncollectibles)				114,669	6,195,932	126,914
Inventories	2,228,960	1,657,796	2,194,507		1,792,340	
Due from other agencies	328,413	1,231,388	232,539	-	12,224	-
Prepaid items	-	-	2,500	9,724	7,867	-
Total current assets	8,873,570	11,163,231	10,490,031	1,298,192	31,825,024	4,859,668
Noncurrent assets:						
Restricted assets:						
Pooled cash and investments	3,543,561	4,285,633	693,100	-	8,522,294	2,332,957
Long-term receivable	576,034	13,654	-	-	589,688	-
Capital assets:						
Land	1,225,255	2,019,652	180,149	2,280,914	5,705,970	-
Land improvements	259,959	28,542	9,121	1,494,095	1,791,717	-
Buildings and structures	2,184,400	126,967,841	72,826,697	13,172,735	215,151,673	-
Machinery and equipment	34,004,288	24,950,266	50,349,947	819,683	110,124,184	-
Automobiles and trucks	1,481,519	2,103,679	1,893,506	153,366	5,632,070	-
Infrastructure	-	-	-	26,537	26,537	-
Office furniture and fixtures	406,994	78,366	255,557	111,193	852,110	-
Construction in progress	-	790,555	737,976	144,156	1,672,687	-
Less accumulated depreciation	(24,877,253)	(48,040,565)	(62,333,892)	(6,405,797)	(141,657,507)	-
Total capital assets, net	14,685,162	108,898,336	63,919,061	11,796,882	199,299,441	-
Total noncurrent assets	18,804,757	113,197,623	64,612,161	11,796,882	208,411,423	2,332,957
<b>Total assets</b>	<b>27,678,327</b>	<b>124,360,854</b>	<b>75,102,192</b>	<b>13,095,074</b>	<b>240,236,447</b>	<b>7,192,625</b>
<b>Deferred Outflow of Resources Related to Pensions</b>						
Deferred Outflows from Pensions	627,170	831,845	784,511	-	2,243,526	-
<b>Total Deferred Outflows Related to Pensions</b>	<b>627,170</b>	<b>831,845</b>	<b>784,511</b>	<b>-</b>	<b>2,243,526</b>	<b>-</b>

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

**City of Hagerstown, Maryland**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2017**

	Business-type Activities-Enterprise Funds				Total	Governmental Activities- Internal Service Funds
	Electric	Water	Wastewater	Non-Major Enterprise Funds		
<b>Liabilities</b>						
Current liabilities:						
Accounts and retainages payable	1,569,442	620,758	780,298	21,632	2,992,130	52,494
Compensated absences - current	225,985	279,322	253,721	11,218	770,246	-
Accrued liabilities	44,173	274,783	208,554	26,299	553,809	1,087,542
Customer deposits and rebates	4,749,737	75	-	9,449	4,759,261	-
Unearned revenue	-	101,500	-	808	102,308	183,089
General obligation bonds - current	39,848	1,738,940	1,780,991	187,042	3,746,821	-
Other liabilities - current	-	-	-	-	-	-
Total current liabilities	<u>6,629,185</u>	<u>3,015,378</u>	<u>3,023,564</u>	<u>256,448</u>	<u>12,924,575</u>	<u>1,323,125</u>
Noncurrent liabilities:						
General obligation bonds payable	479,362	30,541,911	17,827,714	759,830	49,608,817	-
Compensated absences	309,806	382,928	347,827	15,380	1,055,941	-
Other long term liabilities	-	-	-	-	-	-
Net pension liabilities	2,861,309	3,812,487	3,402,368	-	10,076,164	-
Total noncurrent liabilities	<u>3,650,477</u>	<u>34,737,326</u>	<u>21,577,909</u>	<u>775,210</u>	<u>60,740,922</u>	<u>-</u>
<b>Total liabilities</b>	<u><b>10,279,662</b></u>	<u><b>37,752,704</b></u>	<u><b>24,601,473</b></u>	<u><b>1,031,658</b></u>	<u><b>73,665,497</b></u>	<u><b>1,323,125</b></u>
<b>Deferred Inflow of Resources Related to Pensions</b>						
Deferred Inflows from Pensions	63,763	84,572	79,759	-	228,094	-
<b>Total Deferred Inflows Related to Pensions</b>	<u><b>63,763</b></u>	<u><b>84,572</b></u>	<u><b>79,759</b></u>	<u><b>-</b></u>	<u><b>228,094</b></u>	<u><b>-</b></u>
<b>Net Position</b>						
Net Investment in Capital Assets	14,165,952	76,617,485	44,310,356	10,850,010	145,943,803	-
Unrestricted	3,796,120	10,737,938	6,895,115	1,213,406	22,642,579	5,869,500
<b>Total net position</b>	<u><b>\$ 17,962,072</b></u>	<u><b>\$ 87,355,423</b></u>	<u><b>\$ 51,205,471</b></u>	<u><b>\$ 12,063,416</b></u>	<u><b>168,586,382</b></u>	<u><b>\$ 5,869,500</b></u>
					<u>2,118,240</u>	
						<u>\$ 170,704,622</u>

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

Net position of business-type activities

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

**City of Hagerstown, Maryland**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2017**

	Business-type Activities- Enterprise Funds				Non-Major Enterprise Funds	Total	Governmental Activities- Internal Service Funds
	Electric	Water	Wastewater	Total			
Operating revenues:							
Service charges	\$ 22,271,253	\$ 10,697,568	\$ 12,621,501	\$ 47,067,458	\$ 1,477,136	\$ 47,067,458	\$ 9,507,971
Other revenues	658,410	920,854	492,080	2,074,482	3,138	2,074,482	115,439
Total operating revenues	<u>22,929,663</u>	<u>11,618,422</u>	<u>13,113,581</u>	<u>49,141,940</u>	<u>1,480,274</u>	<u>49,141,940</u>	<u>9,623,410</u>
Operating expenses:							
Production and treatment expenses	17,010,761	3,537,300	4,681,362	25,229,423	-	25,229,423	-
Transmission, distribution, and collection expenses	2,208,912	1,478,971	1,731,905	5,419,788	-	5,419,788	-
Selling, general and administrative expenses	3,197,872	2,745,097	3,410,922	10,748,450	1,394,559	10,748,450	1,487,633
Claim and premium expenses	-	-	-	-	-	-	7,121,398
Depreciation	887,764	3,166,915	3,036,751	7,500,103	408,673	7,500,103	-
Total operating expenses	<u>23,305,309</u>	<u>10,928,283</u>	<u>12,860,940</u>	<u>48,897,764</u>	<u>1,803,232</u>	<u>48,897,764</u>	<u>8,609,031</u>
Operating income (loss)	<u>(375,646)</u>	<u>690,139</u>	<u>252,641</u>	<u>244,176</u>	<u>(322,958)</u>	<u>244,176</u>	<u>1,014,379</u>
Nonoperating revenues (expenses):							
Intergovernmental revenue	-	-	-	44,502	44,502	44,502	-
Investment earnings	119,693	30,605	29,572	201,269	21,400	201,269	13,457
Interest expense	(17,522)	(477,987)	(315,580)	(849,571)	(38,482)	(849,571)	-
Bond issuance cost	(1,330)	(71,003)	(73,849)	(150,453)	(4,271)	(150,453)	-
Gain (loss) on disposal of capital assets	(9,962)	22,279	(66,802)	(58,299)	(3,814)	(58,299)	-
Total nonoperating revenue (expenses)	<u>90,879</u>	<u>(496,106)</u>	<u>(426,659)</u>	<u>(812,551)</u>	<u>19,335</u>	<u>(812,551)</u>	<u>13,457</u>
Income (loss) before contributions and transfers	<u>(284,767)</u>	<u>194,033</u>	<u>(174,018)</u>	<u>(568,375)</u>	<u>(303,623)</u>	<u>(568,375)</u>	<u>1,027,836</u>
Capital contributions	26,632	1,241,137	868,747	2,136,516	-	2,136,516	-
Transfers in	-	-	-	319,180	319,180	319,180	-
Transfers out	(3,500)	(3,500)	(3,500)	(201,197)	(190,697)	(201,197)	(35,660)
<b>Changes in net position</b>	<u><b>(261,635)</b></u>	<u><b>1,431,670</b></u>	<u><b>691,229</b></u>	<u><b>1,686,124</b></u>	<u><b>(175,140)</b></u>	<u><b>1,686,124</b></u>	<u><b>992,176</b></u>
Net position - beginning	18,223,707	85,923,753	50,514,242	12,238,556	-	12,238,556	4,877,324
<b>Total net position - ending</b>	<u><b>\$ 17,962,072</b></u>	<u><b>\$ 87,355,423</b></u>	<u><b>\$ 51,205,471</b></u>	<u><b>\$ 12,063,416</b></u>	<u><b>\$ 12,063,416</b></u>	<u><b>\$ 12,063,416</b></u>	<u><b>\$ 5,869,500</b></u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				492,965		492,965	
Change in net position of business-type activities				\$ 2,179,089		\$ 2,179,089	

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, 2017**

	Business-type Activities- Enterprise Funds				Governmental Activities- Internal Service Funds
	Electric	Water	Wastewater	Non-Major Enterprise Funds	
<b>Cash Flows From Operating Activities</b>					
Receipts from customers and users	\$ 26,324,124	\$ 11,871,767	\$ 13,325,592	\$ 1,472,228	\$ 52,993,711
Receipts from interfund services provided	-	-	-	-	-
Payments to suppliers	(18,496,164)	(3,004,304)	(4,558,821)	(567,506)	(26,626,795)
Payments to employees	(3,746,935)	(4,530,146)	(4,912,248)	(889,659)	(14,078,989)
Net cash provided (used) by operating activities	4,081,025	4,337,317	3,854,523	15,062	12,287,927
<b>Cash Flows From Noncapital Financing Activities</b>					
Transfers from (to) other funds	(3,500)	(3,500)	(3,500)	128,483	117,983
Contributions	-	-	-	-	-
Net cash provided (used) by noncapital and related financing activities	(3,500)	(3,500)	(3,500)	128,483	117,983
<b>Cash Flows From Capital And Related Financing Activities</b>					
Proceeds from intergovernmental grant	-	-	-	48,318	48,318
Capital contributions	26,632	1,241,137	868,747	-	2,136,516
Acquisition and construction of capital assets	(834,101)	(3,154,220)	(1,215,244)	(225,543)	(5,429,108)
Proceeds from bond issuance	(234,992)	1,517,535	1,318,704	40,454	2,641,701
Principal paid on capital debt	(38,454)	(1,670,382)	(1,704,500)	(170,197)	(3,583,533)
Interest paid on capital debt	(19,492)	(459,231)	(329,529)	(43,299)	(851,550)
Proceeds from sale of capital assets	(9,962)	22,279	(66,802)	(3,814)	(58,299)
Net cash provided (used) by capital and related financing activities	(1,110,369)	(2,502,882)	(1,128,623)	(354,081)	(5,095,955)
<b>Cash Flows From Investing Activities</b>					
Interest and dividends received	119,853	30,542	29,300	21,480	201,175
Net cash provided by investing activities	119,853	30,542	29,300	21,480	201,175
Net increase (decrease) in pooled cash and investments	3,087,009	1,861,476	2,751,700	(189,055)	7,511,130
Pooled cash and investments, beginning of year	6,771,234	\$ 10,696,653	\$ 5,994,037	\$ 1,361,886	24,823,810
Pooled cash and investments, end of year	\$ 9,858,243	\$ 12,558,129	\$ 8,745,736	\$ 1,172,831	\$ 32,334,939

**City of Hagerstown, Maryland**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2017**

	Business-type Activities- Enterprise Funds					Governmental Activities- Internal Service Funds
	Electric	Water	Wastewater	Non-Major Enterprise Funds	Totals	
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>						
Operating income (loss)	\$ (375,646)	\$ 690,139	\$ 252,641	\$ (322,958)	\$ 244,176	\$ 1,014,379
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation expense	887,764	3,166,915	3,036,751	408,673	7,500,103	-
Bond issuance costs	(1,330)	(71,003)	(73,849)	(4,271)	(150,453)	-
Net effect of changes in assets and liabilities						
Accounts receivable	(247,782)	253,270	212,009	(26,822)	190,675	113,026
Inventories	3,330	14,525	(58,384)	-	(40,529)	-
Prepaid items	1,907	140	(886)	369	1,530	71,106
Long-term Accounts receivable	(1)	-	-	-	(1)	-
Accounts and retainages payable	105,341	135,214	433,986	1,385	675,927	23,475
Compensated absences payable	(9,937)	57,067	1,168	(18,365)	29,933	-
Accrued liabilities	(32,046)	(53,809)	(56,484)	(14,417)	(156,757)	400,829
Customer deposits and rebates	3,642,245	75	1	579	3,642,900	-
Unearned revenue	-	-	-	27,921	27,921	-
WC Claims Reserve	-	-	-	-	-	-
Other long-term liabilities	107,180	144,784	107,570	(13,654)	345,880	-
Total adjustments	4,456,671	3,647,178	3,601,882	338,020	12,043,751	608,436
Net cash provided (used) by operating activities	\$ 4,081,025	\$ 4,337,317	\$ 3,854,523	\$ 15,062	\$ 12,287,927	\$ 1,622,815
<b>Reconciliation of pooled cash and investments to the balance sheet</b>						
Pooled cash and investments	\$ 6,314,682	\$ 8,272,496	\$ 8,052,636	\$ 1,172,831	\$ 23,812,645	\$ 4,534,594
Restricted pooled cash and investments	3,543,561	4,285,633	693,100	-	8,522,294	2,332,957
Totals	\$ 9,858,243	\$ 12,558,129	\$ 8,745,736	\$ 1,172,831	\$ 32,334,939	\$ 6,867,551

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

**City of Hagerstown, Maryland**  
**Combining Statement of Fiduciary Net Position**  
**Pension Trust Funds**  
**June 30, 2017**

	<b>Pension Trust Fund</b>	<b>Other Post Employment Benefits (OPEB) Trust Fund</b>	<b>Total Trust Funds</b>
<b>Assets</b>			
Investments, at fair value:			
Cash and Cash Equivalents	\$ 710,201	\$ 381,506	\$ 1,091,707
Government and Agency Issues	2,847,924	-	2,847,924
Corporate Debt Issues	2,415,138	-	2,415,138
Common Stock	3,645,399	1,251,996	4,897,395
Mutual Funds	10,466,031	7,098,414	17,564,445
Total investments	<u>20,084,693</u>	<u>8,731,916</u>	<u>28,816,609</u>
Interest Receivable	49,844	10,205	60,049
Total assets	<u>20,134,537</u>	<u>8,742,121</u>	<u>28,876,658</u>
<b>Net Position Restricted for Pensions &amp; OPEB</b>	<b>\$ <u>20,134,537</u></b>	<b>\$ <u>8,742,121</u></b>	<b>\$ <u>28,876,658</u></b>

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

**City of Hagerstown, Maryland**  
**Combining Statement of Changes in Fiduciary Net Position**  
**Pension Trust Funds**  
**For the Year Ended June 30, 2017**

	<b>Pension</b>	<b>Other Post</b>	<b>Total</b>
	<b>Trust Fund</b>	<b>Employment</b>	<b>Trust Funds</b>
<b>Additions</b>	<b>Trust Fund</b>	<b>Benefits (OPEB)</b>	<b>Trust Funds</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Contributions:			
Employer	\$ 1,353,475	\$ 650,000	\$ 2,003,475
Plan members	684,585	-	684,585
Total contributions	<u>2,038,060</u>	<u>650,000</u>	<u>2,688,060</u>
Investment earnings:			
Interest and dividends	472,007	185,119	657,126
Net increase/(decrease) in the fair value of investments	1,466,516	701,154	2,167,670
Other revenues	3,088	11	3,099
Total investment earnings	<u>1,941,611</u>	<u>886,284</u>	<u>2,827,895</u>
Less investment expense	53,805	20,039	73,844
Net investment earnings	<u>1,887,806</u>	<u>866,245</u>	<u>2,754,051</u>
Total additions	<u>3,925,866</u>	<u>1,516,245</u>	<u>5,442,111</u>
<b>Deductions</b>			
Benefits	2,525,419	-	2,525,419
Administrative expenses	39,603	11	39,614
Actuarial fees	23,244	3,335	26,579
Total deductions	<u>2,588,266</u>	<u>3,346</u>	<u>2,591,612</u>
<b>Change in net position</b>	<b>1,337,600</b>	<b>1,512,899</b>	<b>2,850,499</b>
Net position - beginning	18,796,937	7,229,222	26,026,159
Net position - ending	<u>\$ 20,134,537</u>	<u>\$ 8,742,121</u>	<u>\$ 28,876,658</u>

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

**City of Hagerstown**  
Notes to the Financial Statements  
June 30, 2017

**I. Summary of significant accounting policies**

**A. Reporting entity**

The City of Hagerstown (“the City”), Maryland was founded in 1762 and incorporated in 1813. Its legal authority is derived from Article X1-E of the State Constitution and Article 23A of the Annotated Code of Maryland. The City is governed by a Mayor and a five-member City Council and provides the following services: public safety (fire and police), highways and streets, waste collection and disposal, parks and recreation, engineering, planning and zoning, economic and community development, water, wastewater, electrical power distribution, parking, golf, and general administrative services.

The financial statements of the City of Hagerstown have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to local governments. There are no entities for which the City is considered to be financially accountable as defined by GASB statements. The City has no component units.

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds and the total of non-major funds of each type are reported as separate columns in the fund financial statements.

## I. Summary of significant accounting policies (continued)

### C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and county shared taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *capital improvement projects fund* accounts for resources used in the acquisition or construction and minor maintenance of major capital facilities (other than those financed directly by proprietary funds).

The government reports the following major proprietary funds:

- The *electric fund* accounts for the activities of the City's electric distribution operations.
- The *water fund* accounts for the activities of the City's water treatment and distribution operations.
- The *wastewater fund* accounts for the activities of the City's sewage collection and treatment operations.
- The *parking facilities fund* accounts for the activities of the City's parking lots and decks.

## I. Summary of significant accounting policies (continued)

### C. Measurement focus, basis of accounting, and financial statement presentation (continued)

Additionally, the government reports the following funds:

- *Internal service funds* account for uncovered workers' compensation risk, health care, and dental insurance provided to other departments on a cost reimbursement basis.
- The *pension trust fund* accounts for the activities of the Public Safety Employees Pension System, which accumulates resources for pension benefit payments to qualified public safety employees.
- The *other post employment benefits trust fund (OPEB)* accumulates resources to provide health benefits to eligible retirees, and in certain instances their eligible survivors and dependents.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's enterprise funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the government's enterprise funds and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use assigned resources first, then unassigned resources as they are needed.

## **I. Summary of significant accounting policies (continued)**

### **D. Assets, liabilities, and net assets or equity**

#### **1. Deposits and investments**

To facilitate effective management of the City's resources, substantially all operating cash is combined in one pooled cash and investment account. Each fund has been allocated its respective share of pooled cash and investments as reflected in the combined balance sheet as cash and cash equivalents. The pension and other post employment benefits trust fund assets are separately managed by PNC Institutional Investments. The pension and other post employment benefits trust fund investments are stated at fair value. Based on the availability of cash in the various funds, investments are purchased and the income earned thereon is credited to the funds. For purposes of the statement of cash flows, the government considers cash, equity in pooled cash and investments, and investments with maturities of three years or less to be cash equivalents. These short-term investments include money market funds, certificates of deposit, and U.S. Treasury Securities.

Investments are stated at fair value and interest income is recorded when earned. Earnings of the pooled investment account are allocated monthly to each fund on the basis of its average equity in pooled cash balances during the month.

#### **2. Receivables and payables**

Activity between funds that are representative of the lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "advances to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are temporary and will be reversed in the beginning of the following year.

All receivables are reported at their gross value, and where appropriate, receivables are reduced by the estimated portion that is considered to be uncollectible. Trade accounts receivable in excess of 1 year and 5% of trade accounts receivable less than 1 year comprise the trade accounts receivable allowance for uncollectibles.

Taxes on real property and business personal property are levied on property values as assessed on January 1, billed on July 1 and payable by September 30. Real property may be paid in two equal installments on September 30 and December 31. Property taxes are attached as an enforceable tax lien on the underlying properties as of the succeeding June 1 and are thereafter, sold at public auction if deemed delinquent.

Real and personal property taxes are levied at rates enacted by the Mayor and Council in a special budget session on the assessed value as determined by the Maryland State Department of Assessments and Taxation.

**I. Summary of significant accounting policies (continued)**

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

**2. Receivables and payables (continued)**

Significant property tax information is as follows:

	<u>Real Property</u>	<u>Business Personal Property</u>
Assessment roll validated:	January 1	January 1
Tax rate ordinance approved:	May 21	May 21
Beginning of fiscal year for which taxes have been levied:	July 1	July 1
Tax bills rendered and due:	July 1	July 1 or upon state notification
Property Tax Rates at 6/30/2017 Per \$100 of assessable base	\$ 0.913	\$ 2.283
Maximum discount:	July 31	July 31
Delinquent:	On October 1	30 days after Bill Date
Terms	0.5% / 30 days	0.5% / 30 days
Delinquent interest and penalty:	12% annually	12% annually

Information presented is for “full year” levy. “Half year” levy dates are six months later and relate to new construction.

**3. Inventories and prepaid items**

All inventories are valued at cost using the average cost method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased and consist of expendable supplies and properties held for resale.

The cost is recorded as an expenditure at the time individual inventory items are consumed. Inventory balances are shown net of a reserve for excess and obsolete items which are calculated based upon quantities on hand and prior year’s usage patterns.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. All prepaid items are recorded as assets and are maintained on a consumption basis of accounting. Additionally, prepaid items are valued on a first-in, first-out basis and consist of either goods held for resale or goods and materials used in providing services.

Governmental fund inventories, prepaid items, and most long-term receivables are offset by a fund balance reserve for nonspendable resources. This indicates that inventory balances and prepaid items do not constitute “available spendable resources” at the balance sheet date even though they are a component of net current assets.

## **I. Summary of significant accounting policies (continued)**

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

#### **4. Restricted cash**

The Electric fund has restricted assets of \$3,543,561 on the statement of net position due to a deposit being held for the City's wholesale power supplier.

Benefit charge proceeds of \$3,306,849 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 \$693,100 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, 2017, \$83,703 was restricted for single family loans and \$5,664 was restricted for escrowed taxes and insurance.

The City has \$6,258 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 the City's dental insurance program with United Concordia. In addition, the City's health insurance fund has \$551,447 in restricted cash which reflects retirees' available balances on individual Health Retirement Accounts. The Workers Compensation fund has \$1,591,210 as restricted assets on the statement of net position. From this total, \$70,000 is being held by PMA Management Corporation and \$1,521,210 is being set aside for workers compensation claims.

**I. Summary of significant accounting policies (continued)**

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

**5. Capital assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 in the governmental funds or \$10,000 in the proprietary funds and an estimated useful life in excess of four years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property, plant, and equipment of the government are depreciated using the straight line method in the government-wide financial statements. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective balance sheet. The following are estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	10 – 20
Buildings	20 – 50
Equipment	5 – 25
Automobiles and trucks	5 – 10
Underground piping and conduit	25 – 100
Public domain infrastructure	25 – 50

**6. Compensated absences**

It is the City’s policy to permit employees to accumulate earned but unused vacation, sick pay, and compensatory time-off.

