



Comprehensive Annual Financial Report

For The Fiscal Year Ended June 30, 2018

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



City of Hagerstown

MARYLAND



Comprehensive Annual Financial Report Fiscal Year 2018

July 1, 2017 - June 30, 2018

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City of Hagerstown
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 For the Fiscal Year Ended June 30, 2018

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INTRODUCTORY SECTION





City of Hagerstown, Maryland

Finance Department

October 31, 2018

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

State law requires that general purpose local governments publish within four months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards (GAAS) by a firm of licensed certified public accountants. Pursuant to that schedule, and in accordance with Article VII, Section 722 of the City's Charter, we hereby issue the comprehensive annual financial report (CAFR) for the City of Hagerstown, for the year ended June 30, 2018.

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, 2018, are free of material misstatement. In accordance with auditing standards generally accepted in the United States, SB & Company, LLC, independent public accountants, have issued an unmodified opinion. The independent accountant concluded that the City of Hagerstown's financial statements for the year ended June 30, 2018, are fairly presented in conformity with GAAP. The independent public accountant's report is presented as the first component of the Financial Section of this CAFR.

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

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

Profile of the Government

The City of Hagerstown (The City), founded in 1762 and incorporated in 1813, is the county seat of Washington County, Maryland. The City is located approximately 70 miles northwest of Washington D.C., about 72 miles west of Baltimore, Maryland, and 65 miles southwest of Harrisburg, Pennsylvania. The City currently occupies a land area of 12.1 square miles and serves a population of 40,306 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.

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 86 through 88 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 89 and 90 through 98.

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 increased slightly from 5.4% in June 2017 to 5.6% in June 2018; and, the most recent figure for August 2018 has decreased back to 5.4%. The state of Maryland unemployment rate in June 2018 was 4.5%, while 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 2018 reflected a decline to 73,170 compared to the prior June average of 74,773, and conversely the Hagerstown metropolitan per capita income for June 2018 (\$40,934) increased slightly compared to June 2017 (\$39,981).

FY17/18 was the first year of the City's triennial assessment period. The City's assessable tax base reflected growth and the City's real estate tax rate increased by 2.8 cents per \$100 due to constant yield calculations from the State. Both of these factors resulted in an increase for total property tax revenue of \$0.8 million over FY16/17 revenue dollars. Property tax revenue comprised approximately 68% of the City's total general fund revenue sources in FY17/18.

During FY17/18, the City started the process to implement a red light camera program 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 reflect the financial impact of their decisions. The City continues to maintain an unassigned fund balance for the General Fund at or above its' current financial policy requirements of 17% and a minimum of 2.0 months of General Fund operating expenditures. At the end of FY17/18 unassigned fund balance for the General Fund was \$10.0 million or 24.4% 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) under Mayor & City Council and under FY18/19 Approved budget. Currently, the Mayor and Council are in the final phases of developing new short-term goals to cover calendar 2018-2020.

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. A summary of the catalyst projects are as follows with more details including status reporting on the City's website (www.hagerstownmd.org):

The Catalyst Projects were initiated in FY14/15 with work ongoing in FY17/18 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 remain in an 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. Currently, The Maryland Theatre has completed Phase I of its expansion project which included design and partial demolition. The City has been one of many public and private partners in contributing funding towards this project. It is anticipated that all work will be completed in Fall 2019.
- Catalyst Project 3 - Support for expansion of the University System of Maryland Hagerstown (USMH) through a dedicated student housing project. 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 parties have partnered with a private developer to help with this initiative which 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. There are ongoing efforts to start the next phase of this trail to include additional public and interactive art and additional trail construction.
- 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 continues 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 variety of state grants since FY15/16 to help with varying aspects of this initiative and will continue to seek future opportunities to continue these efforts.

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. Preliminary work, including demolition, has been completed on several of the various individual projects in downtown. Most of the projects will be completed by Fall 2020.

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. A subsequent study was required to address

Probable Maximum Precipitation (PMP) design requirements to comply with State and Federal Dam Safety requirements. The design phase is currently 30% complete and the final design will be finished in FY19. Construction of needed improvements to address ongoing seepage is anticipated to begin in FY20. 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 offers a variety of 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. Last, the City of Hagerstown boasts a 1 Gigabit Downtown program which offers a fiber-optic internet connection with speeds of 1,000 Megabits per second.

The City has a long history of creating and maintaining an impressive public park system. The City officially completed and opened the first phase 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 work on the completion of this trail connection and will explore other parks and improvement opportunities in the future.

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

Awards and Acknowledgements

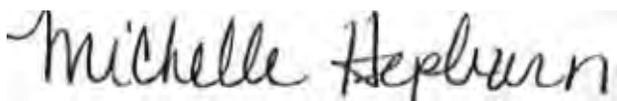
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2017. This was the twenty-second consecutive 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, 2017. 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 Jennifer Peterson, Accounting & Budget Manager for coordinating and managing the entire audit process and to the Senior Financial Accountants, Jeffrey Lear and Brooke Garver for the commitment and teamwork displayed during the preparation of the CAFR. Special thanks must also be given to our independent accounting firm, SB & Company, LLC for their support and assistance in conducting the audit and for their insights and guidance on improving our financial reporting. Finally, credit must be given to the Mayor and the governing Council for their interest and support in planning for and maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,



Michelle Hepburn, Director of Finance



Government Finance Officers Association

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

Presented to

**City of Hagerstown
Maryland**

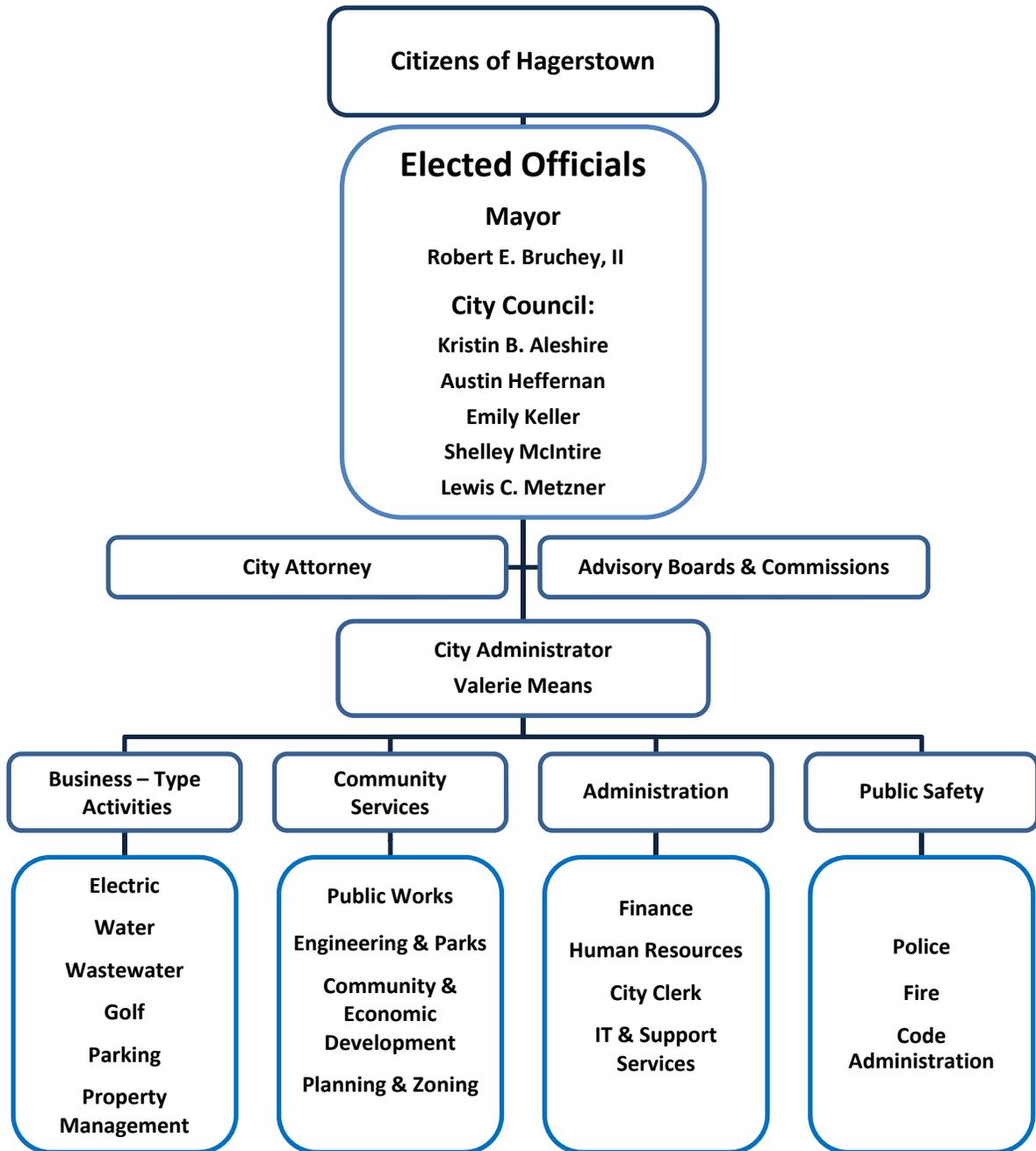
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