The City’s policy regarding sick leave entitles eligible employees to receive partial payment of sick leave hours accumulated, payable at the employee’s final, straight time rate of pay. The maximum that all employees may accumulate is 145 days of sick leave.

Non-union employees who retire from the City will receive payment for accumulated sick leave. The maximum payout is \$12,000.

Union employees who retire from the City will receive payment for accumulated sick leave prorated as follows:

**I. Summary of significant accounting policies (continued)**

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

**6. Compensated absences (continued)**

Prior to 8/1/11	100%
8/1/11 to 6/30/12	80%
7/1/12 to 6/30/13	70%
7/1/13 to 6/30/15	60%
7/1/15 to 6/30/16	50%
7/1/16 to 6/30/17	40%
7/1/17 and thereafter	maximum payout is \$12,000

If the reduction by percentage results in a payout of less than \$12,000, the employee will only be reduced to the \$12,000 cap.

Non-union employees, as well as employees who are members of A.F.S.C.M.E. #1540, I.B.E.W #307, and I.A.F.F. #1605 who leave City service for reasons other than retirement with a minimum of five (5) consecutive years of service will be paid for one half (1/2) of accumulated sick leave hours at the employee's final rate of pay up to a maximum of \$6,000. Employees who are members of A.F.S.C.M.E. #3373 who leave City service for reasons other than retirement with a minimum of ten (10) consecutive years of service will be paid for one half (1/2) of accumulated sick leave hours at the employee's final rate of pay up to a maximum of \$3,000.

The liabilities associated with accumulated sick leave time are calculated based on the following assumption:

- Non-union employees and union who have not met the minimum years of service based on their employee group are not entitled to a payout of sick leave.
- Non-union employees, as well as employees who are members of A.F.S.C.M.E. #1540, I.B.E.W #307, and I.A.F.F. #1605 with more than 5 years of service but less than 10 years of service will be paid for one half (1/2) of accumulated sick leave up to a maximum of \$6,000.
- Employees who are members of A.F.S.C.M.E. #3373 with more than ten (10) years of service but less than fifteen (15) years of service will be paid for one half (1/2) of accumulated sick leave hours up to a maximum of \$3,000
- Non-union employees, as well as employees who are members of A.F.S.C.M.E. #1540, I.B.E.W #307, and I.A.F.F. #1605 with 10 years of service or more would continue employment with the City until retirement. Payouts are prorated based on the aforementioned schedule.
- 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 (excluding 12 hour Patrol) – 160 hours; 12 hour Patrol – 200 hours
- I.B.E.W. #307 employees – 120 hours
- Police department management through rank of Sergeant – 240 hours
- All other F.L.S.A. non-exempt employees – 240 hours

Once an employee reaches the maximum, payment must be taken for any overtime worked.

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

#### **7. Long-term obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the year of issuance per GASB Statement 65.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### **8. Fund Balance**

In the fund financial statements, governmental funds report reservations of fund balance using classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the purpose for which the funds may be spent. The designations of fund balances are made in accordance with GASB 54, and represent the intent of the government's administration to use fund balances for specific

## I. Summary of significant accounting policies (continued)

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

#### 8. Fund Balance (continued)

purposes in the future. Committed, assigned, or unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used. Fund balance is reported in five components: nonspendable, restricted, committed, assigned and unassigned.

*Nonspendable* – Portion of net resources that cannot be spent either (a) resources are not in spendable form, or (b) resources are legally or contractually required to be maintained intact.

*Restricted* – Portion of net resources with imposed limitations set externally by either (a) creditors, grantors, contributors, or the laws and regulations of other governments, or (b) laws through constitutional provisions or enabling legislation.

*Committed* – Portion of net resources with imposed limitations set at the highest level of decision making authority. Such authority includes ordinances and resolutions of the Mayor and Council and the City's charter. Formal action at the same level of authority is required to remove such limitations. This action to establish, modify, or rescind commitments would be a majority vote of Mayor and Council taken during a Regular or Special Session.

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

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

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

#### 9. Net Position

The difference between assets, deferred outflows, liabilities, and deferred inflows is *Net Position* on the government-wide and fiduciary fund statements. Net Position is classified as *Net Investment in Capital Assets*, legally *Restricted* for a specific purpose or *Unrestricted* and available for appropriation for general purposes. *Net Investment in Capital Assets* consists of capital assets, net of accumulated depreciations, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of these assets. As of June 30, 2017, net position *Net Investment in Capital Assets* excludes unspent debt proceeds of \$2,024,224 for governmental activities; and, the business-type activities had no unspent bond proceeds.

Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the government or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. To fund appropriations, restricted resources are used first. When an expense is incurred for which both restricted and unrestricted net position is available, the government will first apply restricted resources.

### E. GASB Statements

The City adopted Governmental Accounting Standard Board (GASB) Statement No. 73, entitled Accounting and Financial Reporting for Pensions and Related Assets That are Not within the Scope of GASB 68, and Amendments to certain Provisions of GASB Statements 67 and 68, GASB Statement No. 74, entitled Financial Reporting For Postemployment Benefit Plans Other Than Pension Plans, GASB Statement No. 77, entitled Tax Abatement Disclosures, GASB Statement No. 78 entitled Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans, GASB Statement No. 80, entitled Blending Requirements for Certain Component Units- an amendment of GASB Statement No. 14 and GASB Statement No. 82, entitled Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 73. Adoption of these statements did not have a material effect on the financial statements.

During the year ended June 30, 2017, GASB issued Statement No. 75 entitled, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions; GASB Statement No. 81 Irrevocable Split-Interest Agreements; GASB Statement No. 84, Fiduciary Activities, GASB Statement No. 85, Omnibus 2017, and GASB Statement No. 87, Leases.

**I. Summary of significant accounting policies** (continued)

**E. GASB Statements** (continued)

The City has begun analyzing the effects of these pronouncements and plans to implement them by their respective effective dates. While all GASB Statements issued are being reviewed, Statement No. 75 is expected to have a material effect on the City's financial statements once implemented. The City expects implementation of GASB Statement No. 75, to reduce the beginning net position by approximately \$26.8 million in fiscal year 2018.

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

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

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$25,270,762 difference are as follows:

Bonds payable	\$ 20,398,887
Accrued interest payable	235,484
Compensated absences	<u>4,636,391</u>
Net adjustment to reduce <i>fund balance -- total governmental funds</i> to arrive at <i>net position -- governmental activities</i>	<u>\$ 25,270,762</u>

### B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$3,954,150 difference are as follows:

Capital Asset Additions	\$ 7,941,996
Depreciation expense	<u>(3,987,846)</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>\$ 3,954,150</u>

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

**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities (continued)**

Another element of that reconciliation states that “Revenues and expenditures are reported in the statement of activities on the accrual basis and in the governmental funds when they provide for or use current financial resources. This is the net difference of revenues and expenditures recognized between the governmental funds and statement of activities.” The details of this \$433,451 difference are as follows:

Compensated absences	\$ (402,833)
Accrued interest	1,185
Unavailable revenue	<u>(31,803)</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>\$ (433,451)</u>

### **III. Stewardship, compliance, and accountability**

#### **A. Budgetary information**

The City adopts annual operating and capital budgets on a basis consistent with generally accepted accounting principles for all funds except the Public Safety Employees Pension Fund. All annual appropriations lapse at fiscal year-end. The City Charter requires submission of recommended operating budgets to the Mayor and Council at least 90 days before the beginning of the fiscal year. The budgets provide a financial plan for the year and contain estimates of anticipated revenues and proposed expenditures. After at least one public hearing on the recommended budgets, the Mayor and Council adopt final budgets for the year.

Expenditures and encumbrances of the funds may not legally exceed appropriations at the fund level without Council approval and identification of the source of funds. During the fiscal year, the City Council may adopt supplemental appropriations. The City Administrator has the authority to approve various intra-departmental transfers. Transfers between departments require Council approval.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

#### **B. Excess of expenditures over revenues**

For the year ended June 30, 2017, expenditures/expenses exceeded revenues by \$95,183 in the General Fund, \$320,540 in the Community Development Block Grant Fund, \$7,172 in the Flexible Spending Fund, \$394,309 in the Excise Tax Fund, \$20,897 in the Upper Floors Redevelopment Fund, \$261,635 in the Electric Fund, and \$433,577 in the Property Management Fund. These excess expenditures/expenses were funded by beginning of the year fund balance in the respective funds.

#### **C. Total Net Position**

As reflected in the Statement of Net Position on June 30, 2017, \$4,248,361 is restricted for the Capital Project Fund for projects which contain specific grants, bond proceeds, or contributions.

Additionally, on June 30, 2017, a total of \$5,489,162 is restricted, nonspendable, and assigned for Special Revenue Funds. This total consists of \$2,536,057 for the Community Development Block Grant Fund, \$1,740,336 for the Economic Redevelopment Fund, \$982,734 for the Business Revolving Loan Fund, \$21,835 for the Excise Tax Fund, \$173,282 for the Grant Revenue Fund, and remaining balance of \$34,918 for other purposes in Flexible Spending Fund and in Upper Floors Redevelopment Fund.

## IV. Detailed notes on all funds

### A. Deposits and investments

#### 1. City owned and managed investments

As of June 30, 2017, 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 \$33,833,162 and the bank balances were \$34,913,394. All deposits are carried at cost plus accrued interest. The City's investment policy specifies that all deposits must be collateralized at 102% of fair value as required by Maryland law for any amount exceeding FDIC coverage.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a policy for custodial credit risk, except as noted above. Of the bank balance \$10,761,000 was secured by federal depository insurance and \$24,152,394 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, 2017, the City had \$20,536,403 invested in the Maryland Local Government Investment Pool (the "Pool"). The Pool was created under Maryland State Law, is regulated by the Maryland State Treasurer's Office, and participation in the pool is voluntary. It is maintained exclusively to assist eligible participants defined by Articles 95 and 22 of the Annotated Code of Maryland. The Pool may invest in any instrument in which the State Treasurer may invest. Permissible instruments are established by Section 6-222 of the State Finance and Procurement Article. No direct investment may have a maturity date of more than 13 months after its acquisition. Securities of the Pool are valued daily on an amortized cost basis, which approximates fair value and are held to maturity under normal circumstances. Investments in money market funds are valued at the closing net asset value per share on the day of valuation. The fair value of the position in the Pool is the same as the value of the pool net assets (shares). Standard & Poor's assigned their highest rating, AAAM, to the Pool. The Pool is valued at net asset value. There are no significant redemption notices or periods of notifications for the Pool. Additionally, the City has no funding commitments to the Pool.

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

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

###### 1. City owned and managed investments (continued)

Interest rate risk – As a means of limiting its exposure to fair value losses arising from interest rates, the City’s investment policy specifies that investment maturities for operating funds shall be scheduled to coincide with projected cash flow needs, taking into account large routine expenditures (payroll, bond payments) as well as considering sizeable blocks of anticipated revenue (tax turnover, franchise fee payments). Investment maturities should normally be a maximum of 3 years from the date of purchase.

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

###### 2. Pension investments

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

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

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

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

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

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

##### 2. Pension investments (continued)

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

The City Pension Plan has the following recurring fair value measurements as of June 30, 2017:

	Moody's Rating	Fair Value	Investment Maturities (in Years)			
			Less than 1	1 - 5	6 -10	More than 10
Cash and Cash Equivalents		\$ 710,201	\$ 710,201	\$ -	\$ -	\$ -
CitiBank NA	AAA	-	-	-	-	-
Federal Home Loan Mortgage Corp	AAA/NR	79,379	-	2,096	-	77,283
Federal National Mortgage Assn	NR	1,056,519	-	-	88,483	968,036
Government National Mortgage Assoc	NR	42,778	-	-	-	42,778
U S Treasury Notes	AAA	1,669,248	-	741,450	529,064	398,734
Various Agencies	BA1	-	-	-	-	-
Various Agencies	A1	266,502	-	127,259	102,556	36,687
Various Agencies	A2	156,267	-	116,227	40,040	-
Various Agencies	A3	333,818	10,314	191,958	31,462	100,084
Various Agencies	AA1	19,994	-	-	-	19,994
Various Agencies	AA2	91,981	-	52,155	-	39,826
Various Agencies	AA3	86,386	-	50,475	30,677	5,234
Various Agencies	AAA	266,662	-	201,599	-	65,063
Various Agencies	BAA1	486,696	65,114	275,562	75,091	70,929
Various Agencies	BAA2	327,268	70,626	107,394	105,841	43,407
Various Agencies	BAA3	240,738	-	92,543	103,240	44,955
Various Agencies	NA	138,826	-	138,826	-	-
High Yield Funds		-	-	-	-	-
Common Stock		3,645,399	3,645,399	-	-	-
Mutual Funds		10,466,031	10,466,031	-	-	-
Total Investments Held by Trustee of Pension Plan		<u>\$ 20,084,693</u>	<u>\$ 14,967,684</u>	<u>\$ 2,097,545</u>	<u>\$ 1,106,454</u>	<u>\$ 1,913,010</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.

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

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

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

###### 2. Pension investments (continued)

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

###### 3. OPEB (Other Post Employee Benefits) investments

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

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

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

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

The City OPEB Plan has the following recurring fair value measurements as of June 30, 2017:

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

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

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

	Moody's Rating	Fair Value	Investment Maturities (in Years)			
			Less than 1	1 - 5	6 -10	More than 10
Cash and Cash Equivalents		\$ 381,506	\$ 381,506	\$ -	\$ -	\$ -
Common Stock		1,251,996	1,251,996	-	-	-
Mutual Funds		7,098,414	7,098,414	-	-	-
Total Investments Held by Trustee of OPEB Plan		<u>\$ 8,731,916</u>	<u>\$ 8,731,916</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% 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	\$ 1,194,233	\$ -	\$ -	\$ -	\$ 1,194,233
Intergovernmental	1,194,814	200,712	-	194,627	1,590,153
Customers	2,830,874	123,524	126,914	4,112	3,085,424
Loans	89,915	329,427	-	3,763,637	4,182,979
Interest	18,436	299	905	92	19,732
Employee	25	-	-	-	25
Gross receivables	<u>5,328,297</u>	<u>653,962</u>	<u>127,819</u>	<u>3,962,468</u>	<u>10,072,546</u>
Less: allowance for uncollectibles	<u>(2,576,018)</u>	<u>(328,866)</u>	<u>-</u>	<u>(1,058,467)</u>	<u>(3,963,351)</u>
Net total receivables	<u><u>\$ 2,752,279</u></u>	<u><u>\$ 325,096</u></u>	<u><u>\$ 127,819</u></u>	<u><u>\$ 2,904,001</u></u>	<u><u>\$ 6,109,195</u></u>

##### Business-Type Activities:

	Electric	Water	Wastewater	Non-Major Enterprise Funds	Business- Type Activities
Receivables:					
Intergovernmental	\$ -	\$ -	\$ 2,500	\$ 9,724	\$ 12,224
Customers	4,363,564	1,769,621	2,388,629	303,115	8,824,929
Loans	1,479,687	13,654	-	518,604	2,011,945
Interest	1,128	1,361	1,302	225	4,016
Gross receivables	<u>5,844,379</u>	<u>1,784,636</u>	<u>2,392,431</u>	<u>831,668</u>	<u>10,853,114</u>
Less: allowance for uncollectibles	<u>(3,038,257)</u>	<u>(111,825)</u>	<u>(194,122)</u>	<u>(707,050)</u>	<u>(4,051,254)</u>
Net total receivables	<u><u>\$ 2,806,122</u></u>	<u><u>\$ 1,672,811</u></u>	<u><u>\$ 2,198,309</u></u>	<u><u>\$ 124,618</u></u>	<u><u>\$ 6,801,860</u></u>

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

**B. Receivables (continued)**

**City Totals:**

	Governmental Activities	Business-Type Activities	Total
Receivables:			
Taxes	\$ 1,194,233	\$ -	\$ 1,194,233
Intergovernmental	1,590,153	12,224	1,602,377
Customers	3,085,424	8,824,929	11,910,353
Loans	4,182,979	2,011,945	6,194,924
Interest	19,732	4,016	23,748
Employee	25	-	25
Gross receivables	<u>10,072,546</u>	<u>10,853,114</u>	<u>20,925,660</u>
Less: allowance for uncollectibles	<u>(3,963,351)</u>	<u>(4,051,254)</u>	<u>(8,014,605)</u>
Net total receivables	<u><u>\$ 6,109,195</u></u>	<u><u>\$ 6,801,860</u></u>	<u><u>\$ 12,911,055</u></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	\$ 465,282	\$ -	\$ 465,282
Other unavailable revenues	-	30,429	30,429
Total unavailable/unearned revenue for governmental funds	<u><u>\$ 465,282</u></u>	<u><u>\$ 30,429</u></u>	<u><u>\$ 495,711</u></u>

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

##### C. Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 6,862,932	\$ -	\$ -	\$ -	\$ 6,862,932
Construction in progress	2,508,937	848,219	-	(2,369,353)	987,803
Total capital assets, not being depreciated	<u>9,371,869</u>	<u>848,219</u>	<u>-</u>	<u>(2,369,353)</u>	<u>7,850,735</u>
Capital assets, being depreciated:					
Land improvements	6,645,637	2,157,767	(5,245)	298,906	9,097,065
Buildings and structures	16,116,768	306,701	-	43,992	16,467,462
Machinery and equipment	5,924,876	637,506	(45,120)	248,301	6,765,563
Automobiles and trucks	10,352,998	1,941,103	(891,539)	-	11,402,562
Office furniture and fixtures	4,001,777	25,677	(675,500)	-	3,351,954
Infrastructure	100,595,589	1,989,364	-	1,778,154	104,363,107
Total capital assets being depreciated	<u>143,637,645</u>	<u>7,058,119</u>	<u>(1,617,404)</u>	<u>2,369,353</u>	<u>151,447,713</u>
Less accumulated depreciation for:					
Land improvements	(1,197,329)	(186,361)	5,246	-	(1,378,444)
Buildings and structures	(9,465,778)	(389,727)	-	-	(9,855,505)
Machinery and equipment	(4,478,135)	(232,791)	45,120	-	(4,665,806)
Automobiles and trucks	(6,656,957)	(663,035)	858,498	-	(6,461,494)
Office furniture and fixtures	(3,443,681)	(312,160)	637,549	-	(3,118,291)
Infrastructure	(46,285,915)	(2,203,772)	-	-	(48,489,687)
Total accumulated depreciation	<u>(71,527,795)</u>	<u>(3,987,846)</u>	<u>1,546,413</u>	<u>-</u>	<u>(73,969,228)</u>
Total capital assets, being depreciated, net	<u>72,109,850</u>	<u>3,070,273</u>	<u>(70,991)</u>	<u>2,369,353</u>	<u>77,478,486</u>
Governmental activities capital assets, net	<u>\$ 81,481,720</u>	<u>\$ 3,918,492</u>	<u>\$ (70,991)</u>	<u>\$ -</u>	<u>\$ 85,329,221</u>

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

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

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Business-type activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 5,705,970		\$ -		\$ 5,705,970
Construction in progress	440,177	1,539,004	-	(306,493)	1,672,687
Total capital assets, not being depreciated	6,146,147	1,539,004	-	(306,493)	7,378,657
Capital assets, being depreciated:					
Land improvements	1,773,517	18,200	-	-	1,791,717
Buildings and structures	213,737,862	1,280,377	-	133,433	215,151,673
Machinery and equipment	108,377,643	1,895,152	(268,158)	119,547	110,124,184
Automobiles and trucks	5,584,938	802,529	(755,397)	-	5,632,070
Office furniture and fixtures	760,252	38,344	-	53,513	852,110
Infrastructure	26,537	-	-	-	26,537
Total capital assets being depreciated	330,260,750	4,034,603	(1,023,555)	306,493	333,578,290
Less accumulated depreciation for:					
Land improvements	(1,076,821)	(61,809)	-	-	(1,138,629)
Buildings and structures	(71,302,984)	(4,087,235)	(3,814)	-	(75,394,033)
Machinery and equipment	(57,882,387)	(3,046,040)	242,946	-	(60,685,480)
Automobiles and trucks	(4,025,772)	(300,191)	636,109	-	(3,689,854)
Office furniture and fixtures	(743,354)	(3,945)	-	-	(747,299)
Infrastructure	(1,327)	(885)	-	-	(2,211)
Total accumulated depreciation	(135,032,645)	(7,500,103)	875,240	-	(141,657,507)
Total capital assets, being depreciated, net	195,228,105	(3,465,500)	(148,315)	306,493	191,920,784
Business-type activities capital assets, net	\$ 201,374,251	\$ (1,926,497)	\$ (148,315)	\$ -	\$ 199,299,441

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

##### Governmental activities:

General government, including general infrastructure assets	\$ 2,493,568
Public safety	754,990
Highways and streets	254,462
Culture and recreation	433,705
Municipal buildings	51,121
Total depreciation expense – governmental activities	\$ 3,987,846

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

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

###### Business-type activities:

Electric	\$ 887,764
Water	3,166,915
Wastewater	3,036,751
Parking facilities	239,319
Golf course	40,744
Property management	128,610
Total depreciation expense – business-type activities	<u>\$ 7,500,103</u>

##### Construction commitments

The government has active construction projects as of June 30, 2017. The projects include improvements and construction of parking decks, alleys, park improvements, water and wastewater treatment plant and system, and building improvements. At year end, the government's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to- Date</u>	<u>Remaining Commitment</u>
Signal Network	\$ 92,786	\$ 590,277
City Shed Improvement Program	177,016	1,916
Police Building Renovation	17,250	17,250
Alley Reconstruction	322,751	365,027
City Hall Improvements	1,473	13,527
Stormwater Management Planning	105,000	380,000
Bicycle Trail	79,643	-
Kiwanis Park	8,280	1,720
Pangborn Lake Reconstruction	61,720	36,800
Marsh Run Wall Rehabilitation	121,886	200,741
Willson Treatment Plant Improvements	101,823	225,000
Edgemont Reservoir Improvements	331,652	1,900,000
Pump Station Improvements	157,466	540,000
R.C.Willson Plant - Phase IV	1,904	-
Water System SCADA Improvements	24,209	150,000
Willson Traveling Screen Replacement	173,501	1,294,200
WWT Plant Equipment	3,000	367,200
Sludge Storage	163,203	1,000,000
Citywide - CS Rehabilitation	571,773	400,000
Upgrades to Parking Decks	10,639	470,000
Elizabeth Hager Center	133,517	-
Total	<u>\$ 2,660,492</u>	<u>\$ 7,953,658</u>

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

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

The funding sources for the projects above vary. The Alley Reconstruction, Marsh Run Wall Rehabilitation, Water System SCADA Improvements, Sludge Storage, Elizabeth Hager Center and City Shed Improvement projects are being financed through bond proceeds. The Willson Treatment Plant Improvements and the Edgemont Reservoir Improvements are being funded through bond proceeds and from the water fund. The Stormwater Management Planning is being funded by bond proceeds, grants and from the general fund. Upgrades to the Parking Decks are being funded by bond proceeds and the parking fund. The Citywide-Collection System Rehabilitation is being financed by grants through MDE and the wastewater fund. The Willson Traveling Screen Replacement and Pump Station improvement projects are primarily being financed through low-rate interest bonds from the Maryland Department of the Environment and the water fund. All of the remaining projects (Signal Network, Police Building Renovation, City Hall Improvements, Kiwanis Park, Bicycle Trail, Pangborn Lake Reconstruction, and WWT Plant Equipment) are being funded through state grants, general fund, wastewater fund, and other various funding sources.

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

**D. Interfund receivables, payables, and transfers**

The composition of interfund balances as of June 30, 2017, is as follows:

**Advances from/to other funds:**

Receivable Fund	Payable Fund	Amount
General Fund	Community Development Block Grant Fund	\$126,000

These temporary advances represent funds that were expended prior to their receipt from other funds or other governments. These funds are expected to be received shortly after the beginning of July 2017. The temporary advance will then be reversed.

**Interfund transfers:**

Transfers in:	Transfers Out:									Total Transfers In
	General Fund	Nonmajor Governmental	Electric	Water	Wastewater	Parking	Nonmajor Enterprise	Internal Service	Capital Projects	
General	\$ -	\$ 26,287	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35,660	\$ -	\$ 61,947
Capital Projects	1,042,752	810,851	3,500	3,500	3,500	2,000	188,697	-	-	2,054,800
Nonmajor Governmental	903,369	21,000	-	-	-	-	-	-	-	924,369
Parking	-	-	-	-	-	-	-	-	-	-
Nonmajor Enterprise	319,180	-	-	-	-	-	-	-	-	319,180
<b>Transfers in</b>	<b>\$ 2,265,301</b>	<b>\$ 858,139</b>	<b>\$ 3,500</b>	<b>\$ 3,500</b>	<b>\$ 3,500</b>	<b>\$ 2,000</b>	<b>\$ 188,697</b>	<b>\$ 35,660</b>	<b>\$ -</b>	<b>\$ 3,360,297</b>

The \$61,947 transferred into the General Fund has two separate components: (1) a \$26,287 transfer from the Community Development Block Grant Fund for part-time employee costs and (2) a \$35,660 transfer from the Health Insurance Fund for City Wide Wellness Programs.

Transfers to the Capital Projects Fund from the General Fund for \$1,042,752, and Non-major Governmental Funds for \$810,851 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. The transfer to the Capital Projects Fund from Property Management (a Non-major Enterprise Fund) for \$188,697 was for construction and creation of the Hagerstown Cultural Trail.

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

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

The \$903,369 transfer from the General Fund to the Non-major Governmental Funds has three separate components: (1) a \$8,954 transfer to the Grant Revenue Fund for local match requirements, (2) a \$794,415 transfer to the Economic Redevelopment Fund for the First-Third program, city-wide residency down payment program, and the purchase of the Indian Lane property, and (3) a \$100,000 transfer to Economic Redevelopment for the continuation of economic incentive programs. The \$21,000 transfer between the Economic Redevelopment Fund and the Upper Floors was to continue to fund PEP incentives.

The \$319,180 transfer from the General Fund to the Non-major Enterprise Funds represents operating transfers to the Golf Course Fund.

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

**E. Operating Leases**

The City has entered into several lease agreements as lessee for various other types of equipment under non-cancelable operating leases that expire in FY2022. Total costs for equipment operating leases were \$38,703 in FY2017. Future minimum lease payments for these leases are as follows:

	Fiscal Years Ending June 30,					Total
	2018	2019	2020	2021	Thereafter	
Totals	\$ 71,474	\$ 62,083	\$ 62,083	\$ 62,083	\$ 58,920	\$ 316,644

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, 2017 was \$597,965. Future minimum rental income for these leases is as follows:

	Fiscal Years Ending June 30,					Total
	2018	2019	2020	2021	2022	
Totals	\$ 537,016	\$ 432,120	\$ 355,155	\$ 346,752	\$ 339,590	\$ 1,815,525

As of June 30, 2017, 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
	Land	Building			
	Cost	Cost	Accumulated Depreciation	Net	Carrying Amount
Totals	\$ 953,373	\$ 3,504,780	\$ 1,419,102	\$ 2,085,678	\$ 3,039,051

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

##### F. Long-term debt

###### General Obligation Bonds

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. In FY17, general obligation bonds have been issued for both governmental and business-type activities. In addition, the 2015A Public Facilities general obligation bond was reprogrammed across governmental and business-type funds.

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

<u>Description</u>	<u>Interest Rates</u>	<u>Maturity</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
1998 MD Water Quality Revolving Loan Fund	3.13%	2019	\$ -	\$ 166,547	\$ 166,547
1998 MD Water Quality Revolving Loan Fund	2.37%	2020	-	1,204,165	1,204,165
2000 MD Water Quality Revolving Loan Fund	2.40%	2021	-	498,728	498,728
2002 State of Maryland Water Supply Assistance	4.40%	2024	-	111,434	111,434
2004 Public Facilities Bonds	3.40%-4.30%	2019	345,000	-	345,000
2004 Taxable Facilities	5.40%-6.00%	2019	-	380,000	380,000
2004 Public Facilities Bonds, Second Issue	3.36%	2020	926,250	48,750	975,000
2005 MD Water Quality Revolving Loan Fund	0.40%	2025	-	3,036,355	3,036,355
2006 Public Facilities Bonds	3.66%	2021	2,965,447	979,553	3,945,000
2007 MD Drinking Water Revolving Loan Fund	0.40%	2026	-	2,872,181	2,872,181
2009-A Tax Exempt Bonds	2.00%-4.00%	2019	1,180,607	1,324,394	2,505,001
2009-B Taxable Build America Bonds	5.00%-5.75%	2029	5,073,545	5,691,456	10,765,000
2009 MDE West End Reservoir Tank Phase II	0.00%	2039	-	4,035,358	4,035,358
2009 MDE Water Quality Bond	0.00%	2032	-	587,661	587,661
2009 MDE RCWillson Mains	0.00%	2041	-	3,669,059	3,669,059
2009 MD Water Quality Revolving Loan Fund	0.00%	2030	-	4,590,672	4,590,672
2009 Salem Ave. Collection System Rehabilitation	0.00%	2030	-	498,447	498,447
2011 Public Facilities Bonds	2.00%-3.50%	2031	-	4,830,000	4,830,000
2014 Public Improvement Bonds	2.50%	2029	370,557	1,059,533	1,430,090
2012 United Bank Loan	4.00%-WSPR	2022	315,326	-	315,326
2013A MDE Willson Plant Phase IV	0.90%	2044	-	8,356,271	8,356,271
2013B MDE Willson Plant Phase IV	0.00%	2044	-	1,500,000	1,500,000
2015A Public Facilities Bond	3.06%	2035	3,357,105	4,122,895	7,480,000
2015B Public Facilities Bond Taxable	3.89%	2035	599,054	1,105,946	1,705,000
2017A Public Facilities Bond	2.58%	2037	4,293,526	1,406,474	5,700,000
2017B Public Facilities Bond Taxable	3.45%	2037	500,000	1,120,000	1,620,000
<b>Total general obligation bonds payable</b>			<b>19,926,417</b>	<b>53,195,879</b>	<b>73,122,295</b>
Premiums on bond issues			472,472	147,759	620,231
<b>Total general obligation debt outstanding</b>			<b>\$ 20,398,889</b>	<b>\$ 53,343,638</b>	<b>\$ 73,742,526</b>

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

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

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ended June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2018	\$ 1,726,852	\$ 640,896	\$ 3,745,581	\$ 936,333
2019	1,801,987	671,649	3,821,609	869,189
2020	1,869,459	610,136	3,813,684	800,539
2021	1,487,188	543,321	3,310,069	744,040
2022	1,533,509	482,967	3,243,408	682,644
2023-2027	4,733,228	1,764,300	16,026,263	2,552,679
2028-2032	4,354,402	733,203	10,921,760	1,061,146
2033-2037	2,419,792	192,789	5,372,246	299,709
2038-2042	-	-	2,515,347	66,792
2043-2047	-	-	425,912	3,143
<b>Total</b>	<b>19,926,417</b>	<b>5,639,261</b>	<b>53,195,879</b>	<b>8,016,215</b>
Premiums on bond issues	472,472	-	147,759	-
<b>Total general obligation debt</b>	<b>\$ 20,398,889</b>	<b>\$ 5,639,261</b>	<b>\$ 53,343,638</b>	<b>\$ 8,016,215</b>

##### Revenue Bonds

The government also issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. As of June 30, 2017, \$12,000 of revenue bonds was outstanding:

Description	Interest	Maturity	Business-type
	Rate		Activities
1993 M.C.C.B. water supply assistance loan	5.36%	2025	\$ 12,000

Revenue bond debt service requirements to maturity are as follows:

Year Ended June 30	Business-type Activities	
	Principal	Interest
2018	1,241	610
2019	1,307	542
2020	1,377	470
2021	1,451	394
2022	1,529	314
2023-2025	5,095	419
<b>Total</b>	<b>\$ 12,000</b>	<b>\$ 2,748</b>

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

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

Changes in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Bonds payable:					
General obligation					
Bonds	\$ 16,322,850	\$ 5,108,064	\$ (1,504,498)	\$ 19,926,415	\$ 1,726,852
Premium	299,049	198,989	(25,566)	472,472	-
Total long-term debt	<u>16,621,899</u>	<u>5,307,052</u>	<u>(1,530,064)</u>	<u>20,398,887</u>	<u>1,726,852</u>
Compensated absences	<u>4,471,033</u>	<u>6,061,066</u>	<u>(5,895,708)</u>	<u>4,636,391</u>	<u>1,712,887</u>
Governmental activity					
Long-term liabilities	<u>\$ 21,092,932</u>	<u>\$ 11,368,119</u>	<u>\$ (7,425,772)</u>	<u>\$ 25,035,278</u>	<u>\$ 3,439,739</u>
<b>Business-type activities:</b>					
Bonds payable:					
General obligation					
Bonds	\$ 54,155,238	\$ 2,622,997	\$ (3,582,356)	\$ 53,195,879	\$ 3,745,580
Revenue bonds	13,177	-	(1,177)	12,000	1,241
Premium	149,445	18,704	(20,390)	147,759	-
Total long-term debt	<u>54,317,860</u>	<u>2,641,701</u>	<u>(3,603,923)</u>	<u>53,355,638</u>	<u>3,746,821</u>
Compensated absences	<u>1,796,255</u>	<u>1,882,628</u>	<u>(1,852,696)</u>	<u>1,826,187</u>	<u>770,246</u>
Business-type activities					
Long-term liabilities	<u>\$ 56,114,115</u>	<u>\$ 4,524,329</u>	<u>\$ (5,456,619)</u>	<u>\$ 55,181,825</u>	<u>\$ 4,517,067</u>

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

## V. Other information

### A. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. These risks are accounted for in individual government funds. For these risks, the government is only liable to the extent of its deductibles which can range from \$500 to \$10,000. These liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. No claims related costs exceeded insurance coverage for 2014 through 2017.

Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can reasonably be estimated. Because actual claims liabilities depend upon such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

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

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

As shown in the chart below, the City estimates its liability is \$40,000 for general liability risk claims, \$705,708 for health and dental insurance, and \$381,834 for workers compensation.

	General Liability Risks Program		Health Insurance Fund		Workers Compensation Fund	
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16
Unpaid claims, beginning of year	\$ 50,000	\$ 79,800	\$ 650,967	\$ 767,700	\$ -	\$ -
Incurred claims	21,295	16,496	6,242,144	6,100,866	652,407	-
Reserve reduction	(10,000)	(29,800)	-	-	-	-
Claim payments	(21,295)	(16,496)	(6,187,403)	(6,217,599)	(270,573)	-
Unpaid claims, end of year	<u>\$ 40,000</u>	<u>\$ 50,000</u>	<u>\$ 705,708</u>	<u>\$ 650,967</u>	<u>\$381,834</u>	<u>\$ -</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, 2017. The government officials and counsel intend to defend all pending litigation against the government, and the outcome of these legal proceedings is not presently determinable. In the opinion of the government and counsel, the liability, if any, in or arising from litigation and other legal proceedings in which the government is involved, as well as any other claims and assessments, will not have a material adverse effect on its financial condition.

### C. Other post employment benefits

In addition to the pension benefits described in Note V D, the City of Hagerstown provides other post employment benefits (OPEB) to all employees who qualify as a retiree and meet specific service requirements through a single-employer defined benefit plan. The City established an irrevocable trust for administering the plan assets and paying healthcare costs on behalf of the participants. During fiscal year 2017, 274 retirees and their 190 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 \$400 monthly stipend to aid in the cost of acquiring a Medicare supplemental health insurance plan. Of the eligible retirees, 57 retirees and 31 dependents are provided the \$400 monthly stipend to aid in acquiring a Medicare supplemental health insurance plan. No drug benefits are provided under the Medicare supplemental health insurance plan after June 30, 2010.

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

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

*Funding policy & contributions.* The City is required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The ARC consisted of the normal cost of \$446,843 for the year ended June 30, 2017 for current health and dental care benefit premiums. An additional \$1,346,429 has been designated for future benefits for a total ARC of \$1,793,272. The current ARC rate is 6.4% of annual covered payroll. The City contributed \$2,744,941 to the plan, including \$2,094,941 in current premiums and other pay as you go costs (87.7% of total premiums) and an additional \$650,000 to prefund benefits for the fiscal year 2017. Plan members receiving benefits contributed

**V. Other information** (continued)

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

\$307,886, or approximately 12.3% of the total premiums, through their required contribution. As of June 30, 2017, the plan's net assets were \$8,742,121.

*Investments: Rate of return.* For the year ended June 30, 2017, the annual money-weighted rate of return of OPEB plan investments, net of the OPEB plan expense was 12.24%. The money-weighted rate of return reflects investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*Net OPEB liability.* The components of the net OPEB liability as of June 30, 2017 were as follows:

Total OPEB Liability (TPL)	\$ 36,619,278
Plan Fiduciary Net Position	8,742,121
City's Net OPEB Liability	<u>\$ 27,877,157</u>

City's Net Position as a Percentage of OPEB Liability	23.87%
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*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 July 1, 2016 with the same measurement date. 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	Projected unit credit for GASB45. Entry Age Normal for GASB74.
Asset Valuation Method	Smoothed market
Valuation of Assets	Market rate
Investment Rate of Return	7.50%
Discount Rate	7.50%
Mortality	RP-2000 sex distinct
Turnover	T5
Salary Scale	4.50%
Trend Rates	Medical - 6.5% starting 2016 & decreasing linearly to 5.0% annually Dental - 3.0% increase annually

## V. Other information (continued)

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

Retirement Age – As specified in the following table:

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

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.

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%	0.00%
Large-Cap Domestic Equities	42%	7.25%
Mid/Small Domestic Equities	6%	7.85%
International Equities	15%	7.85%
Real Estate Investment Trusts	2%	6.15%
Investment Grade Bonds	30%	2.65%
High Yield Bonds	2%	3.55%
<b>Total</b>	<b>100%</b>	<b>7.50%</b>

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 (8.50%) and 1 percentage point lower (6.50%):

	1% decrease 6.50%	Current rate 7.50%	1% increase 8.50%
Net OPEB Liability	\$31,434,015	\$ 27,877,157	\$ 24,825,594

**V. Other information** (continued)

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

*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 (7.50 to 6.00%) and 1 percentage point lower (5.50 to 4.00%):

	1% decrease (5.5% to 4%)	Current rate (6.5% to 5.0%)	1% increase 7.5% to 6.0%
Net OPEB Liability	\$26,333,211	\$ 27,877,157	\$ 29,642,249

*Annual OPEB cost and net OPEB liability.* Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Additionally, actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. The following table shows the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution (ARC)	\$ 1,793,272
Interest on net OPEB obligation	(144,879)
Adjustment to ARC	105,658
Annual OPEB cost (expense)	1,754,051
Contributions made	(2,744,941)
Increase in net OPEB asset	(990,890)
Net OPEB asset, beginning of year	(1,998,329)
Net OPEB asset, end of year	\$ (2,989,219)

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

Fiscal Year Ending June 30	Annual OPEB Costs	Percentage of OPEB Costs Contributed	Net OPEB Obligation (Prepaid)
2009	\$ 3,225,000	104.1%	\$ (131,000)
2010	2,517,704	103.2%	(430,504)
2011	2,487,101	92.9%	(265,183)
2013	2,361,817	104.8%	(386,753)
2014	2,300,401	110.2%	(621,251)
2015	1,998,247	132.5%	(1,269,792)
2016	2,016,798	136.1%	(1,998,329)
2017	1,754,051	156.5%	(2,989,219)

## V. Other information (continued)

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

*Funded status and funding progress.* The funded status of the plan as of July 1, 2016, was as follows:

Actuarial accrued liability (AAL)	\$ 34,041,960
Actuarial value of plan assets	7,229,222
Unfunded actuarial accrued liability (UAAL)	<u>\$ 26,812,738</u>
Funded ratio (actual value of plan assets/AAL)	21.24%
Covered payroll (annual payroll of active employees covered by the plan)	\$ 27,837,939
UAAL as a percentage of covered payroll	96.32%

Actuarial valuations of an ongoing plan involve assumptions about the probability of occurrence of events far into the future and estimates of the value reported amount. Examples include assumptions about future employment turnover rates, and healthcare cost trends. As actual results are compared with past expectations and new estimates are made about the future, amounts determined regarding the funded status of the plan and the annual required contributions of the City are subject to continual revision. The schedule of funding progress, presented as supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

### D. Employee retirement systems and pension plans

The City of Hagerstown eligible sworn police and fire employees participate in a single-employer pension plan which is administered by the City in a separate trust fund. Other eligible employees participate in two cost sharing multiple employer pension plans administered by the State of Maryland. These plans are as follows:

#### Single Employer Pension Plan

City of Hagerstown Police and Fire Employees' Retirement Plan

#### Cost Sharing Multiple Employer Pension Plans

Employees' Retirement System of the State of Maryland  
Pension System for Employees of the State of Maryland

#### Single Employer Pension Plan

*Plan description.* The City of Hagerstown Police and Fire Employees' Retirement Plan (Sworn Plan) was established July 1, 1998. At that time the government's sworn employees were allowed to elect to withdraw from the State's cost sharing multiple employer pension plans and to have their net plan assets (\$4,088,321) transferred to the City's Police and Fire Employees' Retirement Plan. The Sworn Plan provides retirement, disability, and death benefits to plan members and beneficiaries. All full-time sworn Police

## V. Other information (continued)

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

and Fire department employees of the government hired on or after July 1, 1998, and active full-time sworn Police and Fire department employees electing to transfer into the plan on that date are members of the plan. As discussed in Note 1, the Police and Fire Employees' Retirement Plan is considered part of the government's reporting entity and is included in the government's financial statements as the Pension Trust Fund. No separate financial statements are issued.

Membership in the Sworn Plan consisted of the following as of July 1, 2016, the date of the most recent actuarial valuation:

Active	178
Retired or disabled	88
Vested terminations or inactive	<u>7</u>
Total	<u>273</u>

A sworn employee may elect to retire at his or her normal retirement date and receive unreduced benefits. Full (100%) vesting occurs on completion of five years of service.

The normal retirement date is the first day of the month on or after the employee completes 25 years of eligibility service, regardless of age, or if earlier, the date the employee reaches age 62 and has 3 years of eligibility service. Retirement benefits commence at normal retirement date equal to 2.0% of average monthly compensation times years of service (to a maximum of 30 years). An employee will reach early retirement date on the first day of the month on or after the day the employee is age 55 and has at least 20 years of eligibility service.

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

*Summary of significant accounting policies.* The Sworn Plan follows the accrual basis of accounting. Contributions are recognized when due, pursuant to formal commitments, as well as statutory or contractual requirements. Also, benefits and refunds are recognized when due and payable in accordance with the terms of the Sworn Plan. The fair value of investments is determined by market price.

*Funding policy.* Obligations to contribute to the Sworn Plan were established by local resolution after a public hearing. Funding policy for the Sworn Plan provides for periodic contributions based upon actuarial valuations. Required contributions under the Sworn Plan which are not funded by employee contributions are funded entirely by the government. Costs of administering the Sworn Plan are financed on a current funding

## V. Other information (continued)

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

basis. For the last seven years, the City has contributed 100% of the minimum annual required contribution. Based on the July 1, 2016 actuarial valuation, sworn employees contribute 7% of their base pay and the current actuarially determined rate the government is required to contribute is 14.00% for fiscal year 2016/2017. As of June 30, 2017, the plan's net position was \$20,134,537 and included the following policy target asset allocation breakdown.

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

For the year ended June 30, 2017, the annual money weighted return on pension plan investments, net of investment expense was (10.54%) for the Sworn Plan. The money weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

*Net pension liability.* The net pension liability is equal to the total pension liability minus the net position of the plan. The result as of June 30, 2017 is as follows:

Total Pension Liability (TPL)	\$ 49,869,501
Plan Fiduciary Net Position	<u>20,134,537</u>
City's Net Pension Liability	<u>\$ 29,734,964</u>
City's Net Position as a Percentage of TPL	40.37%

## 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, 2017:

<b>Total pension liability</b>	<u>2017</u>
<b>Service cost:</b> Retirement benefits	\$ 818,483
Interest	3,590,998
Differences between expected and actual experience	410,836
Changes of assumptions	-
Benefit payments, including refunds of member contributions, deaths, & terminations	<u>(2,525,420)</u>
<b>Net change in total pension liability</b>	<b>\$ 2,294,897</b>
Total pension liability - beginning	<u>47,574,604</u>
Total pension liability - ending (a)	<u><u>\$49,869,501</u></u>
<b>Plan fiduciary net position</b>	
Contributions - employer	\$ 1,249,915
Contributions - member	632,200
Net investment income	2,097,503
Benefit payments, including refunds of member contributions	<u>(2,525,420)</u>
Administrative expense	<u>(116,599)</u>
<b>Net change in plan fiduciary net position</b>	<b>1,337,599</b>
Plan fiduciary net position - beginning	<u>18,796,938</u>
Plan fiduciary net position - ending (b)	<u><u>\$20,134,537</u></u>
City's net pension liability - ending (a) - (b)	<u><u>\$29,734,964</u></u>
Plan fiduciary net position as a percentage of total pension liability	40.37%
Covered employee payroll	\$ 9,727,339
Net liability as a percentage of covered payroll	305.68%
Annual money-weighted rate of return, net of investment expense	10.54%

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

	1% decrease	Current rate	1% increase
	6.75%	7.75%	8.75%
Net Pension Liability	<u>\$ 36,468,474</u>	<u>\$ 29,734,963</u>	<u>\$ 24,560,199</u>

**V. Other information** (continued)

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

*Deferred outflows and inflows of resources related to pensions.* As of June 30, 2017, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 76,472	
Changes of assumptions	117,052	
Net difference between projected and actual earnings on pension plan investments	485,625	
<b>Total</b>	<b>\$ 679,149</b>	<b>\$ -</b>

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

Year Ended June 30:	
2018	\$ 275,179
2019	275,179
2020	180,553
2021	(51,762)
2022	-
Thereafter	-

The schedule of changes in the net pension liability, schedule of the City's contributions, and a schedule of investment returns are presented as Required Supplementary Information (RSI) following the notes to the financial statements starting on page 78.