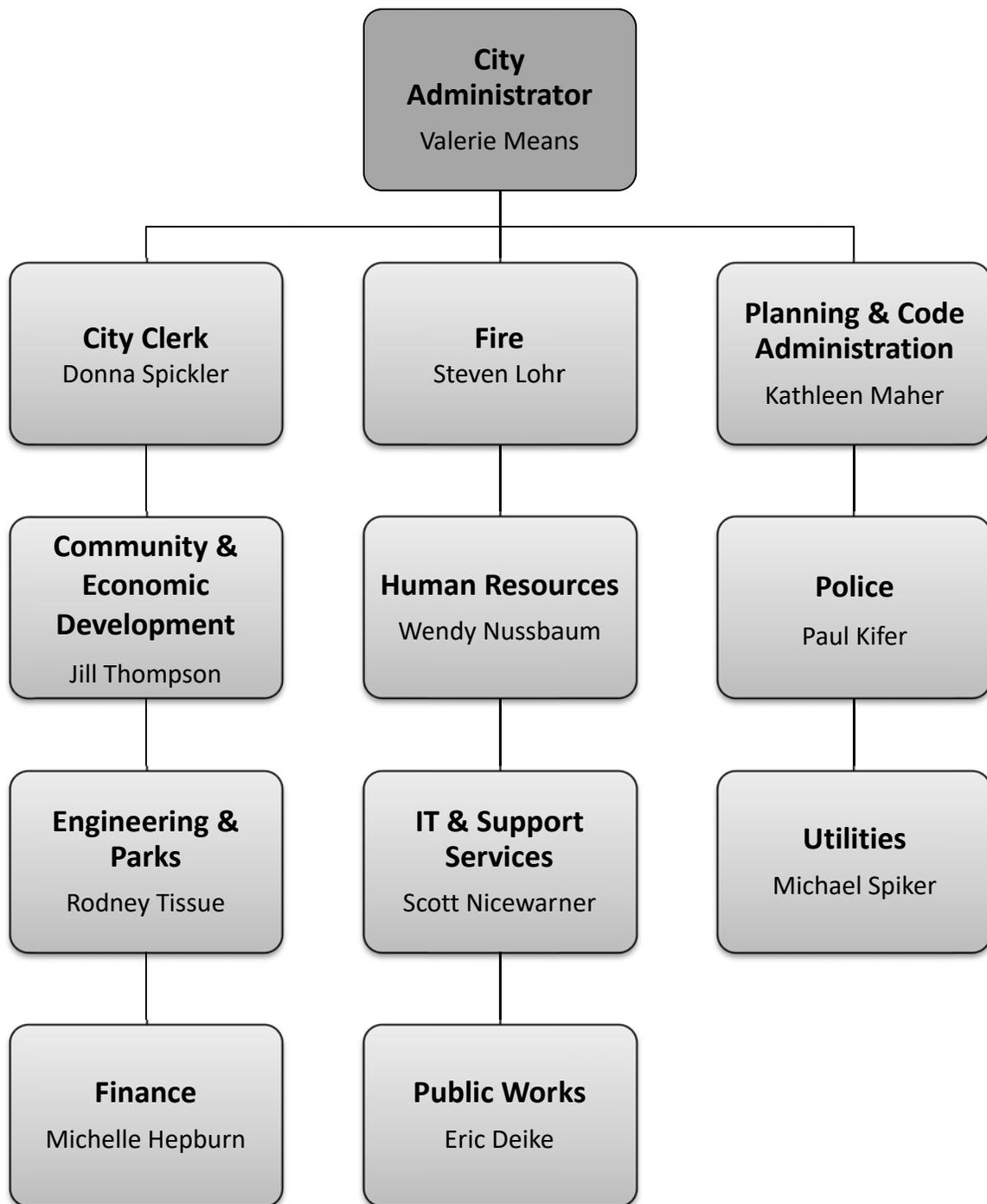
Christopher P. Morill

Executive Director/CEO

City of Hagerstown Organizational Structure



City of Hagerstown Department Organizational Structure



City Center — The Heart of Hagerstown



FINANCIAL SECTION





REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

City of Hagerstown, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hagerstown, Maryland (the City) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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



Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budget and actual for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Emphasis of Matter

As discussed in Note I.E. to the financial statements, during the year ended June 30, 2018, the City adopted new accounting guidance from Government Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". The implementation of GASB No. 75 by the City required a restatement of the prior year net position to recognize the City's net Other Post-Employment Benefits (OPEB) liability. Our opinion is not modified with respect to this matter.

Required Supplementary Information

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



SB & COMPANY, LLC
KNOWLEDGE • QUALITY • CLIENT SERVICE

Supplementary and Other Information

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

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

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

Hunt Valley, Maryland
October 29, 2018

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

Management's Discussion and Analysis (MD&A)

Introduction

As management of the City of Hagerstown, Maryland (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2018. The MD&A is best understood if read in conjunction with the Transmittal Letter and the City's basic financial statements.

Financial Highlights

- The City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$194.8 million (*net position*). Approximately 78.0% of this amount is attributable to the City's three utilities (Electric, Water and Wastewater). Of the total net position, there is negative <\$27.8> million (*unrestricted net position*) to meet ongoing obligations to citizens and creditors (attributable to the City's total net pension liabilities of \$51.5 million reflected per GASB 68 implementation and to the City's total net OPEB liabilities of \$24.2 million reflected per GASB 75), \$9.7 million is restricted for specific purposes (*restricted net position*), and \$213.0 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 \$21.3 million. Of this total amount \$10.0 million is unassigned and represents working capital available to support governmental operating needs and future years' expenditures.
- The City's total net bonded debt decreased by \$4.0 million during the current fiscal year from \$73.8 million to \$69.8 million. Total new debt added during the fiscal year was \$1.5 million, which reflects a new 2018B Taxable Public Improvements bond. The City's adherence to its amortization schedules for existing debt reduced its debt by \$5.5 million in payments during the fiscal year. Additional information on the City's long-term debt activity can be found in Note IV. F. of the notes to the financial statements.
- The General Fund, on a current financial resource basis, reported a surplus of revenues over expenditures and other financial sources and uses by \$1.2 million after making a \$0.9 million transfer to the Capital Projects Fund and operating transfers of \$0.3 million to the Golf Course Fund, and \$0.1 million to the Economic Redevelopment Fund for economic program initiatives and incentives. There was an adjustment to property tax rates in FY17/18 to remain at constant yield. The real estate property tax rate was \$0.941 per \$100 assessed value and corporate personal property tax rate to be \$2.353. Due to growth in assessed values, total property tax revenue was \$0.7 million higher in FY17/18 for total revenue of \$29.6 million.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$10.0 million or 24.4% 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 17% and 2.0 months of the General Fund operating expenditures.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

The City maintains nine individual governmental funds: the General; Capital Projects; Community Development Block Grant; Economic Redevelopment; Flexible Spending; Business Revolving Loan; Excise Tax; Grant Revenue; and 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 24 of this report. The other governmental fund financial statements can be found on pages 86 through 98.

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 25 to 29 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic total fiduciary fund financial statements can be found on pages 30 to 31 of this report.

Additionally, a separate section can be found on pages 105 to 106 for the detail of the total fiduciary fund.

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 32 to 79.

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 80 to 85 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 \$194.8 and \$221.2 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 (109.3% or \$213.0 million) reflects its net investment in capital assets (e.g., land and improvements, buildings, machinery, equipment, infrastructure, and improvements), less any unmatured debt used to acquire those assets. The City uses these capital assets to provide services to citizens. Consequently, these assets are *not* available for future spending.

Restricted net position represents 5.0% 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 <\$27.8> million (negative 14.3% of total net position) which is used to meet the government's ongoing obligations to citizens, creditors, and employee pension plans. Of this total amount, the unrestricted net position for business-type activities has a balance of \$20.5 million and the unrestricted net position portion for governmental activities has a negative balance of <\$48.3> million.

It is important to note that the City has fully implemented GASB Statement 68 and the result is a total of \$51.5 million in total net pension liability to fund both of the City's pension plans and GASB Statement 75 for the OPEB liability of \$24.2 million. This total \$75.7 million liability is not a current obligation or expectation of payment but an actuarial calculation on total to be fully funded in the future. This liability decreases the amount reflected in the unrestricted net position of the City.