*Actuarial methods and assumptions.* The annual required contribution for the current year was determined as part of the July 1, 2016 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 – 7.75% as selected by the plan sponsor.
- (b) Funding method – Frozen Initial Liability
- (c) Projected salary increases of 4.25% per year.
- (d) Valuation of Assets – Market value.
- (f) Mortality – RP-2000 sex distinct with general improvement using scale AA
- (g) Turnover – Pre-retirement for retirement and spousal benefits is T8
- (h) Inflation – 2.25%

**V. Other information** (continued)

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

The long-term expected rate of return on pension plan investments was determined using log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2017 is as follows:

Asset Class	% of Portfolio	Assumed Rate of Return	Inflation	Real Rate of Return
Cash	3%	0.00%	0%	0%
Large-Cap Domestic Equities	42%	9.50%	2.25%	7.25%
Mid/Small Domestic Equities	6%	10.10%	2.25%	7.85%
International Equities	14%	10.10%	2.25%	7.85%
Real Estate Investment Trusts	3%	8.40%	2.25%	6.15%
Investment Grade Bonds	30%	5.80%	2.25%	3.55%
High Yield Bonds	2%	4.90%	2.25%	2.65%
<b>Total</b>	<b>100%</b>	<b>8.13%</b>	<b>2.25%</b>	<b>5.88%</b>

Cost Sharing Multiple Employer Pension Plans

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

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

**V. Other information** (continued)

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

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>
2017	\$ 1,669,720	\$ 1,669,720	100%

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:* As of June 30, 2017, the City reported a liability of \$20,203,134 for its proportionate share of the net pension liability. The net Pension liability was measured as of June 30, 2016, 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, 2016, the City's proportion was 0.0856 percent.

For the year ended June 30, 2017, the City recognized pension expense of \$2,319,270. As of June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
City contributions subsequent to the measurement date	\$ 1,669,720	\$ -
Changes of assumptions	773,174	-
Net difference between projected and actual earnings on pension plan investments	2,451,801	-
Difference between actual and expected experience		497,634
<b>Total</b>	<b>\$ 4,894,695</b>	<b>\$ 497,634</b>

**V. Other information** (continued)

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

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

Year Ended June 30:		
2018	\$	653,460
2019		653,460
2020		974,758
2021		445,663

*Actuarial Assumptions:* The key actuarial assumptions used to perform the June 30, 2016 pension liability calculation are as follows:

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	37%	6.60%
Rate Sensitive	20%	1.30%
Credit Opportunity	9%	4.20%
Real Assets	15%	4.70%
Absolute Return	9%	3.70%
Private Equity	10%	7.40%
<b>Total</b>	<b>100%</b>	

**V. Other information** (continued)

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

*Discount Rate:* The discount rate used to measure the total pension liability was 7.55 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the City’s proportionate share of the net pension liability to changes in the discount rate.* The following presents the County’s proportionate share of the net pension liability calculated using the discount rate of 7.55 percent, as well as the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.55 percent) or 1 percentage point higher (8.55 percent) than the current rate:

	1% decrease 6.55%	Current rate 7.55%	1% increase 8.55%
City's proportionate share of the Net Pension Liability	\$ 27,750,756	\$ 20,203,134	\$ 13,922,380

*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, 2016. This can be found at [www.sra.state.md.us/Agency/Downloads/CAFR/CAFR-2015.pdf](http://www.sra.state.md.us/Agency/Downloads/CAFR/CAFR-2015.pdf).

## Required Supplementary Information

### State of Maryland Retirement and Pension Plan

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the ERS net pension liability (asset)	0.0856%	0.0865%	0.0762%
City's proportionate share of the ERS net pension liability (asset)	\$20,203,134	\$17,987,564	\$13,529,649
City's covered-employee payroll	\$18,110,600	\$17,824,881	\$17,395,973
Plan fiduciary net position as a percentage of the total pension liability	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.

## Required Supplementary Information

### State of Maryland Retirement and Pension Plan

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution (ERS)	\$ 1,668,108	\$ 1,824,341	\$ 1,776,607
Contributions in relation to the contractually required contribution	<u>(1,668,108)</u>	<u>(1,824,341)</u>	<u>(1,776,607)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$18,110,600	\$ 17,824,881	\$ 17,395,973
Contributions as a percentage of covered-employee payroll	9.21%	10.23%	10.21%

#### 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	2.70% general, 3.2% wage
Salary Increases	3.20% to 8.95%, including wage inflation
Discount Rate	7.55%
Investment Rate of Return	7.55%
Mortality	RP-2014 Mortality Tables

#### 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 Changes in Pension Fund Net Pension Liability and Related Ratios Last Three Fiscal Years

<b>Total pension liability</b>	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
<b>Service cost:</b> Retirement benefits	\$ 818,483	\$ 751,552	\$ 574,841
Interest	3,590,998	3,510,534	3,347,378
Differences between expected and actual experience	410,836	(420,327)	-
Changes of assumptions	-	195,086	-
Benefit payments (includes member's contributions refunds, deaths, & terminations)	<u>(2,525,420)</u>	<u>(2,421,115)</u>	<u>(2,268,315)</u>
	\$ 2,294,897	\$ 1,615,729	\$ 1,653,903
Total pension liability - beginning	<u>47,574,604</u>	<u>45,958,874</u>	<u>44,304,971</u>
Total pension liability - ending (a)	<u>\$49,869,501</u>	<u>\$47,574,603</u>	<u>\$ 45,958,874</u>
 <b>Plan fiduciary net position</b>			
Contributions - employer	\$ 1,249,915	\$ 1,408,922	\$ 1,155,675
Contributions - member	632,200	728,171	604,317
Net investment income	2,097,503	79,333	958,835
Benefit payments (includes member's contributions refunds, deaths, & terminations)	<u>(2,525,420)</u>	<u>(2,421,115)</u>	<u>(2,268,315)</u>
Administrative expense	<u>(116,599)</u>	<u>(109,198)</u>	<u>(129,778)</u>
	1,337,599	(313,887)	320,733
Plan fiduciary net position - beginning	<u>18,796,938</u>	<u>19,110,825</u>	<u>18,790,093</u>
Plan fiduciary net position - ending (b)	<u>\$20,134,537</u>	<u>\$18,796,938</u>	<u>\$ 19,110,825</u>
 City's net pension liability - ending (a) - (b)	<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	40.37%	39.51%	41.58%
 Covered employee payroll	\$ 9,727,339	\$ 9,714,880	\$ 9,475,504
 Net liability as a percentage of covered payroll	305.68%	296.22%	283.34%
 Annual money-weighted rate of return, net of investment expense	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 Five Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Actuarially determined contribution	\$ 1,353,475	\$ 1,312,319	\$ 1,252,278	\$ 1,024,869	\$ 965,733
Contributions in relation to the actuarially determined contribution	\$ 1,353,475	\$ 1,312,319	\$ 1,252,278	\$ 1,024,869	\$ 965,733
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 9,727,339	\$ 9,714,880	\$ 9,475,504	\$ 8,009,496	\$ 8,764,142
Contributions as a percentage of covered employee payroll	13.91%	13.51%	13.22%	12.80%	11.02%

#### Notes to schedule:

Valuation date: Employee data as of July 1, 2016 and Asset information as of June 30, 2017

#### 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	7.75% as selected by the plan sponsor
Retirement age	50% upon 25 years of service, and 50% per year upon 30 years of service, or 100% at age 62
Mortality	RP-2000 sex distinct with generational improvement using scale AA
Cost of living adjustment	None

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

### The City of Hagerstown Other Post Employment Benefits Plan

#### Schedule of OPEB Funding Progress

Actuarial Valuation Date	Actuarial Value of Plan Assets (a.)	Actuarial Accrued Liability (AAL) (b.)	Total Unfunded AAL (UAAL) (b. – a.)	Funded Ratio (a./b.)	Annual Covered Payroll (c.)	UAAL as a % Of Covered Payroll [(b.-a.)/c.]
7/1/2008	\$ 810,000	\$ 45,831,000	\$ 45,021,000	1.77%	\$ 26,337,198	170.9%
7/1/2009	810,000	32,710,809	31,900,809	2.48%	28,024,532	113.8%
7/1/2010	1,603,716	34,404,988	32,801,272	4.66%	26,569,149	123.5%
7/1/2012	3,306,319	33,980,678	30,674,359	9.73%	25,461,696	120.5%
7/1/2013	4,328,298	33,980,678	29,652,380	12.74%	25,507,601	116.2%
7/1/2014	5,703,575	31,225,310	25,521,735	18.27%	26,871,477	95.0%
7/1/2015	6,598,467	31,697,250	25,098,783	20.82%	27,539,761	91.1%
7/1/2016	7,229,222	34,041,960	26,812,738	21.24%	27,837,939	96.3%

#### Schedule of OPEB Employer and Other Contributing Entities' Contributions

Fiscal Year Ending June 30	Employer and Other Contributing Entities Contributions	Annual Required Contribution	Percentage of OPEB ARC Contributed
2009	3,356,000	3,225,000	104.1%
2010	2,598,563	2,517,704	103.2%
2011	2,598,563	2,517,704	103.2%
2012	2,311,604	2,487,101	92.9%
2013	2,476,167	2,361,817	104.8%
2014	2,534,899	2,309,676	109.8%
2015	2,646,788	2,013,145	131.5%
2016	2,745,335	2,044,894	134.3%
2017	2,744,941	1,793,272	153.1%

## Required Supplementary Information

### Schedule of Contributions for the Retiree Health Benefit Plan For the Year Ended June 30,

#### Last 1 Fiscal Year

	Fiscal Year
	2017
Actuarially determined contribution	\$ 1,754,051
Contributions in relation to the actuarially determined contribution	(2,744,941)
Contribution Deficiency (Excess)	(990,890)
 Covered Employee Payroll	\$ 27,837,939
Contributions as a Percentage of Covered Employee Payroll	9.86%

#### Notes to Schedule

Methods and Assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
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 6.5% in 2016; decreasing linearly over 10 years to an annual increase of 5%. Dental costs are assumed to increase 3% annually.
Salary Increases	4.50% per year
Investment Rate of Return	7.50% as selected by the Plan Sponsor
Retirement Age	100% Age 62 & 5+ Years of Service; 50% Age 55 & 15+ of Service; 25+ Years of Service 100%
Mortality	RP-2000 sex distinct

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**  
**Schedule of Changes in Net OPEB Liability and Related Ratios**  
**For the Year Ended June 30**

**Last 1 Fiscal Year**

	Fiscal Year
	2017
<b>Total OPEB Liability</b>	
Service Cost	\$ 402,527
Interest Cost	2,601,151
Differences Between Expected and Actual Experience	-
Benefit Payments	(2,094,941)
Net Change in Total OPEB Liability	908,737
Total OPEB liability-Beginning of Year	35,710,541
Total OPEB liability-End of Year	36,619,278
 <b>Plan Fiduciary Net Position</b>	
Contributions-Employer	\$ 2,744,941
Net Investment Income	886,273
Benefit Payments	(2,094,941)
Administrative Expense	(23,374)
Net Change in Fiduciary Net Position	1,512,899
Fiduciary Net Position-Beginning of Year	7,229,222
Fiduciary Net Position-End of Year	8,742,121
 Net OPEB Liability	 27,877,157
Fiduciary Net Position as a % of Total OPEB Liability	23.87%
 Covered Employee Payroll	 \$ 27,837,939
Net OPEB Liability as a % of Payroll	100%

**Notes to Schedule:**

Benefit Changes: None

Changes in Assumptions: None

This schedule is presented to illustrate the requirement to reflect information for 10 years. Information prior to June 30, 2017 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, 2017**

	Budgeted Amounts		2017 Actual	Variance with Final Budget - Positive (Negative)	2016 Actual	Increase/ (Decrease) Over Prior Year
	Original	Final				
<b>Revenues and Transfers</b>						
General Property Taxes:						
Current year's levy	\$ 25,616,250	\$ 25,616,250	\$ 25,990,012	\$ 373,762	\$ 25,587,098	\$ 402,914
Prior year's levy - net	(125,000)	(125,000)	(95,543)	29,457	(67,795)	(27,748)
Payments in lieu of taxes	2,738,300	2,738,300	2,841,980	103,680	2,772,622	69,358
Interest on delinquent taxes	107,500	107,500	176,450	68,950	201,921	(25,471)
	<u>28,337,050</u>	<u>28,337,050</u>	<u>28,912,899</u>	<u>575,849</u>	<u>28,493,846</u>	<u>419,053</u>
Less discounts allowed	(30,527)	(30,527)	(30,186)	341	(30,446)	260
Total General Property Taxes	<u>28,306,523</u>	<u>28,306,523</u>	<u>28,882,713</u>	<u>576,190</u>	<u>28,463,400</u>	<u>419,313</u>
Income and Other Taxes:						
Income tax	2,550,000	2,550,000	2,628,280	78,280	2,427,965	200,315
Admission	205,000	205,000	443,873	238,873	328,649	115,224
Enterprise zone tax credits	30,101	30,101	30,485	384	48,676	(18,191)
Police protection	682,000	732,000	739,779	7,779	686,126	53,653
State aid for fire service	53,265	53,265	78,697	25,432	70,395	8,302
Financial corporations	34,214	34,214	34,214	-	34,214	-
Hotel/motel room tax	184,000	184,000	187,687	3,687	193,894	(6,207)
Total Income and Other Taxes	<u>3,738,580</u>	<u>3,788,580</u>	<u>4,143,015</u>	<u>354,435</u>	<u>3,789,919</u>	<u>353,096</u>
Licenses and Permits:						
Residential rental licenses	640,000	640,000	635,059	(4,941)	641,900	(6,841)
Cable television franchise	425,000	425,000	395,741	(29,259)	415,567	(19,826)
Traders	80,000	80,000	103,669	23,669	106,504	(2,835)
Building permits	190,000	190,000	192,960	2,960	141,859	51,101
Electrical permits	110,000	110,000	119,856	9,856	96,241	23,615
Distilled spirits	6,000	6,000	-	(6,000)	-	-
Plumbing permits	75,000	75,000	77,119	2,119	63,479	13,640
Other	557,100	557,100	398,410	(158,690)	444,807	(46,397)
Total Licenses and Permits	<u>2,083,100</u>	<u>2,083,100</u>	<u>1,922,814</u>	<u>(160,286)</u>	<u>1,910,357</u>	<u>12,457</u>
Intergovernmental Grant Revenues:						
Federal grants	301,495	301,495	310,966	9,471	439,489	(128,523)
State and local grants	201,508	201,508	160,263	(41,245)	217,508	(57,245)
Total Intergovernmental Grant Revenues	<u>503,003</u>	<u>503,003</u>	<u>471,229</u>	<u>(31,774)</u>	<u>656,997</u>	<u>(185,768)</u>
Service Charges:						
Refuse collection fees	2,256,450	2,256,450	2,258,122	1,672	2,252,262	5,860
Stadium	-	-	-	-	-	-
Swimming pool	69,000	69,000	70,772	1,772	62,308	8,464
Other	724,753	731,569	670,078	(61,491)	642,939	27,139
Total Service Charges	<u>3,050,203</u>	<u>3,057,019</u>	<u>2,998,972</u>	<u>(58,047)</u>	<u>2,957,509</u>	<u>41,463</u>
Fines and Forfeitures						
Safe Speed for School	1,655,000	1,655,000	978,114	(676,886)	1,221,776	(243,662)
Other	189,896	189,896	173,150	(16,746)	204,392	(31,242)
Total Fines and Forfeitures	<u>1,844,896</u>	<u>1,844,896</u>	<u>1,151,264</u>	<u>(693,632)</u>	<u>1,426,168</u>	<u>(274,904)</u>
Unallocated General Revenues:						
Administrative allocation	2,031,000	2,031,000	2,031,000	-	2,031,000	-
Interest on investments	5,000	5,000	47,124	42,124	25,846	21,278
Sale of land & other property	4,500	4,500	44,401	39,901	32,306	12,095
Miscellaneous	240,242	247,577	196,485	(51,092)	325,733	(129,248)
Total Unallocated General Revenues	<u>2,280,742</u>	<u>2,288,077</u>	<u>2,319,010</u>	<u>30,933</u>	<u>2,414,885</u>	<u>(95,875)</u>
Total Revenues	41,807,047	41,871,198	41,889,017	17,819	41,619,235	269,782

\* 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, 2017**

	Budgeted Amounts		2017 Actual	Variance with Final Budget - Positive (Negative)	2016 Actual	Increase/ (Decrease) Over Prior Year
	Original	Final				
<b>Revenues and Transfers (continued)</b>						
Other Financing Sources:						
Transfers from community development fund	18,564	18,564	26,287	7,723	11,905	14,382
Transfers from economic redevelopment fund	-	-	-	-	70,488	(70,488)
Transfers from health insurance fund	55,000	55,000	35,660	(19,340)	49,153	(13,493)
Budgeted use of fund balance	420,031	420,031	-	(420,031)	-	-
Total Other Financing Sources	493,595	493,595	61,947	(431,648)	131,546	(69,599)
Total Revenues and Other Financing Sources	\$ 42,300,642	\$ 42,364,793	\$ 41,950,964	\$ (413,829)	\$ 41,750,781	\$ 200,183
<b>Expenditures and Transfers</b>						
General Government:						
Council	\$ 111,780	\$ 111,780	\$ 116,464	\$ (4,684)	\$ 107,457	\$ 9,007
Mayor	70,436	70,436	66,866	3,570	69,110	(2,244)
City administrator	220,980	220,980	211,554	9,426	214,957	(3,403)
City clerk	163,077	163,077	159,838	3,239	164,437	(4,599)
Community affairs	177,362	177,362	145,879	31,483	152,030	(6,151)
Legal counsel	236,000	236,000	259,266	(23,266)	324,831	(65,565)
Public functions	463,586	515,586	462,308	53,278	480,730	(18,422)
Communications	308,027	308,027	270,959	37,068	266,722	4,237
Finance and accounting	738,838	708,891	581,671	127,220	653,037	(71,366)
Information technology	871,176	871,176	872,755	(1,579)	854,304	18,451
Cashiering	445,727	445,727	451,269	(5,542)	413,377	37,892
Planning	426,620	426,620	442,172	(15,552)	420,381	21,791
Annexation	8,800	8,800	1,212	7,588	1,706	(494)
City hall expenditures	304,028	304,028	304,059	(31)	262,156	41,903
City engineer	1,138,607	1,138,607	1,111,796	26,811	1,091,065	20,731
Human resources	659,460	652,528	596,366	56,162	653,798	(57,432)
Total General Government	6,344,504	6,359,625	6,054,434	305,191	6,130,098	(75,664)
Public Safety:						
Police department	13,649,500	13,588,162	13,255,605	332,557	12,993,121	262,484
Fire department	7,330,529	7,322,363	7,187,360	135,003	7,148,550	38,810
Code enforcement	1,425,081	1,389,804	1,351,649	38,155	1,385,128	(33,479)
Signal department	491,254	491,254	500,010	(8,756)	509,811	(9,801)
Total Public Safety	22,896,364	22,791,583	22,294,624	496,959	22,036,610	258,014
Highways and Streets:						
General street department operations	888,102	888,102	834,257	53,845	877,618	(43,361)
Snow removal	398,253	398,253	167,860	230,393	392,703	(224,843)
Street cleaning	281,970	281,970	259,928	22,042	252,190	7,738
Street lighting	625,000	625,000	601,993	23,007	609,752	(7,759)
Central maintenance garage	438,453	438,453	586,972	(148,519)	384,041	202,931
Total Highways and Streets	2,631,778	2,631,778	2,451,010	180,768	2,516,304	(65,294)
Waste, Collection and Disposal	2,050,687	2,050,687	2,022,219	28,468	2,001,190	21,029
Culture and Recreation:						
City parks	1,854,849	1,783,471	1,680,998	102,473	1,856,862	(175,864)
Swimming pool	151,516	151,516	188,954	(37,438)	174,387	14,567
Farmers market	79,590	79,590	95,473	(15,883)	52,002	43,471
Stadium	18,161	18,161	37,948	(19,787)	12,707	25,241
Recreation department	374,493	374,493	424,864	(50,371)	388,151	36,713
Hager house and 202 train museum	58,482	58,482	75,116	(16,634)	68,219	6,897
Total Culture and Recreation	2,537,091	2,465,713	2,503,353	(37,640)	2,552,328	(48,975)

\* 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, 2017**

	Budgeted Amounts		2017 Actual	Variance with Final Budget - Positive (Negative)	2016 Actual	Increase/ (Decrease) Over Prior Year
	Original	Final				
<b>Expenditures and Transfers</b>						
Economic and Community Development:						
Economic development	343,096	343,096	372,756	(29,660)	394,790	(22,034)
Housing and community development	147,831	147,831	140,491	7,340	124,949	15,542
Neighborhoods first	80,688	80,688	58,646	22,042	61,462	(2,816)
Total Economic and Community Dev	<u>571,615</u>	<u>571,615</u>	<u>571,893</u>	<u>(278)</u>	<u>581,201</u>	<u>(9,308)</u>
Unallocated General Expenditures:						
Retiree benefits	1,267,011	1,374,840	1,515,793	(140,953)	1,457,581	58,212
Contributions to other agencies	205,000	205,000	195,000	10,000	190,000	5,000
Inventory adjustments	10,000	10,000	12,969	(2,969)	10,155	2,814
Budget contingency	(5,000)	-	-	-	-	-
Total Unallocated General Expenditures	<u>1,477,011</u>	<u>1,589,840</u>	<u>1,723,762</u>	<u>(133,922)</u>	<u>1,657,736</u>	<u>66,026</u>
Debt Service:						
Principal	1,493,758	1,493,758	1,504,498	(10,740)	1,446,786	57,712
Interest	671,204	671,204	537,853	133,351	577,660	(39,807)
Issuance Costs	1,105	1,105	117,200	(116,095)	1,656	115,544
Total Debt Service	<u>2,166,067</u>	<u>2,166,067</u>	<u>2,159,551</u>	<u>6,516</u>	<u>2,026,102</u>	<u>133,449</u>
Total Expenditures	\$ 40,675,117	\$ 40,626,908	\$ 39,780,846	\$ 846,062	\$ 39,501,569	\$ 279,277
Other Financing Uses:						
Transfers to golf course fund	200,000	200,000	319,180	(119,180)	233,198	85,982
Transfers to grant revenue fund	-	8,166	8,954	(788)	40,597	(31,643)
Transfers to economic redevelopment fund	100,000	100,000	100,000	-	100,000	-
Transfers to capital projects fund	902,445	1,042,752	1,042,752	-	822,656	220,096
Transfers from FB reserves to capital projects fund	-	-	-	-	103,869	(103,869)
Transfers from FB reserves to economic redevelopment fund	420,031	420,031	794,415	(374,384)	386,736	407,679
Total Other Financing Uses	<u>1,622,476</u>	<u>1,770,949</u>	<u>2,265,301</u>	<u>(494,352)</u>	<u>1,687,056</u>	<u>578,245</u>
Total Expenditures and Other Financing Uses	<u>42,297,593</u>	<u>42,397,857</u>	<u>42,046,147</u>	<u>351,710</u>	<u>41,188,625</u>	<u>857,522</u>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>						
	<b>3,049</b>	<b>(33,064)</b>	<b>(95,183)</b>	<b>(62,119)</b>	<b>562,156</b>	<b>(657,339)</b>
Fund balances - beginning	10,525,793	10,525,793	10,525,793	-	9,963,637	562,156
Fund balances - ending	<u>\$ 10,528,842</u>	<u>\$ 10,492,729</u>	<u>\$ 10,430,610</u>	<u>\$ (62,119)</u>	<u>\$ 10,525,793</u>	<u>\$ (95,183)</u>

**City of Hagerstown, Maryland**  
**Capital Projects Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2017**

	<u>Budgeted Amounts</u>		<u>2017 Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>2016 Actual</u>	<u>Increase/ (Decrease) Over Prior Year</u>
	<u>Original</u>	<u>Final</u>				
<b>Revenues</b>						
Intergovernmental grant revenues	\$ 2,084,450	\$ 2,075,450	\$ 992,549	\$ (1,082,901)	\$ 1,871,224	\$ (878,675)
Income and other taxes	1,200,000	1,200,000	1,206,125	6,125	1,224,207	(18,082)
Contributions and donations	286,000	251,000	323,021	72,021	162,849	160,172
Interest income	-	-	14,189	14,189	11,731	2,458
Rental Income	-	35,000	35,000	-	-	35,000
Other revenues	40,000	46,126	41,127	(4,999)	553,243	(512,116)
Total revenues	<u>3,610,450</u>	<u>3,607,576</u>	<u>2,612,011</u>	<u>(995,565)</u>	<u>3,823,254</u>	<u>(1,211,243)</u>
<b>Expenditures</b>						
General government projects	7,843,790	8,015,948	5,459,771	2,556,177	4,147,744	1,312,027
Public safety projects	2,643,495	2,742,600	1,961,018	781,582	1,123,038	837,980
Highways and streets projects	606,030	631,200	586,190	45,010	152,625	433,565
Culture and recreation	2,489,500	2,317,500	1,500,359	817,141	367,763	1,132,596
Total expenditures	<u>13,582,815</u>	<u>13,707,248</u>	<u>9,507,338</u>	<u>4,199,910</u>	<u>5,791,170</u>	<u>3,716,168</u>
Excess (deficiency) of revenues over (under) expenditures	(9,972,365)	(10,099,672)	(6,895,327)	3,204,345	(1,967,916)	(4,927,411)
<b>Other Financing Sources (Uses)</b>						
Bond financing Current Year	6,399,000	6,279,000	4,992,515	(1,286,485)	-	4,992,515
Bond financing Prior Proceeds Reprogram	-	-	314,538	-	-	-
Transfers in:						
Excise tax fund	260,000	245,000	395,000	150,000	191,403	203,597
General fund	902,445	1,011,720	1,042,752	31,032	926,524	116,228
Electric fund	3,500	3,500	3,500	-	-	3,500
Water fund	3,500	3,500	3,500	-	-	3,500
Wastewater fund	3,500	3,500	3,500	-	-	3,500
Community development block grant fund	310,000	445,000	402,022	(42,978)	108,554	293,468
Parking fund	2,000	2,000	2,000	-	-	2,000
Grant fund	-	-	13,829	13,829	-	13,829
Property management fund	280,000	280,000	188,697	(91,303)	-	188,697
Budgeted use of fund balance	2,163,944	2,496,514	-	(2,496,514)	-	-
Total other financing sources and (uses)	<u>10,327,889</u>	<u>10,769,734</u>	<u>7,361,853</u>	<u>(3,722,419)</u>	<u>1,226,481</u>	<u>5,820,834</u>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)</b>	<b>355,524</b>	<b>670,062</b>	<b>466,526</b>	<b>(518,074)</b>	<b>(741,435)</b>	<b>1,207,961</b>
Fund balances - beginning	3,781,835	3,781,835	3,781,835	-	4,523,270	(741,435)
<b>Fund balances - ending</b>	<b>\$ 4,137,359</b>	<b>\$ 4,451,897</b>	<b>\$ 4,248,361</b>	<b>\$ (518,074)</b>	<b>\$ 3,781,835</b>	<b>\$ 466,526</b>

## **SPECIAL REVENUE FUNDS**

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

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

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

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

**Business Revolving Loan** - This fund is designed to assist in the recruitment, retention and expansion of businesses within the City of Hagerstown, Maryland.

**Excise Tax Fund** - This fund was created to account for funds received from the excise tax. Revenues from the excise tax imposed through Washington County may only be used for specific purposes and this fund will be used to account for those funds.

**Grant Revenue Fund** - This fund was created to account for operating grant revenues from various agencies – federal, state, and local.

**Upper Floors Redevelopment Fund** - This fund is designed to assist in the installation of elevators and other equipment to make the upper floors of existing downtown buildings attractive for residential or business use.



**City of Hagerstown, Maryland**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2017**

	Community Development Block Grant		Economic Redevelopment		Flexible Spending		Business Revolving Loan		Excise Tax		Grant Revenue		Upper Floors Redevelopment		Total Nonmajor Governmental Funds	
	Grant	Revenue	Redevelopment	Spending	Loan	Excise Tax	Revenue	Redevelopment	Excise Tax	Revenue	Redevelopment	Excise Tax	Revenue	Redevelopment	Excise Tax	Revenue
<b>Assets</b>																
Pooled cash and investments	\$ 292	\$	\$ 190,826	\$ 3,721	\$ 62,320	\$ 44,954	\$ 47,941	\$ 29,859	\$ 379,913							
Interest receivable	-		35	2	18	32	-	5	92							
Accounts receivable	-		2,073	2,039	-	-	-	-	4,112							
Intergovernmental receivable	95,096		-	-	-	-	99,531	-	194,627							
Prepaid items	-		1,956	-	-	-	-	-	1,956							
Loans receivable (net of allowance for uncollectibles)	1,735,614		-	-	930,789	-	38,767	-	2,705,170							
Properties held for resale	787,771		1,620,367	-	-	-	-	-	2,408,138							
Restricted assets:																
Pooled cash and investments	89,367		-	6,258	-	-	-	-	95,625							
<b>Total assets</b>	<b>\$ 2,708,140</b>	<b>\$</b>	<b>\$ 1,815,257</b>	<b>\$ 12,020</b>	<b>\$ 993,127</b>	<b>\$ 44,986</b>	<b>\$ 186,239</b>	<b>\$ 29,864</b>	<b>\$ 5,789,633</b>							
<b>Liabilities</b>																
Accounts and retainages payable	\$ 47,369	\$	\$ 74,921	\$ 708	\$ 206	\$ 23,151	\$ 11,441	\$ -	\$ 157,796							
Accrued liabilities	1,654		-	-	187	-	1,516	-	3,357							
Advances from other funds	126,000		-	-	-	-	-	-	126,000							
Escrowed taxes and insurance	5,663		-	-	-	-	-	-	5,663							
Customer deposits	-		-	6,258	-	-	-	-	6,258							
Deferred revenue	-		-	-	-	-	-	-	-							
Undisbursed loan and grant commitments	83,703		-	-	10,000	-	-	-	93,703							
<b>Total liabilities</b>	<b>\$ 264,389</b>	<b>\$</b>	<b>\$ 74,921</b>	<b>\$ 6,966</b>	<b>\$ 10,393</b>	<b>\$ 23,151</b>	<b>\$ 12,957</b>	<b>\$ -</b>	<b>\$ 392,777</b>							
<b>Fund Balance</b>																
Nonspendable	-		1,622,323	-	930,789	-	-	-	2,553,112							
Restricted	2,523,385		-	-	-	-	38,767	-	2,562,152							
Assigned	12,672		118,013	5,054	51,945	21,835	134,515	29,864	373,898							
Unassigned	(92,306)		-	-	-	-	-	-	(92,306)							
<b>Total fund balances</b>	<b>\$ 2,443,751</b>	<b>\$</b>	<b>\$ 1,740,336</b>	<b>\$ 5,054</b>	<b>\$ 982,734</b>	<b>\$ 21,835</b>	<b>\$ 173,282</b>	<b>\$ 29,864</b>	<b>\$ 5,396,856</b>							
<b>Total liabilities and fund balances</b>	<b>\$ 2,708,140</b>	<b>\$</b>	<b>\$ 1,815,257</b>	<b>\$ 12,020</b>	<b>\$ 993,127</b>	<b>\$ 44,986</b>	<b>\$ 186,239</b>	<b>\$ 29,864</b>	<b>\$ 5,789,633</b>							



**City of Hagerstown, Maryland**  
**Community Development Block Grant**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2017**

	<b>Budgeted Amounts</b>		<b>2017 Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>	<b>2016 Actual</b>	<b>Increase/ (Decrease) Over Prior Year</b>
	<b>Original</b>	<b>Final</b>				
<b>Revenues</b>						
Intergovernmental	\$ 1,104,189	1,104,189	\$ 740,310	\$ (363,879)	\$ 473,906	\$ 266,404
Program income	113,096	113,096	28,174	(84,922)	32,171	(3,997)
Property sales	125,000	125,000	-	(125,000)	-	-
Other revenues	-	46,250	46,250	-	-	46,250
Total revenues	<u>1,342,285</u>	<u>1,388,535</u>	<u>814,734</u>	<u>(573,801)</u>	<u>506,077</u>	<u>308,657</u>
<b>Expenditures</b>						
Public services	100,000	100,000	105,000	(5,000)	99,300	5,700
Public Facilities/Improvements	125,000	125,000	-	125,000	572	(572)
Housing rehabilitation	543,941	555,191	57,064	498,127	90,496	(33,432)
Administration	153,303	153,303	543,762	(390,459)	147,009	396,753
Capital outlay	1,250	1,250	888	362	1,771	(883)
Interest expense	-	-	251	(251)	131	120
Total expenditures	<u>923,494</u>	<u>934,744</u>	<u>706,965</u>	<u>227,779</u>	<u>339,279</u>	<u>367,686</u>
Excess (deficiency) of revenues over (under) expenditures	418,791	453,791	107,769	(346,022)	166,798	(59,029)
<b>Other Financing Sources (Uses)</b>						
Transfers to general fund	(18,564)	(18,564)	(26,287)	(7,723)	(11,905)	(14,382)
Transfers to capital projects fund	<u>(330,000)</u>	<u>(445,000)</u>	<u>(402,022)</u>	<u>42,978</u>	<u>(108,554)</u>	<u>(293,468)</u>
Total other financing sources (uses)	<u>(348,564)</u>	<u>(463,564)</u>	<u>(428,309)</u>	<u>35,255</u>	<u>(120,459)</u>	<u>(307,850)</u>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)</b>						
	<b>70,227</b>	<b>(9,773)</b>	<b>(320,540)</b>	<b>(310,767)</b>	<b>46,339</b>	<b>(366,879)</b>
Fund balances - beginning	<u>2,764,291</u>	<u>2,764,291</u>	<u>2,764,291</u>	<u>-</u>	<u>2,717,952</u>	<u>46,339</u>
<b>Fund balances - ending</b>	<b>\$ <u>2,834,518</u></b>	<b>\$ <u>2,754,518</u></b>	<b>\$ <u>2,443,751</u></b>	<b>\$ <u>(310,767)</u></b>	<b>\$ <u>2,764,291</u></b>	<b>\$ <u>(320,540)</u></b>

**City of Hagerstown, Maryland**  
**Economic Redevelopment**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2017**

	Budgeted Amounts		2017 Actual	Variance with Final Budget - Positive (Negative)	2016 Actual	Increase/ (Decrease) Over Prior Year
	Original	Final				
<b>Revenues</b>						
Intergovernmental	\$ 172,680	\$ 172,680	\$ -	\$ (172,680)	\$ 227,320	\$ (227,320)
Investment earnings	-	-	500	500	98	402
Miscellaneous revenue	-	-	-	-	4,519	(4,519)
Rental income	21,600	21,600	22,046	446	21,765	281
Total revenues	<u>194,280</u>	<u>194,280</u>	<u>22,546</u>	<u>(171,734)</u>	<u>253,702</u>	<u>(231,156)</u>
<b>Expenditures</b>						
Direct economic development	541,531	541,531	422,746	118,785	643,564	(220,818)
Administration	21,587	21,587	60,100	(38,513)	27,497	32,603
Total expenditures	<u>563,118</u>	<u>563,118</u>	<u>482,846</u>	<u>80,272</u>	<u>671,061</u>	<u>(188,215)</u>
Excess (deficiency) of revenues over (under) expenditures	(368,838)	(368,838)	(460,300)	(91,462)	(417,359)	(42,941)
<b>Other Financing Sources (Uses)</b>						
Transfers from general fund	100,000	100,000	100,000	-	100,000	-
Transfers from general fund balance reserves	420,031	420,031	794,415	374,384	386,736	407,679
Transfers from property management fund	-	-	-	-	114,453	(114,453)
Transfers from upper floors	-	-	21,000	21,000	126,000	(105,000)
Transfers to general fund	-	-	-	-	(70,488)	70,488
Total other financing sources (uses)	<u>520,031</u>	<u>520,031</u>	<u>915,415</u>	<u>395,384</u>	<u>656,701</u>	<u>258,714</u>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)</b>	<b>151,193</b>	<b>151,193</b>	<b>455,115</b>	<b>303,922</b>	<b>239,342</b>	<b>215,773</b>
Fund balances - beginning	1,285,221	1,285,221	1,285,221	-	1,045,879	239,342
<b>Fund balances - ending</b>	<b>\$ <u>1,436,414</u></b>	<b>\$ <u>1,436,414</u></b>	<b>\$ <u>1,740,336</u></b>	<b>\$ <u>303,922</u></b>	<b>\$ <u>1,285,221</u></b>	<b>\$ <u>455,115</u></b>

**City of Hagerstown, Maryland**  
**Flexible Spending**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2017**

	<u>Original and Final Budget</u>	<u>2017 Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>2016 Actual</u>	<u>Increase/ (Decrease) Over Prior Year</u>
<b>Revenues</b>					
Investment earnings	\$ 20	\$ 19	\$ (1)	\$ 65	\$ (46)
Charges for services	<u>5,800</u>	<u>2,413</u>	<u>(3,387)</u>	<u>6,359</u>	<u>(3,946)</u>
Total revenues	<u>5,820</u>	<u>2,432</u>	<u>(3,388)</u>	<u>6,424</u>	<u>(3,992)</u>
<b>Expenditures</b>					
Contracted services	<u>8,296</u>	<u>9,604</u>	<u>(1,308)</u>	<u>7,907</u>	<u>1,697</u>
Total expenditures	<u>8,296</u>	<u>9,604</u>	<u>(1,308)</u>	<u>7,907</u>	<u>1,697</u>
Excess (deficiency) of revenues over (under) expenditures	(2,476)	(7,172)	(4,696)	(1,483)	(5,689)
<b>Other Financing Sources (Uses)</b>					
Transfers to general fund	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)</b>					
	<b>(2,476)</b>	<b>(7,172)</b>	<b>(4,696)</b>	<b>(1,483)</b>	<b>(5,689)</b>
Fund balances - beginning	12,226	12,226	-	13,709	(1,483)
<b>Fund balances - ending</b>	<b>\$ <u>9,750</u></b>	<b>\$ <u>5,054</u></b>	<b>\$ <u>(4,696)</u></b>	<b>\$ <u>12,226</u></b>	<b>\$ <u>(7,172)</u></b>

**City of Hagerstown, Maryland**  
**Business Revolving Loan**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2017**

	<u>Original and Final Budget</u>	<u>2017 Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>2016 Actual</u>	<u>Increase/ (Decrease) Over Prior Year</u>
<b>Revenues</b>					
Investment earnings	\$ -	\$ 333	\$ 333	\$ 101	\$ 232
Miscellaneous	-	1,398	1,398	600	798
Program revenue	15,000	22,714	7,714	19,688	3,026
Total revenues	<u>15,000</u>	<u>24,445</u>	<u>9,445</u>	<u>20,389</u>	<u>4,056</u>
<b>Expenditures</b>					
Legal & Audit Fees	2,596	3,929	(1,333)	1,878	2,051
Administration	11,501	7,728	3,773	24,040	(16,312)
Direct economic development loans	100,000	2,774	97,226	100,565	(97,791)
Total expenditures	<u>114,097</u>	<u>14,431</u>	<u>99,666</u>	<u>126,483</u>	<u>(112,052)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers from upper floors redevelopment fund	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(99,097)</b>	<b>10,014</b>	<b>109,111</b>	<b>(106,094)</b>	<b>116,108</b>
Fund balances - beginning	972,720	972,720	-	1,078,814	(106,094)
<b>Fund balances - ending</b>	<b>\$ <u>873,623</u></b>	<b>\$ <u>982,734</u></b>	<b>\$ <u>109,111</u></b>	<b>\$ <u>972,720</u></b>	<b>\$ <u>10,014</u></b>

**City of Hagerstown, Maryland**  
**Excise Tax**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2017**

	<u>Budgeted Amounts</u>		<u>2017 Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>2016 Actual</u>	<u>Increase/ (Decrease) Over Prior Year</u>
	<u>Original</u>	<u>Final</u>				
<b>Revenues</b>						
Investment earnings	\$ 75	\$ 75	\$ 691	\$ 616	\$ 522	\$ 169
Excise tax	-	-	-	-	-	-
Total revenues	<u>75</u>	<u>75</u>	<u>691</u>	<u>616</u>	<u>522</u>	<u>169</u>
<b>Expenditures</b>						
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other Financing Sources (Uses)</b>						
Transfers to capital projects fund	<u>(260,000)</u>	<u>(245,000)</u>	<u>(395,000)</u>	<u>(150,000)</u>	<u>(191,403)</u>	<u>(203,597)</u>
Total other financing sources (uses)	<u>(260,000)</u>	<u>(245,000)</u>	<u>(395,000)</u>	<u>(150,000)</u>	<u>(191,403)</u>	<u>(203,597)</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(259,925)</b>	<b>(244,925)</b>	<b>(394,309)</b>	<b>(149,384)</b>	<b>(190,881)</b>	<b>(203,428)</b>
Fund balances - beginning	416,144	416,144	416,144	-	607,025	(190,881)
<b>Fund balances - ending</b>	<b>\$ <u>156,219</u></b>	<b>\$ <u>171,219</u></b>	<b>\$ <u>21,835</u></b>	<b>\$ <u>(149,384)</u></b>	<b>\$ <u>416,144</u></b>	<b>\$ <u>(394,309)</u></b>

**City of Hagerstown, Maryland**  
**Grant Revenue Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2017**

	<u>Budgeted Amounts</u>		<u>2017 Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>2016 Actual</u>	<u>Increase/ (Decrease) Over Prior Year</u>
	<u>Original</u>	<u>Final</u>				
<b>Revenues</b>						
Intergovernmental	\$ 302,019	\$ 408,593	\$ 468,488	\$ 59,895	\$ 463,043	\$ 5,445
Investment earnings	-	-	1	1	38	(37)
Other revenues	-	-	-	-	-	-
Total revenues	<u>302,019</u>	<u>408,593</u>	<u>468,489</u>	<u>59,896</u>	<u>463,081</u>	<u>5,408</u>
<b>Expenditures</b>						
General government	-	-	50,332	(50,332)	10,116	40,216
Public services	-	5,000	7,018	(2,018)	11,417	(4,399)
Public safety	332,970	386,433	358,276	28,157	453,140	(94,864)
Economic and community development	-	-	15,110	(15,110)	9,115	5,995
Capital outlay	20,250	25,326	23,895	1,431	19,439	4,456
Total expenditures	<u>353,220</u>	<u>416,759</u>	<u>454,631</u>	<u>(37,872)</u>	<u>503,227</u>	<u>(48,596)</u>
Excess (deficiency) of revenues over (under) expenditures	(51,201)	(8,166)	13,858	22,024	(40,146)	54,004
<b>Other Financing Sources (Uses)</b>						
Transfers from general fund	-	8,166	8,954	788	40,597	(31,643)
Transfers to capital projects fund	-	-	(13,829)	(13,829)	-	(13,829)
Total other financing sources (uses)	<u>-</u>	<u>8,166</u>	<u>(4,875)</u>	<u>(13,041)</u>	<u>40,597</u>	<u>(45,472)</u>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)</b>						
	<b>(51,201)</b>	<b>-</b>	<b>8,983</b>	<b>8,983</b>	<b>451</b>	<b>8,532</b>
Fund balances - beginning	164,299	164,299	164,299	-	163,848	451
<b>Fund balances - ending</b>	<b>\$ <u>113,098</u></b>	<b>\$ <u>164,299</u></b>	<b>\$ <u>173,282</u></b>	<b>\$ <u>8,983</u></b>	<b>\$ <u>164,299</u></b>	<b>\$ <u>8,983</u></b>

**City of Hagerstown, Maryland**  
**Upper Floors Redevelopment Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2017**

	Budgeted Amounts		2017 Actual	Variance with Final Budget - Positive (Negative)	2016 Actual	Increase/ (Decrease) Over Prior Year
	Original	Final				
<b>Revenues</b>						
Investment earnings	\$ -	\$ -	\$ 103	\$ (103)	\$ 97	\$ 6
Total revenues	<u>-</u>	<u>-</u>	<u>103</u>	<u>(103)</u>	<u>97</u>	<u>6</u>
<b>Expenditures</b>						
Legal	-	-	-	-	-	-
Direct economic development loans	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other Financing Sources (Uses)</b>						
Transfers from economic redevelopment fund	-	-	(21,000)	21,000	(126,000)	105,000
Transfers to business revolving loan fund	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(21,000)</u>	<u>21,000</u>	<u>(126,000)</u>	<u>105,000</u>
<b>Excess (deficiency) of revenues     over (under) expenditures</b>	<b>-</b>	<b>-</b>	<b>(20,897)</b>	<b>(20,897)</b>	<b>(125,903)</b>	<b>105,006</b>
Fund balances - beginning	50,761	50,761	50,761	-	176,664	(125,903)
<b>Fund balances - ending</b>	<b>\$ <u>50,761</u></b>	<b>\$ <u>50,761</u></b>	<b>\$ <u>29,864</u></b>	<b>\$ <u>(20,897)</u></b>	<b>\$ <u>50,761</u></b>	<b>\$ <u>(20,897)</u></b>