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

**Summary of Net Position
June 30, 2018 and 2017**

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets:						
Current assets	\$ 27,407,863	\$ 29,384,506	\$ 34,953,596	\$ 33,943,264	\$ 62,361,459	\$ 63,327,770
Long-term and restricted assets	3,008,976	2,428,582	9,935,878	9,111,982	12,944,854	11,540,564
Capital assets, net	84,153,136	85,329,222	196,221,106	199,299,441	280,374,242	284,628,663
Total Assets	114,569,975	117,142,310	241,110,580	242,354,687	355,680,555	359,496,997
Deferred outflows related to pensions	4,629,466	3,330,318	1,639,720	2,243,526	6,269,186	5,573,844
Deferred outflows related to OPEB	2,041	-	884	-	2,925	-
Total Deferred Outflows	4,631,507	3,330,318	1,640,604	2,243,526	6,272,111	5,573,844
Liabilities:						
Long-term liabilities	81,162,201	61,457,472	62,588,442	60,740,922	143,750,643	122,198,394
Other liabilities	8,658,162	8,206,723	12,463,024	12,924,575	21,121,186	21,131,298
Total Liabilities	89,820,363	69,664,195	75,051,466	73,665,497	164,871,829	143,329,692
Deferred inflows related to pensions	650,841	269,540	558,882	228,094	1,209,723	497,634
Deferred inflows related to OPEB	719,968	-	311,828	-	1,031,796	-
Total Deferred Inflows	1,370,809	269,540	870,710	228,094	2,241,519	497,634
Net Position:						
Investment in capital assets, net	66,650,974	66,954,557	146,353,536	145,943,803	213,004,510	212,898,360
Restricted	9,650,397	9,737,523	-	-	9,650,397	9,737,523
Unrestricted	(48,291,059)	(26,153,187)	20,475,472	24,760,819	(27,815,587)	(1,392,368)
Total Net Position	\$ 28,010,312	\$ 50,538,893	\$ 166,829,008	\$ 170,704,622	\$ 194,839,320	\$ 221,243,515

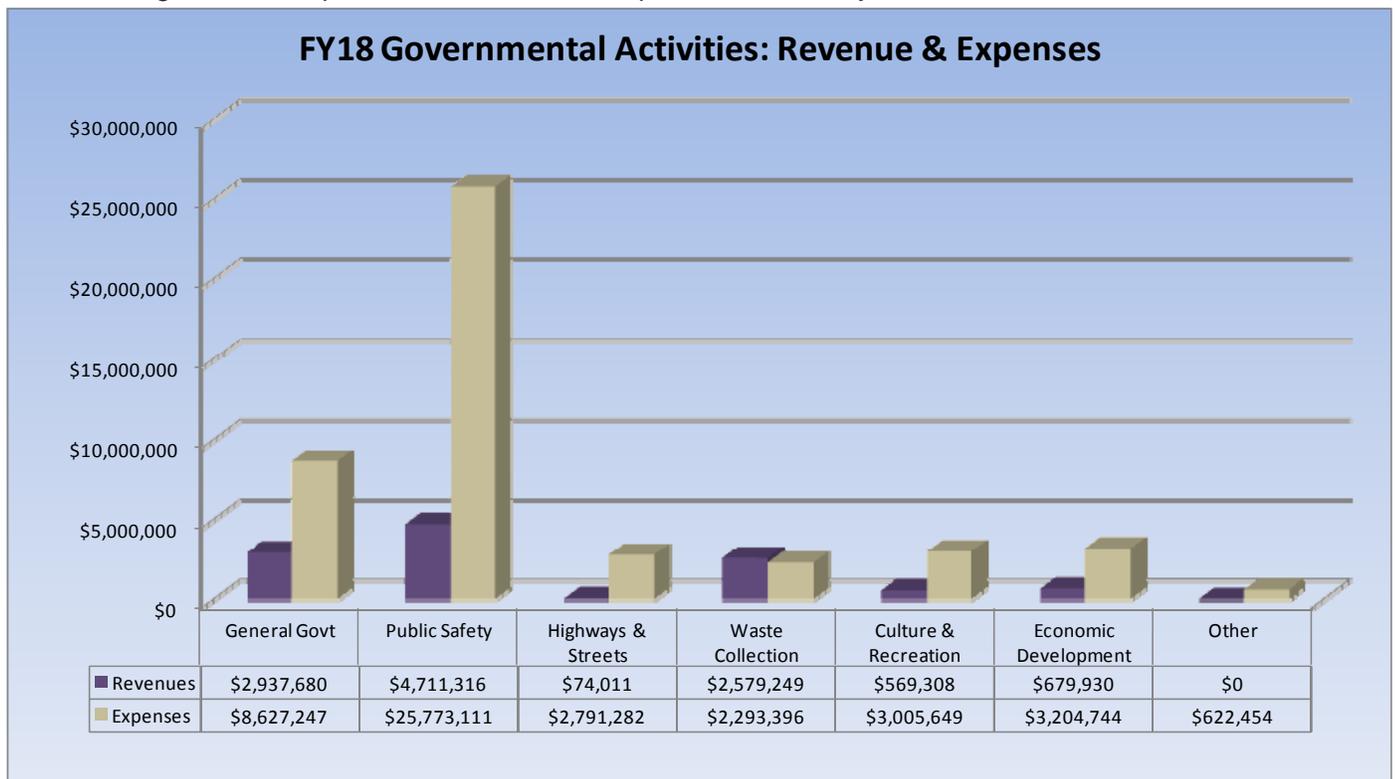
The following table indicates the changes in net position for governmental and business-type activities:

	Changes in Net Position					
	June 30, 2018 and 2017					
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program Revenues:						
Charges for services	\$ 8,760,431	\$ 8,083,947	\$ 51,159,561	\$ 49,083,641	\$ 59,919,992	\$ 57,167,588
Operating grants and contributions	1,554,570	1,783,552	5,616	44,502	1,560,186	1,828,054
Capital grants and contributions	1,236,493	1,315,570	1,449,023	2,136,516	2,685,516	3,452,086
General Revenues:						
Property taxes	29,674,582	28,882,713	-	-	29,674,582	28,882,713
Income and other taxes	5,057,155	5,317,337	-	-	5,057,155	5,317,337
Miscellaneous	426,095	348,555	265,658	201,269	691,753	549,824
Total Revenues	46,709,326	45,731,674	52,879,858	51,465,928	99,589,184	97,197,602
Expenses:						
Program Expenses:						
General government	8,627,247	9,562,623	-	-	8,627,247	9,562,623
Public safety	25,773,111	24,950,023	-	-	25,773,111	24,950,023
Highways and streets	2,791,282	2,650,626	-	-	2,791,282	2,650,626
Waste collection and disposal	2,293,396	2,021,510	-	-	2,293,396	2,021,510
Culture and recreation	3,005,649	2,948,143	-	-	3,005,649	2,948,143
Economic and community development	3,204,744	3,393,612	-	-	3,204,744	3,393,612
Interest on long-term debt	622,454	628,301	-	-	622,454	628,301
Utilities and other proprietary funds	-	-	48,809,122	49,404,822	48,809,122	49,404,822
Total Expenses	46,317,883	46,154,838	48,809,122	49,404,822	95,127,005	95,559,660
Excess (deficiency) before transfers	391,444	(423,164)	4,070,736	2,061,106	4,462,180	1,637,942
Transfers	(478,644)	(117,983)	478,644	117,983	-	-
Change in net position	(87,201)	(541,147)	4,549,380	2,179,089	4,462,180	1,637,942
Net position - beginning	50,538,893	51,080,040	170,704,622	168,525,533	221,243,515	219,605,573
GASB 75 Adjustment	(22,441,381)	-	(8,424,994)	-	(30,866,375)	-
Net position - beginning as restated	28,097,512	51,080,040	162,279,628	168,525,533	190,377,140	219,605,573
Net Position - Ending	\$ 28,010,312	\$ 50,538,893	\$ 166,829,008	\$ 170,704,622	\$ 194,839,320	\$ 221,243,515

Governmental activities: General revenues for the governmental activities were \$35.2 million, while total expenses, net of charges for services, grants and contributions, were \$34.7 million. Last, the total transfers to other funds were \$0.5 million. The resulting decrease in net position for governmental activities was <\$0.09> million and can be largely attributed to the following:

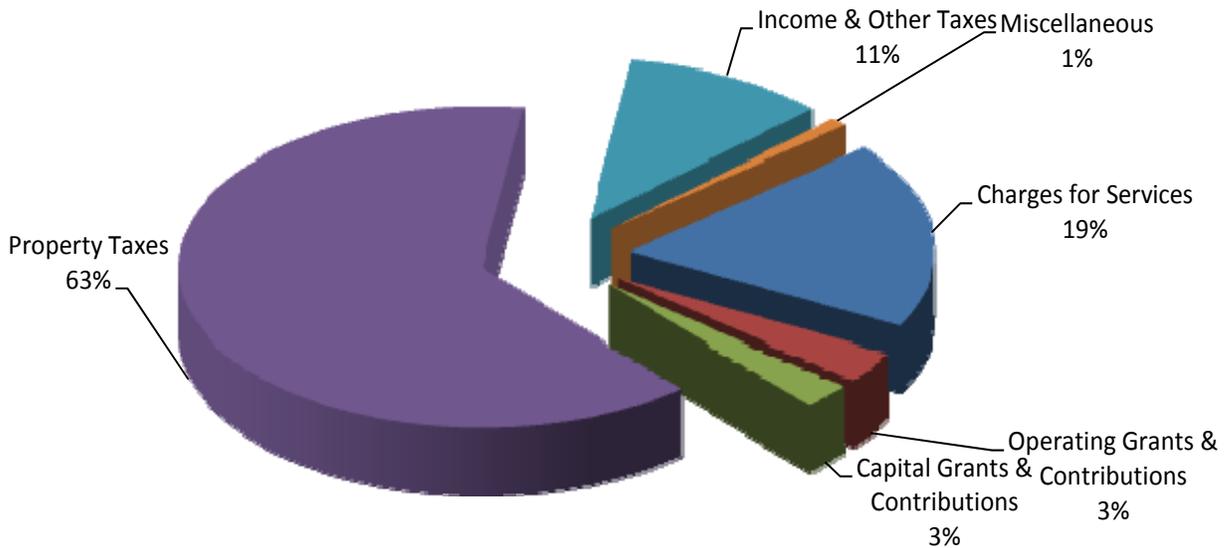
- \$1.2 million of the decrease is due to the excess of actual revenues over expenses in the City’s General Fund. This increase is a result of growth in the total property revenues (includes personal property taxes) offset by decline in other revenues. Additionally, overall expenses decreased over prior year totals and FY17/18 budgets. The individual departments’ expense savings of \$1.0 million. The largest area of expense savings was within Public Safety and specifically in the Police Department. This savings largely reflects vacant positions.
- \$0.005 million increase is a result of all other governmental funds including the General Capital Improvement Fund. The surplus and deficits across the other governmental funds offset each other in FY17/18.
- <\$1.3> million of the increase is a result of the City’s necessary adjustments for Statement of Net Positions. The majority of this decrease is related to annual OPEB expenses recognized this year as part of GASB 75 implementation. Please see the reconciliation schedule from the Governmental Funds to the Statement of Activities on page 23 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 \$35.2 million in general property tax, income tax, investment earnings, transfers and other miscellaneous revenue generated in FY17/18.

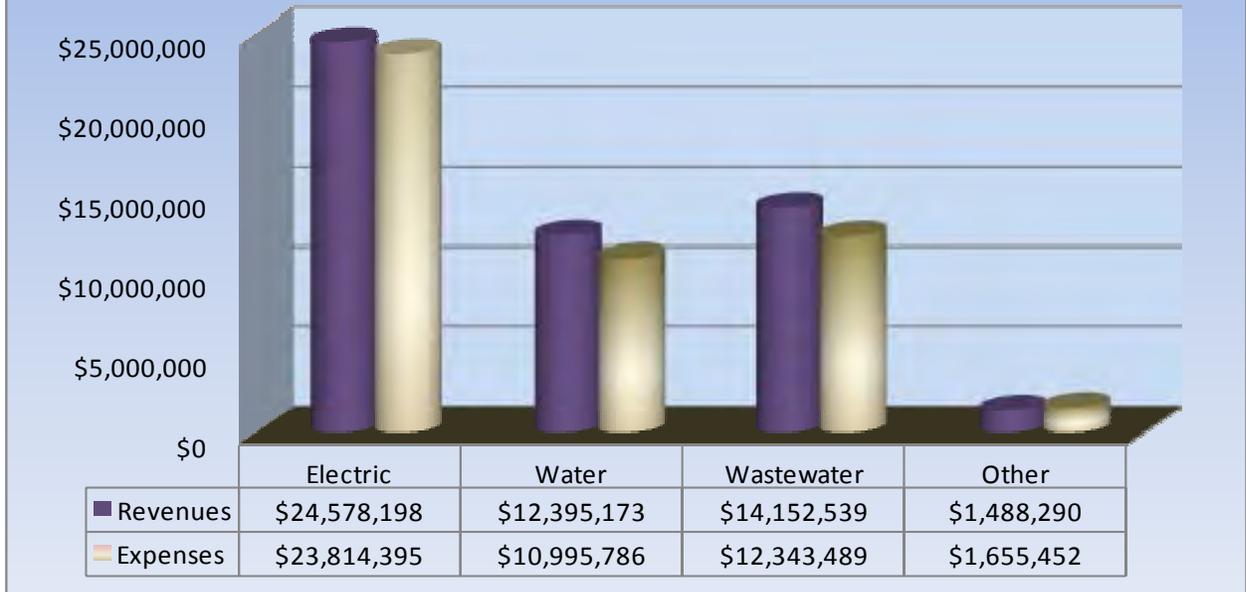
FY18 Governmental Activities: Revenue by Source



Business-type Activities: Business-type activities increased the City of Hagerstown's net position by \$4.5 million. Key elements of this increase are as follows:

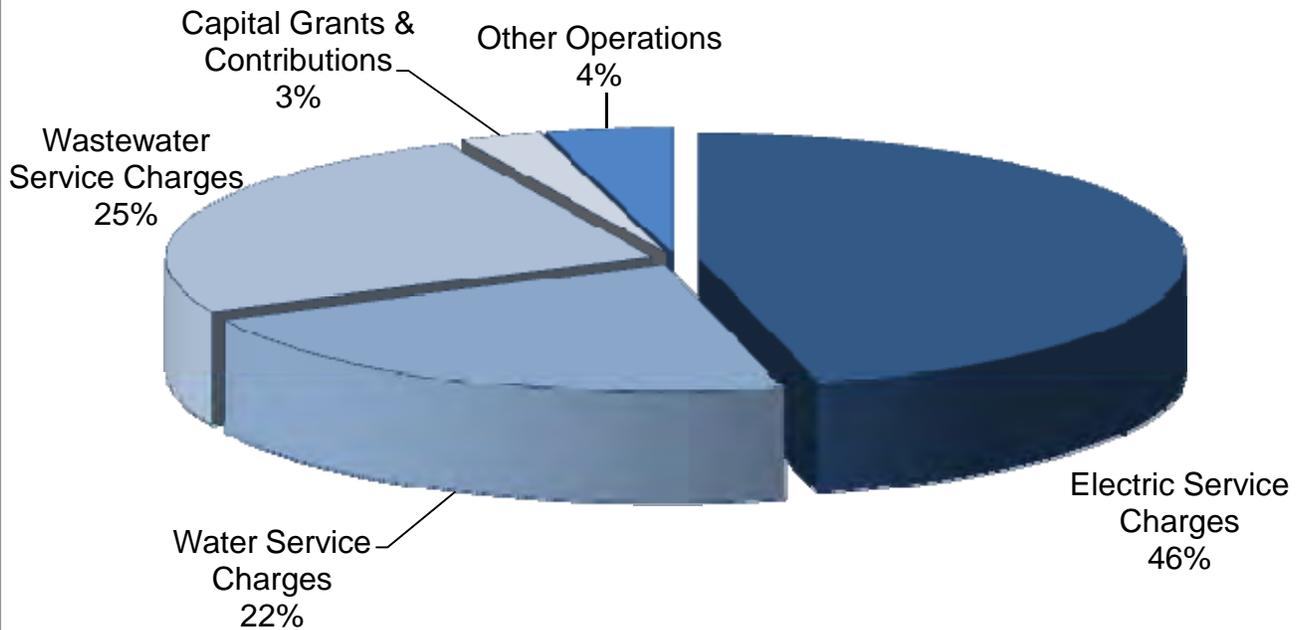
- Electric, Water, Wastewater, and Parking had positive changes in net position, or revenues in excess of expenses while Golf, and Property Management had the opposite trend. The following is the breakdown of the positive net changes: \$.8 million in the Electric Fund, \$1.4 million in the Water Fund, \$1.7 million in the Wastewater Fund, and \$0.2 million in the Parking Fund. The following is the breakdown of the negative net changes: <\$0.3> million in the Golf Fund, and <\$0.08> million in the Property Management Fund. In addition to the operating income changes mentioned, in total there was an additional \$0.7 million added net position from investment earnings and transfers from other funds.
- Transfers in to the business-type activities account for \$0.5 million in revenue. These transfers were primarily for Golf Course operations from the General Fund.
- Capital grants and contributions remained a revenue source for business-type activities. The Water fund received \$.7 million and the Wastewater fund received \$0.7 million during the current fiscal year.
- Maryland State Retirement Pension expense and OPEB expense recognized in the FY17/18 in the Electric, Water and Wastewater funds were negative amounts of \$0.9 million and \$0.8 million respectively and helped in the total overall increase to net position,

FY18 Business - Type Activities: Revenues & Expenses



*Please note that the chart above only includes revenue directly associated to each category and excludes \$0.7 million in general investment earnings and transfers between City funds generated in FY17/18.

FY18 Revenue by Source - Business-Type Activities



Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City of Hagerstown's governmental funds reported combined ending fund balances of \$21.3 million, an increase of \$1.2 million from the prior year. Approximately 46.8% of the total fund balance (\$21.3 million) constitutes *unassigned fund balance* (\$10.0 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 (\$0.2 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 (\$3.0 million).
- 3) *Assigned* fund balance represents amounts reserved for tentative management plans that are subject to change (\$5.5 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 \$10.0 million, while total fund balance equals \$11.6 million. As a measure of the General Fund's liquidity, it is useful to compare the unassigned fund balance to total fund expenditures. Unassigned fund balance represents 24.4% of total General Fund expenditures or 2.9 months of fiscal expenditures.

The fund balance of the General Fund increased by \$0.6 million during the current fiscal year. This increase is due to actual expenditures exceeding revenues. Below are some key elements for FY17/18:

Revenues were over approved budget by \$0.8 million

- Total property taxes were above projections by \$0.8 million. The increase is a result in growth of assessable base values and lower appeals than initially estimated by the State Department of Assessments and Taxation. In addition, the City's property tax rate increased as a result of constant yield calculations. The City had a change in tax rates from FY16/17 to FY17/18 and the rates increased to be \$0.941 per \$100 assessed value for real estate taxes and \$2.383 per \$100 assessed value for personal property tax rates.

Expenses (excluding transfers to other funds) were under budgeted projections by \$1.2 million.

- Wages and benefits were \$0.6 million under projections across most departments. The majority of the dollar impact was within the Police Department as a result of higher than normal vacant positions.
- 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..

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

- Fund balance transfers were \$0.7 million under budget and transfers to other funds were \$.2 million over budget.