# Hagerstown Gives Back



## **NONMAJOR ENTERPRISE FUNDS**

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

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

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

**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, 2017**

	<u>Golf Course</u>	<u>Property Management</u>	<u>Parking Facilities</u>	<u>Total Nonmajor Enterprise Funds</u>
<b>Assets</b>				
Current assets:				
Pooled cash and investments	\$ 14,557	\$ 49,294	\$ 1,108,980	\$ 1,172,831
Interest receivable	-	33	192	225
Accounts receivable (net of allowance for uncollectibles)	7,296	31,322	76,051	114,669
Due from other agencies	-	9,724	-	9,724
Prepaid items	346	397	-	743
Total current assets	<u>22,199</u>	<u>90,770</u>	<u>1,185,223</u>	<u>1,298,192</u>
Noncurrent assets:				
Capital assets:				
Land	125,000	696,450	1,459,464	2,280,914
Land improvements	225,522	-	1,268,573	1,494,095
Buildings and structures	219,846	5,220,085	7,732,804	13,172,735
Machinery and equipment	390,981	48,029	380,673	819,683
Automobiles and trucks	91,225	-	62,141	153,366
Infrastructure	26,537	-	-	26,537
Office furniture and fixtures	-	111,193	-	111,193
Construction in progress	-	133,517	10,639	144,156
Less accumulated depreciation	<u>(544,321)</u>	<u>(1,525,300)</u>	<u>(4,336,176)</u>	<u>(6,405,797)</u>
Total capital assets, net	<u>534,790</u>	<u>4,683,974</u>	<u>6,578,118</u>	<u>11,796,882</u>
Total noncurrent assets	<u>534,790</u>	<u>4,683,974</u>	<u>6,578,118</u>	<u>11,796,882</u>
<b>Total assets</b>	<b><u>556,989</u></b>	<b><u>4,774,744</u></b>	<b><u>7,763,341</u></b>	<b><u>13,095,074</u></b>
<b>Liabilities</b>				
Current liabilities:				
Accounts and retainages payable	3,786	14,883	2,963	21,632
Compensated absences - current	5,323	-	5,895	11,218
Accrued liabilities	4,858	2,219	19,222	26,299
Customer deposits and rebates	-	2,400	7,049	9,449
Unearned revenue	808	-	-	808
General obligation bonds - current	-	5,052	181,990	187,042
Other liabilities - current	-	-	-	-
Total current liabilities	<u>14,775</u>	<u>24,554</u>	<u>217,119</u>	<u>256,448</u>
Noncurrent liabilities:				
General obligation bonds - long term	-	131,386	628,444	759,830
Compensated absences	7,297	-	8,083	15,380
Other long term liabilities	-	-	-	-
Total noncurrent liabilities	<u>7,297</u>	<u>131,386</u>	<u>636,527</u>	<u>775,210</u>
<b>Total liabilities</b>	<b><u>22,072</u></b>	<b><u>155,940</u></b>	<b><u>853,646</u></b>	<b><u>1,031,658</u></b>
<b>Net Position</b>				
Net Investment in Capital Assets	534,790	4,547,536	5,767,684	10,850,010
Unrestricted	127	71,268	1,142,011	1,213,406
<b>Total net position</b>	<b><u>\$ 534,917</u></b>	<b><u>\$ 4,618,804</u></b>	<b><u>\$ 6,909,695</u></b>	<b><u>\$ 12,063,416</u></b>

**City of Hagerstown, Maryland**  
**Combining Statement of Revenues, Expenses, and Changes in Net Position**  
**Nonmajor Enterprise Funds**  
**For the Year Ended June 30, 2017**

	<u>Golf Course</u>	<u>Property Management</u>	<u>Parking Facilities</u>	<u>Total Nonmajor Enterprise Funds</u>
Operating revenues:				
Service charges	\$ 173,943	\$ 309,414	\$ 993,779	\$ 1,477,136
Other revenues	92	3,046	-	3,138
Total operating revenues	<u>174,035</u>	<u>312,460</u>	<u>993,779</u>	<u>1,480,274</u>
Operating expenses:				
Selling, general and administrative expenses	452,471	482,083	460,005	1,394,559
Depreciation	40,744	128,610	239,319	408,673
Total operating expenses	<u>493,215</u>	<u>610,693</u>	<u>699,324</u>	<u>1,803,232</u>
Operating income	<u>(319,180)</u>	<u>(298,233)</u>	<u>294,455</u>	<u>(322,958)</u>
Nonoperating revenues (expenses):				
Gain (Loss) on disposal of capital assets	-	(3,814)	-	(3,814)
Intergovernmental revenue	-	44,502	-	44,502
Investment earnings	-	17,887	3,513	21,400
Interest expense	-	(1,339)	(37,143)	(38,482)
Bond issuance costs	-	(3,883)	(388)	(4,271)
Total nonoperating revenue (expenses)	<u>-</u>	<u>53,353</u>	<u>(34,018)</u>	<u>19,335</u>
Income (loss) before contributions and transfers	(319,180)	(244,880)	260,437	(303,623)
Transfers in	319,180	-	-	319,180
Transfers out	-	(188,697)	(2,000)	(190,697)
<b>Changes in net position</b>	<u>-</u>	<u>(433,577)</u>	<u>258,437</u>	<u>(175,140)</u>
Total net position - beginning	534,917	5,052,381	6,651,258	12,238,556
<b>Total net position - ending</b>	<u>\$ 534,917</u>	<u>\$ 4,618,804</u>	<u>\$ 6,909,695</u>	<u>\$ 12,063,416</u>

**City of Hagerstown, Maryland**  
**Combining Statement of Cash Flows**  
**Nonmajor Enterprise Funds**  
**For the Year Ended June 30, 2017**

	<b>Golf Course</b>	<b>Property Management</b>	<b>Parking Facilities</b>	<b>Total Nonmajor Enterprise Funds</b>
<b>Cash Flows From Operating Activities</b>				
Receipts from customers and users	\$ 201,127	\$ 311,032	\$ 960,069	\$ 1,472,228
Payments to suppliers	(216,071)	(258,689)	(92,746)	(567,506)
Payments to employees	(292,267)	(218,694)	(378,698)	(889,659)
Net cash used by operating activities	(307,211)	(166,351)	488,625	15,062
<b>Cash Flows From Noncapital Financing Activities</b>				
Transfers from (to) other funds	319,180	(188,697)	(2,000)	128,483
Net cash provided (used) by noncapital and related financing activities	319,180	(188,697)	(2,000)	128,483
<b>Cash Flows From Capital And Related Financing Activities</b>				
Proceeds from intergovernmental grant	-	48,318	-	48,318
Capital contribution	-	-	-	-
Acquisition and construction of capital assets	-	(187,185)	(38,358)	(225,543)
Proceeds from bond issuance	-	40,454	-	40,454
Principal paid on capital debt	-	(586)	(169,611)	(170,197)
Interest paid on capital debt	-	(1,551)	(41,748)	(43,299)
Proceeds from sale of capital assets	-	(3,814)	-	(3,814)
Net cash provided (used) by capital and related financing activities	-	(104,364)	(249,717)	(354,081)
<b>Cash Flows From Investing Activities</b>				
Interest and dividends received	-	17,967	3,513	21,480
Net cash provided by investing activities	-	17,967	3,513	21,480
<b>Net increase (decrease) in pooled cash and investments</b>	<b>11,969</b>	<b>(441,445)</b>	<b>240,421</b>	<b>(189,055)</b>
Pooled cash and investments, beginning of year	2,588	490,739	868,559	1,361,886
<b>Pooled cash and investments, end of year</b>	<b>\$ 14,557</b>	<b>\$ 49,294</b>	<b>\$ 1,108,980</b>	<b>\$ 1,172,831</b>
<b>Reconciliation of operating income to net cash (used) by operating activities:</b>				
Operating income (loss)	\$ (319,180)	\$ (298,233)	\$ 294,455	\$ (322,958)
Adjustments to reconcile operating income to net cash used by operating activities:				
Depreciation expense	40,744	128,610	239,319	408,673
Bond issuance costs	-	(3,883)	(388)	(4,271)
Net effect of changes in assets and liabilities				
Accounts receivable	(829)	8,046	(34,039)	(26,822)
Inventories	-	-	-	-
Prepaid items	407	(8)	(30)	369
Long-term accounts receivable	-	-	-	-
Accounts and retainages payable	(9,025)	10,507	(97)	1,385
Compensated absences payable	(14,718)	-	(3,647)	(18,365)
Accrued liabilities	(5,223)	(1,916)	(7,277)	(14,417)
Customer deposits and rebates	-	250	329	579
Other liabilities - current	(13,654)	-	-	(13,654)
Due from other agencies	-	(9,724)	-	(9,724)
Unearned revenue	27,921	-	-	27,921
Other long-term liabilities	(13,654)	-	-	(13,654)
Total adjustments	11,969	131,882	194,170	338,020
Net cash used by operating activities	\$ (307,211)	\$ (166,351)	\$ 488,625	\$ 15,062
<b>Reconciliation of pooled cash and investments to the balance sheet</b>				
Pooled cash and investments	\$ 14,557	\$ 49,294	\$ 1,108,980	\$ 1,172,831
<b>Totals</b>	<b>\$ 14,557</b>	<b>\$ 49,294</b>	<b>\$ 1,108,980</b>	<b>\$ 1,172,831</b>

# Parks and Recreation



## INTERNAL SERVICE FUNDS

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

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

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

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



**City of Hagerstown, Maryland**  
**Combining Statement of Net Position**  
**Internal Service Funds**  
**June 30, 2017**

	<u>Worker's Compensation</u>	<u>Health Insurance</u>	<u>Dental Insurance</u>	<u>Total Internal Service Funds</u>
<b>Assets</b>				
Current assets:				
Pooled cash and investments	\$ -	\$ 4,190,071	\$ 344,523	\$ 4,534,594
Interest receivable	-	849	56	905
Accounts receivable (net of allowance for uncollectibles)	-	119,352	7,562	126,914
Prepaid Items	<u>197,255</u>	<u>-</u>	<u>-</u>	<u>197,255</u>
Total current assets	<u>197,255</u>	<u>4,310,272</u>	<u>352,141</u>	<u>4,859,668</u>
Noncurrent assets:				
Restricted assets:				
Pooled cash and investments	<u>1,591,210</u>	<u>710,447</u>	<u>31,300</u>	<u>2,332,957</u>
Total noncurrent assets	<u>1,591,210</u>	<u>710,447</u>	<u>31,300</u>	<u>2,332,957</u>
Total assets	<u>1,788,465</u>	<u>5,020,719</u>	<u>383,441</u>	<u>7,192,625</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts and retainages payable	22,533	188	29,773	52,494
Accrued liabilities	381,834	691,830	13,878	1,087,542
Unearned revenue	<u>-</u>	<u>183,089</u>	<u>-</u>	<u>183,089</u>
Total current liabilities	<u>404,367</u>	<u>875,107</u>	<u>43,651</u>	<u>1,323,125</u>
Total liabilities	<u>404,367</u>	<u>875,107</u>	<u>43,651</u>	<u>1,323,125</u>
<b>Net Position</b>				
Unassigned	<u>1,384,098</u>	<u>4,145,612</u>	<u>339,790</u>	<u>5,869,500</u>
Total net position	<u>\$ 1,384,098</u>	<u>\$ 4,145,612</u>	<u>\$ 339,790</u>	<u>\$ 5,869,500</u>

**City of Hagerstown, Maryland**  
**Combining Statement of Revenues, Expenses, and Changes in Net Position**  
**Internal Service Funds**  
**For the Year Ended June 30, 2017**

	<u>Worker's Compensation</u>	<u>Health Insurance</u>	<u>Dental Insurance</u>	<u>Total Internal Service Funds</u>
Operating revenues:				
Service charges	\$ 1,108,264	\$ 7,982,707	\$ 417,000	\$ 9,507,971
Other revenues	-	115,439	-	115,439
Total operating revenues	<u>1,108,264</u>	<u>8,098,146</u>	<u>417,000</u>	<u>9,623,410</u>
Operating expenses:				
Claim and premium expenses	842,504	5,975,399	303,495	7,121,398
Administrative expenses	116,273	693,175	28,185	837,633
Contributions to OPEB plan - Employer	-	650,000	-	650,000
Total operating expenses	<u>958,777</u>	<u>7,318,574</u>	<u>331,680</u>	<u>8,609,031</u>
Operating income (loss)	<u>149,487</u>	<u>779,572</u>	<u>85,320</u>	<u>1,014,379</u>
Nonoperating revenues (expenses):				
Investment earnings	(65)	12,782	740	13,457
Total nonoperating revenue (expenses)	<u>(65)</u>	<u>12,782</u>	<u>740</u>	<u>13,457</u>
Income before contributions and transfers	<u>149,422</u>	<u>792,354</u>	<u>86,060</u>	<u>1,027,836</u>
Transfer out to other funds	-	(35,660)	-	(35,660)
<b>Changes in net position</b>	<b><u>149,422</u></b>	<b><u>756,694</u></b>	<b><u>86,060</u></b>	<b><u>992,176</u></b>
Total net position - beginning	1,234,676	3,388,918	253,730	4,877,324
Total net position - ending	<u>\$ 1,384,098</u>	<u>\$ 4,145,612</u>	<u>\$ 339,790</u>	<u>\$ 5,869,500</u>

**City of Hagerstown, Maryland**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended June 30, 2017**

	<b>Worker's Compensation</b>	<b>Health Insurance</b>	<b>Dental Insurance</b>	<b>Total Internal Service Funds</b>
<b>Cash Flows From Operating Activities</b>				
Receipts from interfund services provided	\$ 1,108,264	\$ 8,206,955	\$ 421,217	\$ 9,736,436
Payments to suppliers	(567,516)	(7,218,156)	(327,949)	(8,113,621)
Net cash provided (used) by operating activities	540,748	988,799	93,268	1,622,815
<b>Cash Flows From Noncapital Financing Activities</b>				
Transfers to other funds	-	(35,660)	-	(35,660)
Net cash used by capital and related financing activities	-	(35,660)	-	(35,660)
<b>Cash Flows From Investing Activities</b>				
Interest and dividends received	(65)	12,647	724	13,306
Net cash provided by investing activities	(65)	12,647	724	13,306
<b>Net increase in pooled cash and investments</b>	<b>540,683</b>	<b>965,786</b>	<b>93,992</b>	<b>1,600,461</b>
Pooled cash and investments, beginning of year	1,050,527	3,934,732	281,831	5,267,090
<b>Pooled cash and investments, end of year</b>	<b>\$ 1,591,210</b>	<b>\$ 4,900,518</b>	<b>\$ 375,823</b>	<b>\$ 6,867,551</b>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>				
Operating Income (loss)	\$ 149,487	\$ 779,572	\$ 85,320	\$ 1,014,379
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Net effect of changes in assets and liabilities				
Accounts receivable	-	108,809	4,217	113,026
Prepaid items	22,640	48,466	-	71,106
Accounts and retainages payable	22,533	(98)	1,040	23,475
Accrued liabilities	346,088	52,050	2,691	400,829
Total adjustments	391,261	209,227	7,948	608,436
Net cash provided (used) by operating activities	\$ 540,748	\$ 988,799	\$ 93,268	\$ 1,622,815
<b>Reconciliation of pooled cash and investments to the balance sheet</b>				
<b>Pooled cash and investments</b>	<b>\$ -</b>	<b>\$ 4,190,071</b>	<b>\$ 344,523</b>	<b>\$ 4,534,594</b>
<b>Restricted pooled cash and investments</b>	<b>1,591,210</b>	<b>710,447</b>	<b>31,300</b>	<b>2,332,957</b>
<b>Totals</b>	<b>\$ 1,591,210</b>	<b>\$ 4,900,518</b>	<b>\$ 375,823</b>	<b>\$ 6,867,551</b>

# City Center — The Heart of Hagerstown



## STATISTICAL SECTION

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

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

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

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

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

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

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



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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Governmental activities:</b>										
Net investment in capital assets	\$ 58,486,896	\$ 63,577,809	\$ 60,903,731	\$ 62,031,859	\$ 60,445,265	\$ 62,661,321	\$ 62,841,007	\$ 63,756,574	\$ 66,555,727	\$ 66,954,557
Restricted	10,411,568	7,470,811	10,321,603	10,247,443	9,233,959	8,785,932	8,917,240	11,415,507	9,170,892	9,737,523
Unassigned	4,570,677	2,925,249	3,267,432	5,460,533	6,893,284	6,658,627	7,231,204	(28,125,591)	(24,646,579)	(26,153,187)
Total governmental activities net position	<u>\$ 73,469,141</u>	<u>\$ 73,973,869</u>	<u>\$ 74,492,766</u>	<u>\$ 77,739,835</u>	<u>\$ 76,572,508</u>	<u>\$ 78,105,880</u>	<u>\$ 78,989,451</u>	<u>\$ 47,046,490</u>	<u>\$ 51,080,040</u>	<u>\$ 50,538,893</u>
<b>Business-type activities:</b>										
Net investment in capital assets	\$ 134,548,479	\$ 140,754,087	\$ 141,557,917	\$ 149,999,762	\$ 148,779,228	\$ 149,983,855	\$ 152,917,402	\$ 146,018,608	\$ 147,056,392	\$ 145,943,803
Unassigned	16,759,173	10,644,845	16,192,345	15,816,722	20,605,158	18,919,557	18,718,678	20,703,309	21,469,141	24,760,819
Total business-type activities net position	<u>\$ 151,307,652</u>	<u>\$ 151,398,932</u>	<u>\$ 157,750,262</u>	<u>\$ 165,816,484</u>	<u>\$ 169,384,386</u>	<u>\$ 168,903,412</u>	<u>\$ 171,636,080</u>	<u>\$ 166,721,917</u>	<u>\$ 168,525,533</u>	<u>\$ 170,704,622</u>
<b>Primary government:</b>										
Net investment in capital assets	\$ 193,035,375	\$ 204,331,896	\$ 202,461,648	\$ 212,031,621	\$ 209,224,493	\$ 212,645,176	\$ 215,758,409	\$ 209,775,182	\$ 213,612,119	\$ 212,898,360
Restricted	10,411,568	7,470,811	10,321,603	10,247,443	9,233,959	8,785,932	8,917,240	11,415,507	9,170,892	9,737,523
Unrestricted	21,329,850	13,570,094	19,459,777	21,277,255	27,498,442	25,578,184	25,949,882	(7,422,282)	(3,177,438)	(1,392,366)
Total primary government net position	<u>\$ 224,776,793</u>	<u>\$ 225,372,801</u>	<u>\$ 232,243,028</u>	<u>\$ 243,556,319</u>	<u>\$ 245,956,894</u>	<u>\$ 247,009,292</u>	<u>\$ 250,625,531</u>	<u>\$ 213,768,407</u>	<u>\$ 219,605,573</u>	<u>\$ 221,243,515</u>

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Expenses</b>										
Governmental activities:										
General Government	\$ 9,124,085	\$ 9,508,691	\$ 9,238,809	\$ 8,445,750	\$ 9,625,176	\$ 9,581,916	\$ 9,380,546	\$ 9,672,724	\$ 10,564,629	\$ 9,562,623
Public Safety	19,961,913	21,622,281	20,501,962	18,387,128	19,964,292	21,070,864	21,088,870	23,566,366	22,889,590	24,950,023
Highways and Streets	2,502,133	2,837,595	3,119,911	2,981,654	2,684,522	2,828,009	2,923,564	2,810,855	2,680,585	2,650,626
Waste Collection & Disposal	2,053,573	2,094,011	2,023,079	2,035,237	2,637,297	1,937,485	1,950,228	1,971,595	2,000,312	2,021,510
Culture and Recreation	2,691,272	2,970,739	2,828,320	2,559,785	2,622,512	2,665,582	2,729,399	2,788,927	2,845,481	2,948,143
Economic & Community Development	2,651,803	3,179,654	3,184,156	2,519,688	2,419,346	3,174,443	1,349,844	4,063,605	966,551	3,393,612
Interest on Long-term Debt	576,969	523,931	684,700	539,668	532,560	514,648	550,317	557,668	540,521	628,301
Total governmental activities expenses	39,561,748	42,736,902	41,580,937	37,468,910	40,485,705	41,772,947	39,972,768	45,421,740	42,487,669	46,154,838
Business-type activities:										
Electric	33,062,846	32,843,792	32,390,627	32,063,217	27,907,324	27,216,777	24,252,793	24,157,287	22,855,165	23,184,083
Water	8,988,354	9,244,197	9,188,412	9,189,223	10,429,856	10,454,834	10,143,760	11,147,791	11,439,748	11,288,656
Wastewater	10,692,923	11,097,229	11,063,156	11,621,172	12,408,290	12,697,968	12,499,357	12,643,801	13,114,426	13,112,003
Parking Facilities	663,006	760,188	733,541	723,980	786,348	699,693	742,030	739,264	738,566	724,828
Golf Course	408,728	469,694	414,492	418,962	388,840	467,869	407,944	435,174	443,541	481,273
Property Management	312,239	302,237	384,631	410,706	577,208	668,343	542,884	517,393	527,751	613,979
Ice Rink	-	-	-	-	-	-	-	-	-	-
Total business-type activities expenses	54,128,096	54,717,337	54,174,859	54,427,260	52,497,866	52,205,484	48,588,768	49,640,710	49,119,197	49,404,822
Total primary government expenses	\$ 93,689,844	\$ 97,454,239	\$ 95,755,796	\$ 91,896,170	\$ 92,983,571	\$ 93,978,431	\$ 88,561,536	\$ 95,062,450	\$ 91,606,866	\$ 95,559,660
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General Government	\$ 2,842,790	\$ 2,879,990	\$ 3,060,653	\$ 3,035,144	\$ 2,931,762	\$ 3,130,802	\$ 2,784,242	\$ 2,795,421	\$ 2,722,732	\$ 2,618,155
Public Safety	1,315,393	1,206,536	1,434,155	1,373,876	1,883,089	2,962,729	2,549,248	3,367,522	3,016,955	2,722,862
Streets and Alleys	86,365	136,424	90,588	75,676	86,045	102,791	87,261	73,088	48,843	149,743
Waste Collection & Disposal	2,163,207	2,178,805	2,153,210	2,164,998	2,298,368	2,478,721	2,220,898	2,238,358	2,252,262	2,258,122
Parks and Recreation	188,535	186,607	191,602	234,637	225,306	209,899	195,633	259,668	230,561	273,319
Economic & Community Development	502,505	311,982	364,403	96,216	95,246	97,321	89,771	245,921	62,417	61,746
Operating grants and contributions	5,089,132	2,973,450	2,671,617	2,407,886	2,072,808	2,331,085	2,119,193	1,930,908	1,963,246	1,783,552
Capital grants and contributions	5,573,575	1,698,460	512,249	1,594,649	2,611,299	3,792,121	543,261	1,807,299	2,034,072	1,315,570
Total governmental activities program revenues	\$ 17,761,502	\$ 11,572,254	\$ 10,478,477	\$ 10,983,082	\$ 12,203,943	\$ 15,105,469	\$ 10,589,507	\$ 12,718,185	\$ 12,331,088	\$ 11,183,069