The Capital Projects Fund has a total fund balance of \$4.8 million. Of the total fund balance, certain amounts are *restricted* to indicate that it is not available for new spending because it has already been committed or is legally restricted for capital projects as follows:

- 1) *Committed* fund balance represents amounts that are reserved for a particular purpose by the Mayor and Council of the City of Hagerstown and would require action by that governing body to release the fund balance from its commitment and are for unspent bond proceeds (\$1.8 million)
- 2) *Assigned* fund balance represents amounts reserved for tentative management plans and current encumbrances that are subject to change (\$3.0 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 \$1.8 million for the Electric Fund, \$9.6 million for the Water Fund and \$5.0 million for the Wastewater Fund. The total increase in the proprietary funds net position was \$4.5 million. Other factors concerning these funds' finances have been addressed in the discussion of the City of Hagerstown's business-type activities.

General Fund Budgetary Highlights

The final budgeted revenues, expenditures, and transfers to other funds increased by less than \$3 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, 2018, amounts to \$280.4 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 decrease in City of Hagerstown's investment in capital assets for the current fiscal year was \$4.3 million or 1.5%. There was a 1.4% decrease for governmental activities and a 1.5% decrease for business-type activities.

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

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 6,862,932	\$ 6,862,932	\$ 5,705,970	\$ 5,705,970	\$ 12,568,902	\$ 12,568,902
Construction in progress	380,776	987,804	2,620,842	1,672,687	3,001,618	2,660,491
Buildings & Structures	6,642,579	6,611,957	136,808,513	139,757,640	143,451,092	146,369,597
Improvements other than buildings	7,967,868	7,718,621	595,458	653,088	8,563,326	8,371,709
Machinery & Equipment	7,309,632	7,274,488	50,466,882	51,485,730	57,776,514	58,760,218
Infrastructure	54,989,349	55,873,419	23,441	24,326	55,012,790	55,897,745
Total	\$ 84,153,136	\$ 85,329,221	\$ 196,221,106	\$ 199,299,441	\$ 280,374,242	\$ 284,628,662

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

For the City's governmental activities:

The City spent \$1.2 million in additions for capital assets and improvements during FY17/18. Some of the most notable additions are listed below:

- \$1.2 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 54 through 57 of this report.

For the City's business activities:

Of the \$.3 million the City spent on the construction in progress of capital improvements in capital assets in FY17/18.

Additional information on the City of Hagerstown's capital assets can be found in Note IV. C., pages 54 through 57 of this report.

Long-term debt. At the end of the current fiscal year, the City of Hagerstown had total bonded debt outstanding of \$69.8 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, \$49.8 million are considered self-supporting bonds, primarily funded through various charges related to the operation of the electric, water, wastewater, and parking systems of the City.

City of Hagerstown's Outstanding Debt

Bonded Debt

	Governmental		Business-type		Total	
	Activities		Activities			
	2018	2017	2018	2017	2018	2017
General Bonded Debt	\$19,902,356	\$20,398,887	\$49,867,569	\$53,355,638	\$69,769,925	\$73,754,525

Overall, the City of Hagerstown added new bonded debt of \$1.5 million, across all funds. The City added no new debt from MDE Maryland Water Quality Revolving Loan Fund. However, the City issued a new 2018 Taxable Public Improvements bond for a total of \$1.5 million. The City's continued adherence to its amortization schedules for debt repayments reduced its debt by \$5.5 million resulting in an overall net increase to debt of \$4.0 million during the current year.

The City of Hagerstown's bond ratings were last affirmed in FY17/18 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 FY17/18, governmental fund debt was 0.74% of the assessed value of taxable property and \$494 per capita while total city-wide debt was 2.61% of the assessed value of taxable property and \$1,731 per capita. Additional information on the City of Hagerstown's long-term debt can be found in Note IV. F. on pages 61 through 63 of this report.

Economic Factors and Next Year's Budgets and Rates

- The FY17/18 budget reflected an increase 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 \$0.941 cents per \$100 assessed value and personal property rates were \$2.353 cents per \$100 assessed value. The FY17/18 budget also reflects the fourth 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 FY18/19 General Fund final budget, there is net revenue surplus of \$358 that includes utilizing \$0.3 million from fund balance reserves for the final commitment in the City's Invest Hagerstown community grant program and prior commitments 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 FY18/19 the City's major governmental fund approved budget, the General Fund, is projected to increase by 3.4% over the FY17/18 budget. Wages and benefits are projected to increase by 3.2% to include an increase in employee compensation and increased employer provided benefit costs. Debt service is projected to increase by 8.0% related to new bond issues needed to invest in infrastructure upgrades and other Mayor and Council priority projects.
- As a result of the February 2018 MD State Department of Assessment and Taxation's Constant Yield Notification which expected a decrease in assessed values specifically for large commercial appeals; the City increased the real estate tax rate. In a continuing effort to offset this decline in expected property values, the City implemented a two tier tax rate. The increase for all real estate except apartments increased 6.1 cents per \$100 of assessed value effective July 1, 2018. For apartments the tax rate increased 9.1 cents per \$100 of assessed value effective July 1, 2018. The increase in revenue is needed to cover rising costs for approved union salary enhancements, employer benefits, capital infrastructure improvements and updates, annual debt service requirements, and new economic incentive programs.
- The FY18/19 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 FY18/19.

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

Requests for Information

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

City of Hagerstown, Maryland
Statement of Net Position
June 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Pooled cash and investments	\$ 22,430,410	\$ 24,022,896	\$ 46,453,306
Receivables (net of allowance for uncollectibles):			
Taxes	659,990	-	659,990
Intergovernmental	1,348,601	-	1,348,601
Customers	1,096,453	6,447,923	7,544,376
Loans	2,308,768	-	2,308,768
Other	36,598	7,177	43,775
Internal balances	(2,681,747)	2,681,747	-
Inventories	124,143	1,760,613	1,884,756
Properties held for resale	1,835,404	-	1,835,404
Prepaid items	249,243	30,741	279,984
Net OPEB asset	-	-	-
Due from other agencies	-	2,500	2,500
Restricted assets:			
Pooled cash and investments	3,008,976	9,359,844	12,368,820
Long-term receivables	-	576,034	576,034
Capital assets (net of accumulated depreciation):			
Land (not being depreciated)	6,862,932	5,705,970	12,568,902
Land improvements	9,638,774	1,795,312	11,434,086
Buildings and structures	16,910,237	216,305,172	233,215,409
Machinery and equipment	7,272,859	109,154,242	116,427,101
Automobiles and trucks	10,766,228	5,828,206	16,594,434
Office furniture and fixtures	3,433,352	871,009	4,304,361
Infrastructure	105,837,673	26,537	105,864,210
Construction in progress (not being depreciated)	380,776	2,620,842	3,001,618
Less accumulated depreciation	(76,949,695)	(146,086,184)	(223,035,879)
Total assets	<u>114,569,975</u>	<u>241,110,580</u>	<u>355,680,555</u>
Deferred Outflow of Resources			
Deferred Outflows from OPEB	2,041	884	2,925
Deferred Outflows from Pensions	4,629,466	1,639,720	6,269,186
Total deferred outflows	<u>4,631,507</u>	<u>1,640,604</u>	<u>6,272,111</u>
Liabilities			
Accounts and retainages payable	2,246,007	2,332,001	4,578,008
Accrued liabilities	2,184,837	201,343	2,386,180
Escrowed taxes and insurance	1,620	-	1,620
Accrued interest payable	224,287	343,582	567,869
Customer deposits payable	98,846	4,769,865	4,868,711
Due to other agencies	43,210	-	43,210
Unearned revenue	217,806	102,580	320,386
Compensated absences:			
Due within one year	1,777,784	878,064	2,655,848
Due in more than one year	2,903,264	1,048,769	3,952,033
Long-term liabilities:			
Due within one year	1,863,765	3,836,589	5,700,354
Due in more than one year	18,038,591	46,030,980	64,069,571
Net pension liabilities:			
Due in more than one year	43,337,292	8,195,415	51,532,707
Net OPEB liabilities:			
Due in more than one year	16,883,054	7,312,278	24,195,332
Total liabilities	<u>89,820,363</u>	<u>75,051,466</u>	<u>164,871,829</u>
Deferred Inflow of Resources			
Deferred Inflows from OPEB	719,968	311,828	1,031,796
Deferred Inflows from Pensions	650,841	558,882	1,209,723
Total deferred inflows	<u>1,370,809</u>	<u>870,710</u>	<u>2,241,519</u>
Net Position			
Net investment in capital assets	66,650,974	146,353,536	213,004,510
Restricted for:			
Capital Projects Fund	4,813,566	-	4,813,566
Community Development Block Grant Fund	2,414,554	-	2,414,554
Economic Redevelopment Fund	1,165,340	-	1,165,340
Business Revolving Loan Fund	1,081,474	-	1,081,474
Excise Tax Fund	2,394	-	2,394
Grant Revenue Fund	173,613	-	173,613
Other Purposes	(544)	-	(544)
Unrestricted	<u>(48,291,059)</u>	<u>20,475,472</u>	<u>(27,815,587)</u>
Total net position	<u>\$ 28,010,312</u>	<u>\$ 166,829,008</u>	<u>\$ 194,839,320</u>

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

City of Hagerstown, Maryland
Statement of Activities
For the Year Ended June 30, 2018

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 8,627,247	\$ 2,633,174	\$ 105,345	\$ 199,161	\$ (5,689,567)	\$ -	\$ (5,689,567)
Public safety	25,773,111	3,014,038	900,123	797,155	(21,061,795)	-	(21,061,795)
Highways and streets	2,791,282	73,337	-	674	(2,717,271)	-	(2,717,271)
Waste, collection and disposal	2,293,396	2,579,249	-	-	285,853	-	285,853
Culture and recreation	3,005,649	310,218	19,587	239,503	(2,436,341)	-	(2,436,341)
Economic and community development	3,204,744	150,415	529,515	-	(2,524,814)	-	(2,524,814)
Interest and issuance costs on LT debt	622,454	-	-	-	(622,454)	-	(622,454)
Total governmental activities	46,317,883	8,760,431	1,554,570	1,236,493	(34,766,389)	-	(34,766,389)
Business-type activities:							
Electric	23,814,395	24,575,942	-	2,256	-	763,803	763,803
Water	10,995,786	11,658,823	-	736,350	-	1,399,387	1,399,387
Wastewater	12,343,489	13,442,122	-	710,417	-	1,809,050	1,809,050
Parking facilities	771,525	951,827	-	-	-	180,302	180,302
Golf course	432,368	174,021	-	-	-	(258,347)	(258,347)
Property management	451,559	356,826	5,616	-	-	(89,117)	(89,117)
Total business-type activities	48,809,122	51,159,561	5,616	1,449,023	-	3,805,078	3,805,078
Total primary government	\$ 95,127,005	\$ 59,919,992	\$ 1,560,186	\$ 2,685,516	(34,766,389)	\$ 3,805,078	(30,961,311)
General revenues:							
Property taxes					29,674,582	-	29,674,582
Income and other taxes					5,057,155	-	5,057,155
Investment earnings					130,598	265,658	396,256
Miscellaneous					295,497	-	295,497
Transfers					(478,644)	478,644	-
Total general revenues and transfers					34,679,188	744,302	35,423,490
Change in net position					(87,201)	4,549,380	4,462,180
Net position - beginning					50,538,893	170,704,622	221,243,515
GASB 75 Adjustment					(22,441,381)	(8,424,994)	(30,866,375)
Net position - beginning as restated					28,097,512	162,279,628	190,377,140
Net position - ending					\$ 28,010,312	\$ 166,829,008	\$ 194,839,320

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

City of Hagerstown, Maryland
Balance Sheet
Governmental Funds
June 30, 2018

	General	Capital Projects	Non-Major Governmental Funds	Total Governmental Funds
Assets				
Pooled cash and investments	\$ 12,111,516	\$ 4,844,777	\$ 716,155	\$ 17,672,448
Receivables (net of allowance for uncollectibles):				
Taxes	659,990	-	-	659,990
Intergovernmental	936,993	245,935	165,673	1,348,601
Customers	942,768	35,294	3,129	981,191
Loans	12,000		2,296,768	2,308,768
Other	33,426	1,312	284	35,022
Advances to other funds	139,500	-	-	139,500
Inventories	124,143	-	-	124,143
Properties held for resale	-	-	1,835,404	1,835,404
Prepaid items	31,053	-	-	31,053
Restricted assets:				
Pooled cash and investments	-	-	110,045	110,045
Total assets	\$ 14,991,389	\$ 5,127,318	\$ 5,127,458	\$ 25,246,165
Liabilities And Fund Balances				
Liabilities:				
Accounts and retainages payable	\$ 1,865,102	\$ 313,752	\$ 52,162	\$ 2,231,016
Accrued liabilities	740,025	-	5,269	745,294
Advances from other funds	-	-	139,500	139,500
Escrowed taxes and insurance	-	-	1,620	1,620
Customer deposits payable	80,411	-	18,435	98,846
Undisbursed loan and grant commitments	-	-	73,641	73,641
Due to other agencies	43,210	-	-	43,210
Unearned revenue	34,717	-	-	34,717
Total liabilities	2,763,465	313,752	290,627	3,367,844
Deferred Inflows of Resources:				
Unavailable revenue-income taxes	604,134	-	-	604,134
Total deferred inflows of resources	604,134	-	-	604,134
Fund balances:				
Nonspendable				
Inventories	124,144	-	-	124,144
Prepays	31,053	-	-	31,053
Loans (net of allowance)	12,000	-	-	12,000
Restricted				
Special revenue programming	-	-	2,588,167	2,588,167
Committed				
Mayor & Council actions	250,000	-	985,552	1,235,552
Unspent bond proceeds	-	1,771,755	-	1,771,755
Assigned				
Encumbrances	1,248,537	1,290,805	1,071	2,540,413
Capital Projects	-	1,751,006	-	1,751,006
Special revenue programming			1,262,041	1,262,041
Unassigned	9,958,056	-	-	9,958,056
Total fund balances	11,623,790	4,813,566	4,836,831	21,274,187
Total liabilities and fund balances	\$ 14,991,389	\$ 5,127,318	\$ 5,127,458	\$ 25,246,165

City of Hagerstown, Maryland
Reconciliation of the Total Governmental Fund Balances
to Net Position of Governmental Activities
For the Year Ended June 30, 2018

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

Total fund balances - governmental funds		\$	21,274,187
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds			
Cost of capital assets	161,102,831		
Accumulated depreciation	<u>(76,949,695)</u>		84,153,136
Unavailable revenues are not financial resources in the governmental funds, therefore the liability is eliminated and total net position is increased			
			604,134
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			
			3,746,195
Long-term liabilities (including compensated absences are not due and payable in the current period and therefore are not reported as liabilities in the fund statements.			
Compensated absences	(4,681,048)		
General obligation bonds payable	(19,464,569)		
Accrued interest payable on general obligation bonds	(224,287)		
Unamortized bond premiums on general obligation bonds	<u>(437,787)</u>		(24,807,691)
The net pension liability and the related deferred outflows and deferred inflows do not represent current financial resources and are not reported in the governmental fund statements.			
Net pension liability	(43,337,292)		
Deferred outflows from pensions	4,629,466		
Deferred inflows from pensions	<u>(650,841)</u>		(39,358,667)
The net OPEB liability and the related deferred outflows and deferred inflows do not represent current financial resources and are not reported in the governmental fund statements.			
Net OPEB liability	(16,883,054)		
Deferred outflows from OPEB	2,041		
Deferred inflows from OPEB	<u>(719,968)</u>		(17,600,981)
Total net position - governmental activities		\$	<u>28,010,312</u>

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

City of Hagerstown, Maryland
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

	<u>General</u>	<u>Capital Projects</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Property taxes	\$ 29,674,582	\$ -	\$ -	\$ 29,674,582
Income and other taxes	3,668,062	1,250,241	-	4,918,303
Licenses and permits	2,157,177	-	-	2,157,177
Intergovernmental	571,515	1,018,343	882,638	2,472,496
Program income	-	-	145,915	145,915
Charges for services	3,333,800	-	-	3,333,800
Fines and forfeitures	1,163,093	-	-	1,163,093
Investment earnings	81,627	44,875	4,096	130,598
Sale of land & other property	39,898	-	-	39,898
Contributions and donations	100,417	218,150	-	318,567
Unallocated general revenue	2,106,409	124,632	22,057	2,253,098
Total revenues	<u>42,896,580</u>	<u>2,656,241</u>	<u>1,054,706</u>	<u>46,607,527</u>
Expenditures				
Current:				
General government	5,885,549	-	25,000	5,910,549
Public safety	22,914,596	-	423,339	23,337,935
Highways and streets	2,586,683	-	-	2,586,683
Waste, collection and disposal	2,294,415	-	-	2,294,415
Culture and recreation	2,536,793	-	-	2,536,793
Economic and community development	541,374	1,489,681	1,180,936	3,211,991
Unallocated general expenditures	1,653,228	-	65	1,653,293
Debt Service:				
Principal	1,726,847	-	-	1,726,847
Interest	638,740	-	-	638,740
Issuance costs	29,595	-	-	29,595
Capital outlay	-	2,999,053	18,203	3,017,256
Total expenditures	<u>40,807,820</u>	<u>4,488,734</u>	<u>1,647,543</u>	<u>46,944,097</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,088,760</u>	<u>(1,832,493)</u>	<u>(592,837)</u>	<u>(336,570)</u>
Other Financing Sources (Uses)				
New Bond Issuance:				
Debt issued	-	1,265,000	-	1,265,000
Transfers in	566,210	1,132,698	354,184	2,053,092
Transfers out	(1,461,790)	-	(321,372)	(1,783,162)
Total other financing sources and uses	<u>(895,580)</u>	<u>2,397,698</u>	<u>32,812</u>	<u>1,534,930</u>
Net change in fund balances	1,193,180	565,205	(560,025)	1,198,360
Fund balances - beginning	10,430,610	4,248,361	5,396,856	20,075,827
Fund balances - ending	\$ <u>11,623,790</u>	\$ <u>4,813,566</u>	\$ <u>4,836,831</u>	\$ <u>21,274,187</u>

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

City of Hagerstown, Maryland
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2018

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

Net change in fund balances - total governmental funds	\$ 1,198,360
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital additions in the current period.	(1,139,030)
The net effect of capital asset disposals is to decrease net position.	(37,054)
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.	461,854
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.	34,679
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.	105,392
Net OPEB expense transactions based on actuarial calculations to determine net OPEB liabilities are not included in the governmental financial statements.	1,851,181
Net pension expense transactions based on actuarial calculations to determine net pension liabilities are not included in the governmental financial statements.	(2,557,512)
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>(5,070)</u>
Change in net position of governmental activities	<u>\$ (87,201)</u>