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

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

	2007	2008	2010	2011	2012	2013	2014	2015	2016	2017
<b>Business-type activities:</b>										
Charges for services:										
Electric	\$ 32,986,357	\$ 33,959,570	\$ 31,716,189	\$ 33,144,474	\$ 27,521,532	\$ 26,510,826	\$ 24,683,126	\$ 24,460,137	\$ 22,532,600	\$ 22,919,701
Water	8,904,071	8,520,142	8,869,890	9,664,205	10,226,718	10,859,180	11,125,535	11,128,131	11,455,228	11,640,701
Wastewater	7,764,959	8,146,918	9,003,327	9,918,907	10,266,294	10,699,798	10,785,125	12,241,385	12,401,054	13,046,779
Parking Facilities	843,704	885,489	872,441	811,868	855,638	936,246	869,670	975,936	953,580	993,779
Golf Course	196,070	208,572	126,890	137,884	149,074	178,462	196,758	205,199	224,893	174,035
Property Management	350,749	499,700	202,752	330,576	344,856	(985,215)	(132,163)	203,395	344,644	308,646
Operating grants and contributions			440,847	107,730	-	-	-	51,110	69,489	44,502
Capital grants and contributions	7,803,826	10,965,396	9,006,128	7,252,709	5,322,246	2,546,931	3,607,284	2,135,780	2,669,305	2,136,516
Total business-type activities program revenues	58,849,736	63,185,787	60,238,464	61,368,253	54,686,358	50,746,228	51,135,335	51,401,073	50,650,793	51,264,659
Total primary government program revenues	\$ 76,611,238	\$ 74,758,041	\$ 70,718,941	\$ 72,351,335	\$ 66,890,301	\$ 65,851,697	\$ 61,724,842	\$ 64,119,259	\$ 62,981,981	\$ 62,447,728
Net (expense)/revenue	\$ (21,800,246)	\$ (31,164,648)	\$ (31,102,460)	\$ (26,485,828)	\$ (28,281,762)	\$ (26,667,478)	\$ (29,383,261)	\$ (32,703,555)	\$ (30,156,581)	\$ (34,971,769)
Governmental activities	4,721,640	8,468,450	6,063,605	6,940,993	2,188,492	(1,459,256)	2,546,567	1,760,363	1,531,596	1,859,837
Business-type activities	(17,078,606)	(22,696,198)	(25,038,855)	(19,544,835)	(26,093,270)	(28,126,734)	(26,836,694)	(30,943,192)	(28,624,985)	(33,111,932)
Total primary government net expense	\$ (12,356,966)	\$ (14,227,748)	\$ (18,975,250)	\$ (12,603,842)	\$ (23,904,778)	\$ (28,585,738)	\$ (24,290,127)	\$ (29,182,932)	\$ (27,093,389)	\$ (31,252,105)
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes:										
Property Taxes	20,131,677	22,359,137	26,460,939	26,910,889	24,077,697	25,227,705	25,365,054	27,209,882	28,463,400	28,882,713
Income and Other taxes	3,848,468	4,459,350	4,768,035	3,420,814	3,649,661	3,510,080	4,834,311	5,105,039	5,003,437	5,317,337
Excise Tax	719,319	220,678	115,417	96,342	113,485	115,492	69,278	-	-	-
Investment Earnings	874,321	824,414	205,640	72,526	86,685	37,871	13,880	10,695	38,498	62,960
Property Sales	-	-	-	-	-	-	-	-	-	-
Gain(Loss) on Disposal of Capital Assets	44,493	45,841	137,326	171,968	312,796	107,791	220,674	269,201	803,541	285,595
Miscellaneous	(98,787)	173,540	(66,000)	(939,642)	(1,125,869)	(798,089)	(175,455)	183,935	(118,745)	(117,983)
Transfers	-	-	-	-	-	-	-	-	-	-
Capital Transfer from Closed Ice Rink Fund	-	-	-	-	-	-	-	-	-	-
Changes in Accounting Estimate	-	-	-	-	-	-	-	-	-	-
Total governmental activities	25,519,491	28,082,960	31,621,357	29,732,897	27,114,435	28,200,850	30,327,742	32,778,752	34,190,131	34,430,622
Business-type activities:										
Investment Earnings	707,098	743,942	221,725	185,587	253,521	180,193	156,910	146,024	153,275	201,269
Transfers	98,787	(173,540)	66,000	939,642	1,125,869	798,089	175,455	(183,935)	118,745	117,983
Total business-type activities	805,885	570,402	287,725	1,125,229	1,379,410	978,282	332,365	(37,911)	272,020	319,252
Total primary government	\$ 26,325,376	\$ 28,653,362	\$ 31,909,082	\$ 30,858,126	\$ 28,493,845	\$ 29,179,132	\$ 30,660,107	\$ 32,740,841	\$ 34,462,151	\$ 34,749,874
<b>Change in Net Position</b>										
Governmental activities	\$ 3,719,245	\$ (3,081,688)	\$ 518,897	\$ 3,247,069	\$ (1,167,327)	\$ 1,533,372	\$ 944,481	\$ 75,197	\$ 4,033,550	\$ (541,147)
Business-type activities	5,527,525	9,038,852	6,351,330	8,066,222	3,567,902	(490,974)	2,878,932	1,722,452	1,803,616	2,179,089
Total primary government	\$ 9,246,770	\$ 5,957,164	\$ 6,870,227	\$ 11,313,291	\$ 2,400,575	\$ 1,052,398	\$ 3,823,413	\$ 1,797,649	\$ 5,837,166	\$ 1,637,942

**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
2008	22,359,137	2,537,266	85,823	2,177,798	746,567	34,214	53,723	81,010	-	1,462,697	29,538,235
2009	24,296,300	2,262,316	94,758	1,899,839	750,533	34,214	53,929	111,256	116,495	1,532,289	31,151,929
2010	26,460,939	2,289,966	75,391	217,622	516,752	34,214	53,361	132,924	127,279	1,598,512	31,506,961
2011	26,910,889	2,068,330	173,017	161,387	516,752	34,214	53,562	137,741	147,663	-	30,203,556
2012	24,077,697	2,271,796	202,180	79,493	516,752	34,214	53,450	110,756	164,257	-	27,510,594
2013	25,227,705	2,305,373	206,234	-	516,752	34,214	55,352	101,850	165,898	-	28,613,378
2014	25,365,054	2,452,366	207,892	-	750,454	34,214	54,797	86,976	176,220	-	29,127,973
2015	27,209,882	2,559,272	214,162	-	720,362	34,214	63,836	69,699	191,456	-	31,062,883
2016	28,463,400	2,427,965	328,649	-	686,126	34,214	70,395	48,676	193,894	-	32,253,319
2017	28,882,713	2,628,280	443,873	-	739,779	34,214	78,697	30,485	187,687	-	33,025,728

Source: City of Hagerstown Accounting Department

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>General Fund</b>										
Reserved	\$ 400,749	\$ 510,323	\$ 536,025	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved/Undesignated	7,349,854	7,386,804	8,022,458	-	-	-	-	-	-	-
Nonspendable	-	-	-	493,492	487,902	254,914	216,127	226,974	256,353	181,006
Restricted	-	-	-	240,816	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	186,504	199,174	1,783,143	1,596,838	1,555,317	1,077,515	786,785
Unassigned	-	-	-	7,851,817	7,837,687	7,668,912	8,053,185	8,181,345	9,191,926	9,462,818
<b>Total General Fund</b>	<b>\$ 7,750,603</b>	<b>\$ 7,897,127</b>	<b>\$ 8,558,483</b>	<b>\$ 8,772,629</b>	<b>\$ 8,524,763</b>	<b>\$ 9,706,969</b>	<b>\$ 9,866,150</b>	<b>\$ 9,963,636</b>	<b>\$ 10,525,793</b>	<b>\$ 10,430,610</b>
<b>All other governmental funds</b>										
Reserved	\$ 4,849,318	\$ 4,737,722	\$ 3,870,965	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved/Undesignated, reported in:										
Special revenue funds	2,665,841	2,624,295	1,996,542	-	-	-	-	-	-	-
Capital projects funds	4,305,056	108,794	4,454,096	-	-	-	-	-	-	-
Nonspendable	-	-	-	2,683,659	1,784	998,603	1,165,495	1,809,108	2,034,494	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
Committed	-	-	-	2,839,528	1,817,278	43,775	1,672	2,537,161	705,958	2,024,224
Assigned	-	-	-	2,026,103	1,934,204	4,790,358	4,841,125	4,239,568	3,614,734	2,595,895
Unassigned	-	-	-	-	-	(146,717)	(150,415)	(1,088,345)	276,605	(92,306)
<b>Total all other governmental funds</b>	<b>\$ 11,820,215</b>	<b>\$ 7,470,811</b>	<b>\$ 10,321,603</b>	<b>\$ 10,247,443</b>	<b>\$ 9,233,959</b>	<b>\$ 8,639,215</b>	<b>\$ 8,766,826</b>	<b>\$ 10,327,163</b>	<b>\$ 9,447,497</b>	<b>\$ 9,645,217</b>
<b>Total governmental funds</b>										
Reserved	\$ 5,250,067	\$ 5,248,045	\$ 4,406,990	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved/Undesignated, reported in:										
General fund	7,349,854	7,386,804	8,022,458	-	-	-	-	-	-	-
Special revenue funds	2,665,841	2,624,295	1,996,542	-	-	-	-	-	-	-
Capital projects funds	4,305,056	108,794	4,454,096	-	-	-	-	-	-	-
Nonspendable	-	-	-	3,177,151	489,686	1,253,517	1,381,622	2,036,082	2,290,847	2,736,258
Restricted	-	-	-	2,938,969	5,480,693	2,953,196	2,908,949	2,829,671	2,815,706	2,562,152
Committed	-	-	-	2,839,528	1,817,278	43,775	1,672	2,537,161	705,958	2,024,224
Assigned	-	-	-	2,212,607	2,133,378	6,573,501	6,437,963	5,794,885	4,692,249	3,382,680
Unassigned	-	-	-	7,851,817	7,837,687	7,522,195	7,902,770	7,093,000	9,468,531	9,370,512
<b>Total all other governmental funds</b>	<b>\$ 19,570,818</b>	<b>\$ 15,367,938</b>	<b>\$ 18,880,086</b>	<b>\$ 19,020,072</b>	<b>\$ 17,758,722</b>	<b>\$ 18,346,184</b>	<b>\$ 18,632,976</b>	<b>\$ 20,290,799</b>	<b>\$ 19,973,290</b>	<b>\$ 20,075,827</b>

NOTES:  
- The City of Hagerstown implemented GASB Statement 34 in Fiscal Year 2003.  
- The City of Hagerstown implemented GASB Statement 54 in Fiscal Year 2011; therefore, classifications of fund balance may differ from previous fiscal years.

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

	2007	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Revenues:</b>										
Property taxes	\$ 20,131,134	\$ 24,296,300	\$ 26,460,939	\$ 26,910,869	\$ 24,077,697	\$ 25,227,703	\$ 25,365,054	\$ 27,209,882	\$ 28,463,400	\$ 28,882,713
Income and other taxes	3,840,705	6,855,628	5,046,021	3,292,667	3,822,731	3,687,610	4,802,799	4,934,979	5,014,126	5,349,140
Licenses and permits	1,620,455	1,464,043	1,579,442	1,524,465	1,723,790	1,545,465	1,524,702	2,259,693	1,910,357	1,922,814
Intergovernmental grant revenues	5,968,052	4,140,052	2,824,020	2,867,521	2,866,712	2,856,056	2,371,405	2,181,225	3,692,490	2,672,576
Program Income	1,256,342	308,090	214,394	178,801	187,926	194,232	141,952	224,855	51,859	50,888
Charges for services	2,707,678	2,865,895	2,927,691	2,937,027	3,196,544	3,326,693	2,984,147	2,959,862	2,957,509	2,998,972
Fines and forfeitures	109,990	85,627	114,522	73,634	384,137	1,654,158	1,333,317	1,548,400	1,426,168	1,151,264
Investment Earnings	874,321	376,985	103,060	72,526	86,688	37,872	13,880	10,695	38,498	62,960
Property Sales	317,538	-	167,543	46,547	128,768	121,266	34,546	22,119	32,306	44,401
Contributions and Donations	496,488	338,606	292,594	453,244	211,248	278,945	271,247	1,556,831	303,831	426,546
Unallocated general revenue	2,519,642	2,295,992	2,376,572	2,445,006	2,273,943	2,409,113	2,217,577	2,278,109	2,802,237	2,272,194
<b>Total revenues</b>	<b>39,842,345</b>	<b>43,027,218</b>	<b>42,106,798</b>	<b>40,832,327</b>	<b>38,960,184</b>	<b>41,338,992</b>	<b>41,060,626</b>	<b>45,186,650</b>	<b>46,692,781</b>	<b>45,834,468</b>
<b>Expenditures:</b>										
General government	4,709,165	5,946,253	6,025,123	6,161,681	5,613,325	5,482,651	5,841,183	6,235,937	6,140,214	6,104,766
Public safety	17,570,348	21,085,185	20,700,650	19,215,646	18,918,382	19,807,827	20,345,466	22,118,148	22,489,750	22,652,900
Street and alleys	2,102,408	2,565,361	2,979,064	2,592,544	2,441,836	2,392,855	2,627,391	2,564,690	2,516,304	2,451,010
Waste collection & disposal	1,963,094	2,094,011	2,023,156	2,035,308	2,637,018	1,936,153	1,950,525	1,972,012	2,001,190	2,022,219
Parks and recreation	1,908,214	2,263,290	2,353,748	2,134,694	2,180,967	2,157,094	2,312,665	2,415,204	2,552,328	2,503,353
Municipal buildings	429,343	-	-	-	-	-	-	-	-	-
Economic and Community Development	2,668,604	2,521,751	3,205,593	2,601,343	2,211,660	3,130,591	1,350,190	4,117,042	971,503	3,432,511
Capital Outlay	4,023,274	7,435,760	6,028,999	1,368,903	2,036,727	1,847,017	3,377,716	4,666,856	6,484,873	7,906,338
Debt Service										
Principal	3,850,331	1,482,518	1,457,502	1,748,522	1,824,467	1,435,931	1,281,598	1,267,682	1,446,786	1,504,498
Interest	668,969	529,848	579,294	650,015	636,814	595,093	550,187	517,287	577,660	537,853
Issuance costs	-	-	49,714	-	975	1,105	1,105	44,215	1,656	117,200
Unallocated general expenditures	1,822,643	1,988,938	1,709,517	1,244,043	1,393,474	1,442,024	1,663,614	2,036,099	1,758,432	1,724,013
<b>Total expenditures</b>	<b>41,716,393</b>	<b>47,912,915</b>	<b>47,112,360</b>	<b>39,752,699</b>	<b>39,895,645</b>	<b>40,228,340</b>	<b>41,301,640</b>	<b>47,955,172</b>	<b>46,940,696</b>	<b>50,956,661</b>
Excess of revenues over(under) expenditures	(1,874,048)	(4,885,697)	(5,005,562)	1,079,628	(935,461)	1,110,651	(241,014)	(2,768,522)	(247,915)	(5,122,193)
<b>Other financing sources(uses):</b>										
Transfers In	1,863,011	3,081,211	2,451,047	2,209,522	1,623,420	2,389,966	1,885,273	2,282,549	2,125,813	3,041,116
Transfers Out	(2,970,153)	(2,398,394)	(2,517,047)	(3,149,164)	(2,549,309)	(2,913,055)	(1,785,894)	(2,062,664)	(2,195,406)	(3,123,439)
Debt Issued	-	-	-	-	600,000	-	428,427	3,923,743	-	4,793,526
Sale of Capital Assets	-	-	-	-	-	-	-	-	-	-
Bond Financing Prior Proceeds Reiprogram	-	-	8,481,044	-	-	-	-	-	-	314,538
Premium on Bond Financing	-	-	102,666	-	-	-	-	282,716	-	198,989
Proceeds of Long-term debt	7,490,667	-	-	-	-	-	-	-	-	-
Payment to Bond Escrow Agent	(22,325)	-	-	-	-	-	-	-	-	-
<b>Total other funding sources(uses)</b>	<b>6,361,200</b>	<b>682,817</b>	<b>8,517,710</b>	<b>(939,642)</b>	<b>(325,889)</b>	<b>(523,089)</b>	<b>527,806</b>	<b>4,426,344</b>	<b>(69,593)</b>	<b>5,224,730</b>
<b>Net changes in Fund Balance</b>	<b>\$ 4,487,152</b>	<b>\$ (4,202,880)</b>	<b>\$ 3,512,148</b>	<b>\$ 139,986</b>	<b>\$ (1,261,350)</b>	<b>\$ 587,562</b>	<b>\$ 286,792</b>	<b>\$ 1,657,822</b>	<b>\$ (317,508)</b>	<b>\$ 102,537</b>
Debt Service as a percentage of noncapital expenditures	12%	5%	5%	6%	7%	5%	5%	4%	5%	5%

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

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

Fiscal Year Ended	Real Property	Business Personal Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Value	Assessed Value As a Percentage of Actual Value
2008	2,193,547	120,727	2,314,274	0.851	2,719,588	85.10%
2009	2,446,989	125,859	2,572,849	0.846	3,041,192	84.60%
2010	2,650,893	128,231	2,779,124	0.843	3,296,707	84.30%
2011	2,856,491	129,589	2,986,081	0.839	3,559,095	83.90%
2012	2,625,439	109,650	2,735,090	0.835	3,275,557	83.50%
2013	2,601,940	127,861	2,729,800	0.843	3,238,197	84.30%
2014	2,599,512	150,650	2,750,162	0.853	3,224,106	85.30%
2015	2,468,251	108,380	2,576,631	0.955	2,698,043	95.50%
2016	2,521,123	135,120	2,656,243	0.983	2,702,180	98.30%
2017	2,521,811	133,737	2,655,548	0.982	2,704,224	98.20%

**Notes:**

1. Real Property is reassessed by the State of Maryland in Washington County on a three-year cycle by reviewing one-third of all property in Maryland every year.
2. Estimated actual value is calculated by dividing assessed value by total direct tax rate.
3. Tax Rates are per \$100 of assessed value.

Source: City of Hagerstown Director of Support Services.

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

Fiscal Year Ended	Overlapping Rates										
	City			County			State			Total Direct & Overlapping Rates	
	Real Property	Business & Personal Property	Total Direct Property Tax Rate	Real Property	Business & Personal Property	Total County Property Tax Rate	Real Property	Business & Personal Property	Total State Property Tax Rate		
2008	0.798	1.995	2.793	0.948	2.370	3.318	0.112	0.000	0.112	3.430	6.223
2009	0.788	1.970	2.758	0.948	2.370	3.318	0.112	0.000	0.112	3.430	6.188
2010	0.788	1.970	2.758	0.948	2.370	3.318	0.112	0.000	0.112	3.430	6.188
2011	0.788	1.970	2.758	0.823	2.370	3.193	0.112	0.000	0.112	3.305	6.063
2012	0.788	1.970	2.758	0.823	2.370	3.193	0.112	0.000	0.112	3.305	6.063
2013	0.788	1.970	2.758	0.823	2.370	3.193	0.112	0.000	0.112	3.305	6.063
2014	0.788	1.970	2.758	0.823	2.370	3.193	0.112	0.000	0.112	3.305	6.063
2015	0.898	2.245	3.143	0.823	2.370	3.193	0.112	0.000	0.112	3.305	6.448
2016	0.913	2.283	3.196	0.823	2.370	3.193	0.112	0.000	0.112	3.305	6.501
2017	0.913	2.283	3.196	0.823	2.370	3.193	0.112	0.000	0.112	3.305	6.501

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

**City of Hagerstown, Maryland**  
**Principal Property Taxpayers (Includes both Real Estate and Personal Property Taxes)**  
**June 30, 2017**

Taxpayer	2017			2008		
	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	\$ 60,576,600	1	2.28%	\$ -		0.00%
Lowes Home Centers, Inc.	30,226,500	2	1.14%	21,527,100	3	0.93%
Tractor Supply Company	22,383,400	3	0.84%			0.00%
Homes for Hagerstown LLC (Hagerstown Apartments)	21,382,800	4	0.81%	17,713,000	4	0.00%
Walmart Real Estate Business Trust	20,128,400	5	0.76%			0.77%
RPAL Hagerstown LLC	19,743,300	6	0.74%			0.00%
Stone House Maryland LLC (Oekos Stone House)	18,061,100	7	0.68%			0.00%
Cortpark II LLC	16,746,700	8	0.63%	10,872,000	8	0.47%
Cortpark LLC	16,746,700	9	0.63%			0.00%
Washington Real Estate			0.00%	34,173,400	1	1.48%
Verizon-Maryland			0.00%	27,050,290	2	1.17%
Sams Real Estate Business Trust			0.00%	11,947,200	5	0.52%
Columbia Gas of Maryland, Inc.			0.00%	11,031,650	6	0.48%
Inland Southeast Valley Park LLC			0.00%	11,268,400	7	0.49%
York Pinewood Apts. LP			0.00%	10,528,976	9	0.45%
Hagerstown Plaza LLC	14,764,600	10	0.56%	10,149,800	10	0.44%
<b>Totals</b>	<b>\$ 240,760,100</b>		<b>9.07%</b>	<b>\$ 166,261,816</b>		<b>7.18%</b>

Source: City of Hagerstown Director of Support Services.

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

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years		Total Collections to Date	
		Amount	Percentage of Levy	Amount	Percentage of Levy	Amount	Percentage of Levy
2008	\$ 17,814,649	\$ 17,637,965	99.0%	\$ 38,905		\$ 17,676,870	99.23%
2009	19,629,704	19,253,699	98.1%	276,399		19,530,098	99.49%
2010	21,455,120	21,146,616	98.6%	225,281		21,371,897	99.61%
2011	25,120,987	22,207,475	88.4%	161,528		22,369,003	89.05%
2012	20,360,091	19,450,394	95.5%	253,847		19,704,241	96.78%
2013	20,107,789	19,764,852	98.3%	306,468		20,071,320	99.82%
2014	20,260,778	20,024,757	98.8%	140,029		20,164,786	99.53%
2015	22,065,699	21,862,523	99.1%	102,413		21,964,936	99.54%
2016	23,041,528	22,887,668	99.3%	19,118		22,906,786	99.42%
2017	23,342,489	23,130,460	99.1%	20,632		23,151,092	99.18%

Source: City of Hagerstown Director of Support Services.

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

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

**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		
2008	2,314,274	39,941	39,691,669		1.72%	994
2009	2,572,849	40,065	39,336,794		1.53%	982
2010	2,779,124	39,996	62,314,151		2.24%	1,558
2011	2,986,081	39,662	63,755,733		2.14%	1,607
2012	2,735,090	39,662	66,363,883		2.43%	1,673
2013	2,729,800	39,662	62,885,397		2.30%	1,586
2014	2,750,162	39,662	66,307,491		2.41%	1,672
2015	2,576,631	40,364	75,402,932		2.93%	1,868
2016	2,656,243	40,432	70,939,759		2.67%	1,755
2017	2,655,548	40,452	73,754,527		2.78%	1,823

Fiscal Year	Total Taxable Assessed Value of Property (In Thousands)	Population	General Obligation Governmental		Percentage of Total Taxable Value of Property	Per Capita
			Bonds	Bonds		
2008	2,314,274	39,941	14,835,435		0.64%	371
2009	2,572,849	40,065	13,342,801		0.52%	333
2010	2,779,124	39,996	20,457,426		0.74%	511
2011	2,986,081	39,662	18,695,138		0.63%	471
2012	2,735,090	39,662	17,459,565		0.64%	440
2013	2,729,800	39,662	16,013,064		0.59%	404
2014	2,750,162	39,662	15,168,166		0.55%	382
2015	2,576,631	40,364	18,093,422		0.70%	448
2016	2,656,243	40,432	16,621,899		0.63%	411
2017	2,655,548	40,452	20,398,889		0.77%	504

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, 2017**

<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	\$ 141,324,541	21.00%	\$ 29,678,154
Subtotal, overlapping debt			
City of Hagerstown Direct Governmental Fund Debt			<u>20,398,889</u>
Total Direct and Overlapping Debt			<u>\$ 50,077,042.61</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**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt Limit	\$ 235,114,167	\$ 252,023,957	\$ 277,404,374	\$ 292,814,798	\$ 267,405,166	\$ 263,821,300	\$ 264,795,100	\$ 250,651,500	\$ 265,624,272	265,554,800
Total net debt applicable to limit	39,691,668	39,436,600	62,314,151	63,755,731	66,363,883	62,885,397	66,307,491	75,402,932	70,939,759	73,754,527
Legal debt margin	\$ 195,422,499	\$ 212,587,357	\$ 215,090,223	\$ 229,059,067	\$ 201,041,283	\$ 200,935,903	\$ 198,487,609	\$ 175,248,568	\$ 194,684,513	\$ 191,800,273
Total net debt applicable to the limit as a percentage of debt limit	16.88%	15.65%	22.46%	21.77%	24.82%	23.84%	25.04%	30.08%	26.71%	27.77%

**Legal Debt Margin Calculation for Fiscal Year 2017**

Total assessed value	2,655,548,000
Debt limit (10% of total assessed value)	265,554,800
Debt applicable to limit:	
General obligation bonds	73,754,527
Legal debt margin	<u>\$ 191,800,273</u>

Note: The City has no legal debt limit. A credit industry benchmark of 10% was adopted by the Mayor and Council as a guideline on July 20, 1987.