**City of Hagerstown, Maryland
General Fund**

**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 28,850,833	\$ 28,850,833	\$ 29,674,582	\$ 823,749
Income and other taxes	3,763,026	3,763,026	3,668,062	(94,964)
Licenses and permits	2,055,610	2,055,610	2,157,177	101,567
Intergovernmental	511,350	511,350	571,515	60,165
Charges for services	3,054,662	3,008,012	3,333,800	325,788
Fines and forfeitures	1,393,460	1,393,460	1,163,093	(230,367)
Unallocated and other general revenue	2,496,453	2,500,853	2,328,351	(172,502)
Total revenues	42,125,394	42,083,144	42,896,580	813,436
Expenditures				
Current:				
General government	6,398,237	6,257,578	5,885,549	372,029
Public safety	23,795,178	23,568,971	22,914,596	654,375
Highways and streets	2,783,617	2,779,598	2,586,683	192,915
Waste, collection and disposal	2,115,019	2,115,019	2,294,415	(179,396)
Culture and recreation	2,640,075	2,610,939	2,536,793	74,146
Economic and community development	590,662	578,644	541,374	37,270
Unallocated general expenditures	1,447,983	1,686,038	1,653,228	32,810
Debt Service:				
Principal	1,816,482	1,816,482	1,726,847	89,635
Interest	596,071	596,071	638,740	(42,669)
Issuance Costs	1,685	1,685	29,595	(27,910)
Total expenditures	42,185,009	42,011,025	40,807,820	1,203,205
Excess (deficiency) of revenues over (under) expenditures	(59,615)	72,119	2,088,760	2,016,641
Other Financing Sources (Uses)				
Transfers in	575,985	575,985	566,210	(9,775)
Transfers out	(1,781,569)	(1,911,003)	(1,461,790)	449,213
Budgeted use of fund balance	1,306,198	1,306,198	-	(1,306,198)
Total other financing sources and (uses)	100,614	(28,820)	(895,580)	(866,760)
Net change in fund balances	40,999	43,299	1,193,180	1,149,881
Fund balances - beginning	10,430,610	10,430,610	10,430,610	-
Fund balances - ending	\$ 10,471,609	\$ 10,473,909	\$ 11,623,790	\$ 1,149,881

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, 2018

Business-type Activities-Enterprise Funds

	<u>Electric</u>	<u>Water</u>	<u>Wastewater</u>	<u>Non-Major Enterprise Funds</u>	<u>Total</u>	<u>Governmental Activities- Internal Service Funds</u>
Assets						
Current assets:						
Pooled cash and investments	\$ 6,355,973	\$ 8,308,850	\$ 7,918,240	\$ 1,439,833	\$ 24,022,896	\$ 4,757,962
Interest receivable	1,868	2,516	2,377	416	7,177	1,576
Accounts receivable (net of allowance for uncollectibles)	2,475,250	1,642,396	2,210,787	119,490	6,447,923	115,262
Inventories	346,565	1,147,937	266,111	-	1,760,613	-
Due from other agencies	-	-	2,500	-	2,500	-
Prepaid items	15,109	8,136	6,083	1,413	30,741	218,190
Total current assets	<u>9,194,765</u>	<u>11,109,835</u>	<u>10,406,098</u>	<u>1,561,152</u>	<u>32,271,850</u>	<u>5,092,990</u>
Noncurrent assets:						
Restricted assets:						
Pooled cash and investments	3,544,641	4,753,505	1,061,698	-	9,359,844	2,898,931
Long-term receivable	576,034	-	-	-	576,034	-
Capital assets:						
Land	1,225,255	2,019,652	180,149	2,280,914	5,705,970	-
Land improvements	263,554	28,542	9,121	1,494,095	1,795,312	-
Buildings and structures	2,265,353	127,604,179	73,039,072	13,396,570	216,305,174	-
Machinery and equipment	31,558,636	25,644,773	51,131,150	819,683	109,154,242	-
Automobiles and trucks	1,584,142	2,060,001	2,000,701	183,361	5,828,205	-
Infrastructure	-	-	-	26,537	26,537	-
Office furniture and fixtures	425,893	78,366	255,557	111,193	871,009	-
Construction in progress	-	1,108,824	1,243,979	268,040	2,620,843	-
Less accumulated depreciation	<u>(22,813,776)</u>	<u>(51,138,958)</u>	<u>(65,299,801)</u>	<u>(6,833,652)</u>	<u>(146,086,187)</u>	<u>-</u>
Total capital assets, net	14,509,057	107,405,379	62,559,928	11,746,741	196,221,105	-
Total noncurrent assets	18,629,732	112,158,884	63,621,626	11,746,741	206,156,983	2,898,931
Total assets	<u>27,824,497</u>	<u>123,268,719</u>	<u>74,027,724</u>	<u>13,307,893</u>	<u>238,428,833</u>	<u>7,991,921</u>
Deferred Outflow of Resources						
Deferred Outflows related to Pensions	442,659	611,498	585,563	-	1,639,720	-
Deferred Outflows related to OPEB	297	249	338	-	884	-
Total Deferred Outflows Related to Pensions	<u>442,956</u>	<u>611,747</u>	<u>585,901</u>	<u>-</u>	<u>1,640,604</u>	<u>-</u>

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

City of Hagerstown, Maryland
Statement of Net Position
Proprietary Funds
June 30, 2018

<u>Business-type Activities-Enterprise Funds</u>						
	<u>Electric</u>	<u>Water</u>	<u>Wastewater</u>	<u>Non-Major Enterprise Funds</u>	<u>Total</u>	<u>Governmental Activities- Internal Service Funds</u>
Liabilities						
Current liabilities:						
Accounts and retainages payable	1,528,051	364,569	416,893	22,488	2,332,001	14,991
Compensated absences - current	235,054	328,722	289,021	25,267	878,064	-
Accrued liabilities	55,242	263,280	201,014	25,389	544,925	1,365,902
Customer deposits and rebates	4,758,707	770	-	10,388	4,769,865	-
Unearned revenue	-	101,500	-	1,080	102,580	183,089
General obligation bonds - current	41,674	1,773,088	1,813,716	208,111	3,836,589	-
Total current liabilities	<u>6,618,728</u>	<u>2,831,929</u>	<u>2,720,644</u>	<u>292,723</u>	<u>12,464,024</u>	<u>1,563,982</u>
Noncurrent liabilities:						
General obligation bonds payable	437,689	28,758,220	16,005,109	829,962	46,030,980	-
Compensated absences	280,753	392,630	345,212	30,174	1,048,769	-
Net OPEB liabilities	2,458,171	2,060,271	2,793,836	-	7,312,278	-
Net pension liabilities	2,353,581	3,111,103	2,730,731	-	8,195,415	-
Total noncurrent liabilities	<u>5,530,194</u>	<u>34,322,224</u>	<u>21,874,888</u>	<u>860,136</u>	<u>62,587,442</u>	<u>-</u>
Total liabilities	<u>12,148,922</u>	<u>37,154,153</u>	<u>24,595,532</u>	<u>1,152,859</u>	<u>75,051,466</u>	<u>1,563,982</u>
Deferred Inflow of Resources						
Deferred Inflows related to Pensions	150,876	208,423	199,583	-	558,882	-
Deferred Inflows related to OPEB	104,827	87,859	119,142	-	311,828	-
Total Deferred Inflows Related to Pensions	<u>255,703</u>	<u>296,282</u>	<u>318,725</u>	<u>-</u>	<u>870,710</u>	<u>-</u>
Net Position						
Net Investment in Capital Assets	14,029,694	76,874,071	44,741,103	10,708,668	146,353,536	-
Unrestricted	1,833,134	9,555,960	4,958,265	1,446,366	17,793,725	6,427,939
Total net position	<u>\$ 15,862,828</u>	<u>\$ 86,430,031</u>	<u>\$ 49,699,368</u>	<u>\$ 12,155,034</u>	<u>164,147,261</u>	<u>\$ 6,427,939</u>
					2,681,747	
					<u>\$ 166,829,008</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, 2018