Source: City of Hagerstown Accounting Department.

**City of Hagerstown, Maryland**  
**Demographic and Economic Statistics**  
**Last Ten Fiscal Years**

Fiscal Year	Population	Personal Income	Per Capita Personal Income	Unemployment Rate
2008	39,941	1,254,499,680	31,409	5.3
2009	40,065	1,300,630,095	32,463	9.7
2010	39,996	1,325,267,460	33,135	9.4
2011	39,662	1,314,200,370	33,135	9.7
2012	39,662	1,335,141,906	33,663	8.5
2013	39,662	1,435,605,752	36,196	7.5
2014	39,662	1,435,605,752	36,196	6.6
2015	40,364	1,459,723,696	36,164	7.5
2016	40,432	1,543,127,712	38,166	6.7
2017	40,452	1,617,311,412	39,981	5.4

Data Source:

Population Data provided by the Maryland State Archives, Census Bureau  
Per Capita Personal Income provided by Bureau of Economic Analysis - U.S. Dept. of Commerce  
Unemployment Rate provided by the Department of Numbers prior to 2015  
From FY17 Unemployment Rate Provided by Bureau of Labor Statistics/ MD Office of Workforce  
Information and Performance

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

Employer	2017			2008		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Washington County Public Schools	3,100	1	4.63%	2,921	2	4.41%
Meritus Health, Inc. (Washington County Health System, Inc.)	2,740	2	4.10%			0.00%
Citicorp Credit Services, Inc	2,300	3	3.44%	2,244	4	3.39%
First Data Merchant Services	2,185	4	3.27%	2,077	5	3.13%
Washington County Government	1,352	5	2.02%	1,080	7	1.63%
Volvo Powertrain NA (Mack Trucks, Inc.)	1,300	6	1.94%	1,511	6	2.28%
FedEx Ground	900	7	1.35%			0.00%
Hagerstown Community College	890	8	1.33%	682	10	1.03%
The Bowman Group, LLC	745	9	1.11%	763	8	0.00%
Federal Government	567	10	0.85%	2,971	1	1.15%
Washington County Health System, Inc.				2,613	3	4.48%
State of Maryland				760	9	3.94%
Staples Distribution Center						1.15%
<b>Total</b>	<b>16,079</b>		<b>24.04%</b>	<b>17,622</b>		<b>26.59%</b>

Source: Principal Employers for Washington County MD provided by Hagerstown/Washington County EDC  
Total County employment for 2017 was 66,896 and 2008 was 66,106, supplied by Bureau of Labor Statistics.

**City of Hagerstown, Maryland  
Principal Electric Fund Customers  
June 30, 2017**

Customer	2017				2008			
	Kwh	Amount Billed	Rank	Percentage of Total Electric Fund Billing	Kwh	Amount Billed	Rank	Percentage of Total Electric Fund Billing
City of Hagerstown - Public Works	7,240,915	\$ 588,816	1	2.65%	7,479,484	\$ 765,523	5	2.28%
City of Hagerstown - Wastewater Plant	9,168,600	546,976	2	2.46%	10,007,498	818,615	4	2.44%
Pinnacle Foods Group LLC	4,415,880	309,957	3	1.39%				
CM Offray, Inc	3,469,960	263,330	4	1.18%	4,839,620	459,046	7	1.37%
C.E. Stevens Inc	3,734,560	235,540	5	1.06%	3,076,800	469,226	10	1.40%
Board of Education/Marshall Street	3,049,600	228,996	6	1.03%				
Verizon #27787	3,541,404	227,809	7	1.02%				
HBP, Inc	2,923,280	206,155	8	0.93%	3,271,327	276,997	9	0.83%
Western Maryland St. Hospital	3,184,285	200,949	9	0.90%				
Board of Education/North High	2,495,640	194,651	10	0.87%				
Shenandoah Family Farm (Formerly Good Humor)					26,770,800	2,237,639	1	6.67%
Washington County Hospital					18,174,898	1,538,911	2	4.59%
Hagerstown Housing Authority					5,061,853	464,255	6	1.38%
Washington County Commissioners					3,615,648	337,328	8	1.01%
Board of Education (Consolidated in FY08)					9,900,141	957,299	3	2.86%
<b>Totals</b>	<b>43,224,124</b>	<b>\$ 3,003,179</b>		<b>13.50%</b>	<b>92,198,049</b>	<b>\$ 8,324,839</b>		<b>24.83%</b>

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, 2017**

Customer	2017				2008			
	Gallons	Amount Billed	Rank	Percentage of Total Water Fund Billing	Gallons	Amount Billed	Rank	Percentage of Total Water Fund Billing
Hagerstown Prison Complex(MCI)	394,512,700	\$ 1,343,078	1	12.39%	453,307,800	\$ 1,156,125	1	17.50%
Town of Smithsburg	85,734,600	242,804	2	2.24%	93,447,200	200,077	2	3.03%
Town of Williamsport	60,577,900	176,958	3	1.63%	70,487,200	150,943	3	2.28%
Meritus Medical Center (Washington County Hospital)	36,940,600	131,292	4	1.21%	54,487,300	66,155	6	1.00%
Volvo Powertrain NA (Mack Trucks, Inc.)	30,373,600	113,672	5	1.05%	34,520,900	87,274	4	1.32%
Lakeside Park	23,158,700	85,261	6	0.79%	20,849,600	53,286	7	0.81%
Town of Funkstown	26,382,000	81,660	7	0.75%	30,926,700	66,383	5	1.00%
Oak Ridge Apartments	20,767,000	80,638	8	0.74%	19,592,000	51,778	8	0.78%
PR Valley Limited Partnership	15,933,500	71,480	9	0.66%	18,631,400	47,647	9	0.72%
Maryland Paper	18,216,000	65,281	10	0.60%	37,718,600	45,751	10	0.69%
Good Humor Breyers, Inc.								
<b>Totals</b>	<b>712,596,600</b>	<b>\$ 2,392,124</b>		<b>22.08%</b>	<b>833,968,700</b>	<b>\$ 1,925,419</b>		<b>29.14%</b>

Source: City of Hagerstown Billing Department.

**City of Hagerstown, Maryland**  
**Principal Wastewater Fund Customers**  
**June 30, 2017**

Customer	2017				2008			
	Gallons	Amount Billed	Rank	Percentage of Total Wastewater Fund Billing	Gallons	Amount Billed	Rank	Percentage of Total Wastewater Fund Billing
Meritus Medical Center (Washington County Hospital)	35,907,750	\$ 329,568	1	2.62%	45,598,700	\$ 169,711	1	2.35%
Volvo Powertrain NA (Mack Trucks, Inc.)	16,160,100	162,900	2	1.29%	15,688,700	101,652	4	1.41%
Cortpark LLC	28,381,200	152,021	3	1.21%				
CM Offray (MD Ribbon)	25,716,600	139,409	4	1.11%	25,967,000	97,278	5	1.35%
Washington County Detention Center	14,851,000	138,635	5	1.10%	15,711,600	102,408	3	1.42%
Northhve MHC LLC (was Rockville Mobile Home Inc)	15,659,500	122,426	6	0.97%				
Homes for Hagerstown LLC (Realty Investment Co)	17,093,000	97,101	7	0.77%	19,636,300	73,763	8	1.02%
Hagerstown Housing Authority/Noland Village	17,419,500	92,842	8	0.74%	24,100,000	90,456	6	1.25%
Brookhaven (Brandywine/Youngstown)	8,595,900	90,482	9	0.72%	10,612,000	68,482	9	0.95%
Robinwood Medical Center	7,627,700	72,408	10	0.57%				
Good Humor Breyers, Inc.					37,718,600	141,365	2	1.96%
Board of Education					20,596,800	81,720	7	1.13%
Western Maryland St Hospital					14,280,200	53,151	10	0.74%
<b>Totals</b>	<b>187,412,250</b>	<b>\$ 1,397,792</b>		<b>11.09%</b>	<b>229,909,900</b>	<b>\$ 979,986</b>		<b>13.56%</b>

Source: City of Hagerstown Billing Department.

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

Function	Full-time Equivalent Employees as of June 30									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
City Administrator	1.66	1.66	1.66	1.66	1.67	1.67	1.67	1.67	1.67	1.67
City Clerk	1.34	1.34	1.34	1.34	1.33	1.33	1.50	1.50	1.50	1.50
Community & Economic Development (3)(7)	6.75	28.84	28.80	23.80	23.85	23.50	23.00	1.33	1.33	1.33
Public Information (3)	-	-	-	-	-	-	-	3.50	3.50	5.50
Subtotal Administration	9.75	31.84	31.8	26.80	26.85	26.50	26.17	8.00	8.00	10.00
Accounting (2)	8.50	8.50	8.50	8.50	8.50	8.75	8.75	6.50	6.50	6.50
Treasurer (2)	-	-	-	-	-	-	-	4.00	4.00	4.00
Information Technology, Communications & Support Services (4)	14.10	12.00	12.00	12.00	12.00	12.00	12.00	6.00	6.00	6.00
Billing/Customer Service (4)	-	-	-	-	-	-	-	4.00	4.00	4.00
Purchasing (2)	-	-	-	-	-	-	-	2.50	2.50	2.50
Human Resources	5.00	5.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Planning & Code Administration (3)(7)	20.00	30.64	29.63	29.63	29.72	29.66	29.00	6.00	6.00	6.00
Engineering (1)	-	-	-	-	-	-	-	14.00	14.00	14.00
Code Compliance (3)	-	-	-	-	-	-	-	15.00	15.00	15.00
Police Sworn	112.00	108.00	107.00	107.00	108.00	105.00	105.00	109.00	107.00	105.00
Police Administration/Civilian	15.00	15.00	15.00	15.00	15.00	13.00	13.00	13.00	24.00	24.00
Fire	83.00	83.00	83.00	83.00	83.00	83.00	83.00	83.60	83.60	83.60
Public Works	32.90	32.50	32.90	32.90	32.90	32.90	34.00	34.00	34.00	34.00
Parks & Recreation (1)	-	-	-	-	-	-	-	20.00	20.00	20.00
<b>Total General Fund</b>	<b>330.90</b>	<b>326.48</b>	<b>323.83</b>	<b>318.83</b>	<b>319.97</b>	<b>314.81</b>	<b>314.92</b>	<b>329.60</b>	<b>338.60</b>	<b>338.60</b>
Electric	35.55	35.55	35.55	35.55	40.18	40.18	40.00	40.00	40.00	40.00
Water	54.52	54.52	55.02	55.02	55.02	55.49	54.25	56.00	56.00	56.00
Wastewater	48.26	48.26	47.76	47.76	47.76	47.40	48.00	48.00	48.00	48.00
Golf Course	2.52	2.52	2.53	2.53	2.37	2.52	3.00	3.00	3.00	3.00
Parking	2.20	2.40	2.20	2.20	2.20	2.20	2.40	2.00	2.00	2.00
Property Management (6)	0.90	1.10	0.90	0.90	0.90	0.90	-	-	-	-
Community Development Block Grant	2.00	2.01	2.21	2.21	2.20	2.50	3.43	6.40	6.40	6.40
Business Revolving Loan Fund	0.15	0.16	-	-	-	-	-	-	-	-
Telework Center (5)	-	-	-	-	-	-	-	1.00	1.00	1.00
<b>Approved City Staffing Levels</b>	<b>477.00</b>	<b>473.00</b>	<b>470.00</b>	<b>465.00</b>	<b>470.60</b>	<b>466.00</b>	<b>466.00</b>	<b>486.00</b>	<b>495.00</b>	<b>495.00</b>
General Operations	123.05	123.75	121.94	116.94	117.07	117.21	131.40	131.40	131.40	133.40
Public Safety	210.00	206.00	205.00	205.00	206.00	201.00	205.60	205.60	214.60	212.60
Business-type Activities	143.95	143.25	143.06	143.06	147.53	147.79	147.65	149.00	149.00	149.00

(1) Engineering and Parks and Recreation combined in 2011 to form the Engineering and Parks Department.  
(2) Accounting, Treasurer and Purchasing combined in 2011 to form the Finance Department.  
(3) Economic Development, Community Affairs, Planning and Code combined in 2011 to form the Department of Community and Economic Development.  
(4) Information Technology and Billing/Customer Service combined in 2011 to form the IT and Support Services Department.  
(5) Telework Center Closed in 2011.  
(6) Property Management in 2012 employees are funded to this account.  
(7) Planning & Code Administration were split from Community & Economic Development  
Source: City of Hagerstown Human Resource Department.

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

Function	FISCAL YEAR									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Fire Department</b>										
Responses to Fire alarms	3,575	3,623	3,236	2,978	2,587	2,573	2,428	2,275	2,249	2,185
Average response time (in minutes)	4:29	4:14	4:14	4:38	3:06	4:06	4:17	4:31	3:13	3:19
False alarms (Included in above number)	51	30	32	30	25	30	18	27	10	6
Public fire education programs	1,131	1,029	1,302	1,288	825	1,452	927	655	453	356
Persons in attendance at public education programs	9,429	8,572	9,810	9,629	5,880	9,619	10,558	14,875	13,950	11,110
<b>Police Department</b>										
Parking ticket violations issued	8,587	7,985	8,684	8,427	8,838	7,030	8,117	11,660	12,146	8,654
Net parking fines	\$ 127,708	\$ 118,163	\$ 118,225	\$ 107,135	\$ 113,540	\$ 91,860	\$ 125,161	\$ 172,865	\$ 143,275	\$ 148,223
Calls for service	55,519	54,762	61,250	61,329	60,764	63,697	54,555	51,625	53,479	57,509
Alarm calls (Included in above number)	402	484	564	470	496	696	1,048	1,563	2,088	2,065
<b>Parks and Recreation</b>										
Claude M Potterfield Pool										
Total attendance at swimming pool	25,776.00	21,876	16,195	15,998	17,945	23,223	23,611	23,764	24,268	25,497
Average daily attendance at pool	293.00	264	176	222	285	332	353	321	275	300
The Greens at Hamilton Run										
Total attendance at golf course	10,006	10,759	11,736	10,026	9,998	10,946	10,804	10,191	12,219	16,638
Average daily attendance at golf course	53.00	55	48	41	37	43	39	39	39	48
<b>Electric Department</b>										
Number of active accounts	17,085	16,936	16,866	16,900	16,863	16,876	16,921	16,821	16,974	17,026
Number of meters (in use)	17,512	17,691	17,556	17,375	17,876	17,825	17,942	17,898	17,972	18,072
Kilowatt hours purchased	304,938,150	297,411,446	310,397,995	318,885,469	314,865,535	322,917,151	354,751,891	350,706,567	356,049,155	363,323,000
Kilowatt hours sold	297,368,988	287,368,823	306,698,130	307,256,238	304,005,581	312,875,929	343,746,297	337,724,526	348,476,126	351,366,300
System peak demand-kilowatts	60,850	60,680	67,655	68,144	66,100	68,180	71,024	67,389	66,204	73,990
<b>Water Department</b>										
Number of active accounts-City	13,324	13,215	13,112	13,082	13,088	13,044	13,028	12,996	13,030	13,083
Number of active accounts-County	15,967	15,778	15,632	15,387	15,430	15,343	15,319	15,288	15,189	15,162
Total number of active accounts	29,291	28,993	28,744	28,469	28,518	28,387	28,347	28,284	28,219	28,245
Daily average productions in million gallons										
R.C. Willson Plant (365 days)	11.00	11.7	11.317	11.423	11.559	11.637	11.854	11.346	10.797	10.583
Wm. M. Breichner Plant (365 days)	-	-	-	-	-	-	0.01	-	0.00	0.01
Greatest consumption for a single day	12.85	14.54	14.12	14.3	13.65	13.680	14.000	13.530	13.270	13.130
Plant pumping capacity per day	20	20	20	20	20	20	20	20	20	20
Average daily metered consumption	7.980	8.160	8.244	8.129	7.729	8.244	8.698	8.233	8.532	8.645
<b>Wastewater Department</b>										
Number of active accounts-City	13,060	12,930	12,853	12,764	12,795	12,779	12,778	12,745	12,777	12,828
Number of active accounts-County	2,976	2,934	2,912	2,889	2,902	2,903	2,922	2,916	2,898	2,903
Number of active accounts-District (USA)	3,670	3,633	3,577	3,516	3,476	3,449	3,437	3,434	3,409	3,373
Number of active accounts-Total	19,706	19,497	19,342	19,169	19,173	19,131	19,137	19,095	19,084	19,104
Daily average of sewage treated (million gallons)(including inflow and infiltration)	6.70	7.02	6.94	7.08	6.55	7.29	7.430	7.170	6.310	7.060
Daily average plant capacity (rated optimum efficiency)(million gallons)	8,000	8,000	8,000	10,500	10,500	10,500	10,500	8,000	8,000	8,000

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

Function	FISCAL YEAR									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Parking Facilities Department</b>										
Parking Deck:										
Number of Parking Spaces	625	625	625	625	625	625	625	629	625	629
Number of Permit Parkers	605	693	729	485	485	638	996	868	695	421
Operating Revenue:										
Meter Fees	\$ 170,999	\$ 180,153	\$ 189,227	\$ 187,460	\$ 182,763	\$ 186,368	\$ 186,781	\$ 226,740	\$ 237,847	\$ 237,847
Permit Fees	\$ 197,131	\$ 157,777	\$ 181,425	\$ 198,800	\$ 179,250	\$ 161,600	\$ 144,237	\$ 183,619	\$ 162,079	\$ 162,079
Deck	\$ 528,540	\$ 500,368	\$ 426,571	\$ 400,545	\$ 421,341	\$ 378,655	\$ 361,707	\$ 311,211	\$ 334,712	\$ 334,712
<b>Sanitation</b>										
Number of Waste Collection and Disposal Accounts										
Residential	14,520	14,412	14,324	14,278	14,341	14,326	14,304	14,364	14,586	14,335
Commercial (Trash and Recycling)	71	68	60	53	38	25	-	-	-	-
<b>Special Revenue Funds</b>										
Number outstanding loans:										
Community Development Block Grant										
Single family	2	2	4	4	4	6	6	5	7	9
Residential Rental	11	9	12	6	6	6	8	9	9	10
Commercial	1	2	2	2	2	2	2	2	2	2
Deferred	41	35	36	35	36	37	36	37	35	31
Public facilities and improvements	3	3	4	4	4	4	4	4	4	4
Homeownership	4	5	5	4	4	4	4	5	6	7
Direct Homeownership	5	5	6	7	7	7	9	10	9	8
Business Revolving Loans	19	18	16	12	12	10	10	12	10	12
Total	86	79	85	74	75	76	79	84	82	83
Outstanding loan balances:										
Community Development Block Grant										
Single family	10,679	2,951	6,695	11,896	20,335	31,573	40,964	35,592	44,427	139,798
Residential Rental	901,864	795,402	813,401	696,938	716,986	596,347	623,803	656,671	688,176	449,450
Commercial	60,944	106,983	21,564	145,980	167,887	186,434	207,740	234,099	261,116	279,075
Deferred	1,002,306	839,607	804,257	758,431	783,641	789,367	788,302	797,529	863,392	766,144
Public facilities and improvements	297,026	324,546	546,291	584,687	548,366	585,653	627,758	671,463	715,276	757,622
Homeownership	87,268	93,023	101,600	109,331	117,211	125,424	137,620	217,964	266,411	276,864
Business Revolving Loans	1,240,258	1,202,994	903,163	773,247	732,901	654,480	569,807	830,909	686,774	832,348
Total	\$ 3,600,345	\$ 3,365,506	\$ 3,196,971	\$ 3,080,510	\$ 3,087,327	\$ 2,969,278	\$ 2,995,994	\$ 3,444,227	\$ 3,525,572	\$ 3,501,301
Program income (interest and loan repayments)										
Community Development Block Grant										
Single family	3,215	4,040	5,763	9,447	12,748	11,404	8,296	8,879	99,941	35,804
Residential Rental	32,207	32,477	149,291	46,853	47,244	56,975	62,950	57,651	58,745	84,167
Commercial	23,360	21,564	21,564	25,001	21,564	25,173	30,748	33,280	23,892	53,753
Deferred	300	-	3,544	20,550	20	-	18,951	2,561	2,301	10,255
Public facilities and improvements	35,322	235,477	55,991	55,438	57,383	63,989	67,292	69,578	68,309	70,876
Homeownership*	7,338	10,363	8,623	10,865	110,599	15,910	85,768	66,183	22,805	56,422
Business Revolving Loans	90,811	73,273	73,657	73,135	55,780	112,732	107,381	85,714	175,432	118,563
Total	\$ 192,553	\$ 377,194	\$ 318,433	\$ 241,289	\$ 305,338	\$ 286,183	\$ 381,386	\$ 323,846	\$ 451,425	\$ 429,840

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

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

Function	FISCAL YEAR									
	2016	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Fire Department</b>										
Number of stations (4 volunteer, 2 City owned)	6	6	6	6	6	6	6	6	6	6
<b>Police Department</b>										
Number of Stations and Substations	3	3	3	3	3	3	3	3	3	3
<b>Public Works Department</b>										
Miles of paved streets and alleys	154.39	153.90	152.10	151.88	151.75	151.0	145.6	145.6	144.4	143.3
Number of traffic signals maintained	136	133	132	131	132	132	129	133	130	132
<b>Parks and Recreation</b>										
Parks and Playgrounds (302 acres)	21	20	19	19	18	15	15	15	15	15
Outdoor swimming pools	1	1	1	1	1	1	1	1	1	1
Number of Municipal golf courses	1	1	1	1	1	1	1	1	1	1
Ice Hockey Rinks	1	1	1	1	1	1	1	1	1	1
Municipal Stadium	1	1	1	1	1	1	1	1	1	1
Museums	2	2	2	2	2	2	2	2	2	2
<b>Electric Department</b>										
Number of substations - 34.5KV to 13.8KV	7	7	7	7	7	7	7	7	7	7
<b>Water Department</b>										
Miles of water mains (estimate)	430	430	425	425	425	425	425	425	425	425
Fire hydrants	824	824	814	825	814	814	814	808	802	802
City	1,361	1,354	1,318	1,337	1,318	1,297	1,297	1,291	1,272	1,272
County										
<b>Wastewater Department</b>										
Number of City owned pumping stations	23	23	25	25	25	27	23	26	26	26
Miles of collection system-City owned	157	157	156	157	156	156	153	153	153	153
<b>Parking Facilities Department</b>										
Number of Lots	8	7	7	7	7	7	7	7	7	6
Number of Parking Spaces (Metered or Rented)										
Lots	716	701	701	701	701	709	678	678	682	719
Streets	376	372	372	372	374	363	519	519	511	526
Number of Parking Decks	2	2	2	2	2	2	2	2	2	2

Source: Corresponding City Department.