	Business-type Activities- Enterprise Funds					Governmental Activities- Internal Service Funds
	Electric	Water	Wastewater	Non-Major Enterprise Funds	Total	
Operating revenues:						
Service charges	\$ 23,911,070	\$ 10,609,722	\$ 12,809,480	\$ 1,472,017	\$ 48,802,289	\$ 9,300,118
Other revenues	682,232	1,027,980	601,454	10,657	2,322,323	142,632
Total operating revenues	<u>24,593,302</u>	<u>11,637,702</u>	<u>13,410,934</u>	<u>1,482,674</u>	<u>51,124,612</u>	<u>9,442,750</u>
Operating expenses:						
Production and treatment expenses	18,230,707	3,448,853	4,779,173	-	26,458,733	-
Transmission, distribution, and collection expenses	2,218,617	2,021,770	1,782,718	-	6,023,105	-
Selling, general and administrative expenses	2,595,752	1,887,835	2,589,822	1,231,767	8,305,176	1,329,646
Claim and premium expenses	-	-	-	-	-	6,834,104
Depreciation	963,276	3,229,817	3,059,454	427,854	7,680,401	-
Total operating expenses	<u>24,008,352</u>	<u>10,588,275</u>	<u>12,211,167</u>	<u>1,659,621</u>	<u>48,467,415</u>	<u>8,163,750</u>
Operating income (loss)	<u>584,950</u>	<u>1,049,427</u>	<u>1,199,767</u>	<u>(176,947)</u>	<u>2,657,197</u>	<u>1,279,000</u>
Nonoperating revenues (expenses):						
Intergovernmental revenue	-	-	-	5,616	5,616	-
Investment earnings	126,545	50,787	64,378	23,949	265,658	28,013
Interest expense	(14,569)	(438,582)	(327,703)	(33,902)	(814,756)	-
Bond issuance cost	(37)	(45,144)	(39,604)	(5,674)	(90,459)	-
Gain (loss) on disposal of capital assets	(17,360)	21,121	31,188	-	34,949	-
Total nonoperating revenue (expenses)	<u>94,579</u>	<u>(411,818)</u>	<u>(271,741)</u>	<u>(10,011)</u>	<u>(598,991)</u>	<u>28,013</u>
Income (loss) before contributions and transfers	679,529	637,609	928,026	(186,958)	2,058,206	1,307,013
Capital contributions	2,256	736,350	710,417	-	1,449,023	-
Transfers in	53,079	76,308	76,306	279,076	484,769	-
Transfers out	(1,875)	(1,875)	(1,875)	(500)	(6,125)	(748,574)
Changes in net position	<u>732,989</u>	<u>1,448,392</u>	<u>1,712,874</u>	<u>91,618</u>	<u>3,985,873</u>	<u>558,439</u>
Net position - beginning	17,962,072	87,355,423	51,205,471	12,063,416		5,869,500
GASB 75 Adjustment	(2,832,233)	(2,373,784)	(3,218,977)	-		-
Net position - beginning as restated	<u>15,129,839</u>	<u>84,981,639</u>	<u>47,986,494</u>	<u>12,063,416</u>		<u>5,869,500</u>
Total net position - ending	<u>\$ 15,862,828</u>	<u>\$ 86,430,031</u>	<u>\$ 49,699,368</u>	<u>\$ 12,155,034</u>		<u>\$ 6,427,939</u>
					563,507	
					<u>\$ 4,549,380</u>	

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

Change in net position of business-type activities

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

City of Hagerstown, Maryland
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018

	Business-type Activities- Enterprise Funds				Totals	Governmental Activities- Internal Service Funds
	Electric	Water	Wastewater	Non-Major Enterprise Funds		
Cash Flows From Operating Activities						
Receipts from customers and users	\$ 24,355,985	\$ 11,667,451	\$ 13,394,654	\$ 1,479,063	\$ 50,897,153	\$ -
Receipts from interfund services provided		-	-	-	-	9,454,402
Payments to suppliers	(19,864,148)	(3,457,220)	(5,347,962)	(423,923)	(29,093,254)	(7,943,828)
Payments to employees	(3,769,402)	(4,651,962)	(4,863,362)	(797,629)	(14,082,355)	-
Net cash provided (used) by operating activities	<u>722,435</u>	<u>3,558,269</u>	<u>3,183,330</u>	<u>257,511</u>	<u>7,721,545</u>	<u>1,510,574</u>
Cash Flows From Noncapital Financing Activities						
Transfers from (to) other funds	51,204	74,433	74,431	278,576	478,644	(748,574)
Contributions	-	-	-	-	-	-
Net cash provided (used) by noncapital and related financing activities	<u>51,204</u>	<u>74,433</u>	<u>74,431</u>	<u>278,576</u>	<u>478,644</u>	<u>(748,574)</u>
Cash Flows From Capital And Related Financing Activities						
Proceeds from intergovernmental grant	-	-	-	15,342	15,342	-
Capital contributions	2,256	736,350	710,417	-	1,449,023	-
Acquisition and construction of capital assets	(787,171)	(1,736,861)	(1,700,321)	(377,715)	(4,602,068)	-
Proceeds from bond issuance	0	0	(0)	280,000	280,000	-
Principal paid on capital debt	(39,848)	(1,738,935)	(1,780,992)	(187,042)	(3,746,818)	-
Interest paid on capital debt	(14,950)	(459,783)	(347,154)	(23,428)	(845,315)	-
Gain (loss) on disposal of capital assets	(17,360)	21,121	31,188	-	34,949	-
Net cash provided (used) by capital and related financing activities	<u>(857,073)</u>	<u>(3,178,108)</u>	<u>(3,086,863)</u>	<u>(292,844)</u>	<u>(7,414,887)</u>	<u>-</u>
Cash Flows From Investing Activities						
Interest and dividends received	125,805	49,632	63,303	23,758	262,498	27,342
Net cash provided by investing activities	<u>125,805</u>	<u>49,632</u>	<u>63,303</u>	<u>23,758</u>	<u>262,498</u>	<u>27,342</u>
Net increase (decrease) in pooled cash and investments	42,371	504,226	234,201	267,001	1,047,800	789,342
Pooled cash and investments, beginning of year	<u>9,858,243</u>	<u>\$ 12,558,129</u>	<u>\$ 8,745,736</u>	<u>\$ 1,172,831</u>	<u>32,334,940</u>	<u>6,867,551</u>
Pooled cash and investments, end of year	<u>\$ 9,900,614</u>	<u>\$ 13,062,355</u>	<u>\$ 8,979,938</u>	<u>\$ 1,439,833</u>	<u>\$ 33,382,740</u>	<u>\$ 7,656,893</u>

City of Hagerstown, Maryland
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018

	Business-type Activities- Enterprise Funds				Totals	Governmental Activities- Internal Service Funds
	Electric	Water	Wastewater	Non-Major Enterprise Funds		
Reconciliation of operating income to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 584,950	\$ 1,049,427	\$ 1,199,767	\$ (176,947)	\$ 2,657,197	\$ 1,279,000
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation expense	963,276	3,229,817	3,059,454	427,854	7,680,401	-
Bond issuance costs	(37)	(45,144)	(39,604)	(5,674)	(90,459)	-
Net effect of changes in assets and liabilities						
Accounts receivable	(246,290)	15,400	(16,280)	(4,821)	(251,991)	11,652
Inventories	(18,152)	83,451	(33,572)	-	31,727	-
Prepaid items	(14,722)	(7,946)	464	(670)	(22,874)	(20,935)
Long-term Accounts receivable	-	13,654	-	-	13,654	-
Accounts and retainages payable	(41,390)	(256,190)	(363,405)	856	(660,129)	(37,503)
Compensated absences payable	(19,984)	59,101	32,685	28,844	100,646	-
Accrued liabilities	11,450	(905)	3,023	(13,142)	426	278,360
Customer deposits and rebates	8,969	693	-	939	10,601	-
Unearned revenue	-	-	-	272	272	-
Other long-term liabilities	(505,636)	(583,089)	(659,202)	-	(1,747,927)	-
Total adjustments	<u>137,484</u>	<u>2,508,842</u>	<u>1,983,563</u>	<u>434,458</u>	<u>5,064,347</u>	<u>231,574</u>
Net cash provided (used) by operating activities	<u>\$ 722,434</u>	<u>\$ 3,558,269</u>	<u>\$ 3,183,330</u>	<u>\$ 257,511</u>	<u>\$ 7,721,544</u>	<u>\$ 1,510,574</u>
Reconciliation of pooled cash and investments to the balance sheet						
Pooled cash and investments	\$ 6,355,973	\$ 8,308,850	\$ 7,918,240	\$ 1,439,833	\$ 24,022,896	\$ 4,757,962
Restricted pooled cash and investments	<u>3,544,641</u>	<u>4,753,505</u>	<u>1,061,698</u>	<u>-</u>	<u>9,359,844</u>	<u>2,898,931</u>
Totals	<u>\$ 9,900,614</u>	<u>\$ 13,062,355</u>	<u>\$ 8,979,938</u>	<u>\$ 1,439,833</u>	<u>\$ 33,382,740</u>	<u>\$ 7,656,893</u>

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

City of Hagerstown, Maryland
Statement of Fiduciary Net Position
June 30, 2018

		Pension and OPEB Trust Funds
Assets		
Investments, at fair value:		
Cash and Cash Equivalents	\$	1,221,588
Government and Agency Issues		2,664,291
Corporate Debt Issues		2,588,004
Common Stock		4,646,098
Mutual Funds		19,918,694
Total investments		31,038,675
Interest Receivable		69,987
Total assets		31,108,662
Net Position Restricted for Pensions & OPEB	\$	31,108,662

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

City of Hagerstown, Maryland
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2018

		Pension and OPEB Trust Funds
Additions		<u> </u>
Contributions:		
Employer	\$	2,050,050
Plan members		707,876
Total contributions		<u>2,757,926</u>
Investment earnings:		
Interest and dividends		1,215,944
Net increase/(decrease) in the fair value of investments		1,083,162
Other revenues		1,453
Total investment earnings		<u>2,300,559</u>
Less investment expense		<u>82,926</u>
Net investment earnings		<u>2,217,633</u>
Total additions		<u>4,975,559</u>
Deductions		
Benefits		2,663,168
Administrative expenses		27,178
Actuarial fees		53,209
Total deductions		<u>2,743,555</u>
Change in net position		2,232,004
Net position - beginning		<u>28,876,658</u>
Net position - ending	\$	<u><u>31,108,662</u></u>

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

City of Hagerstown
Notes to the Financial Statements
June 30, 2018

I. Summary of significant accounting policies

A. Reporting entity

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

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

B. Government-wide and fund financial statements

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

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

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

I. Summary of significant accounting policies (continued)

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

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

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

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

The City reports the following major governmental funds:

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

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

The government reports the following major proprietary funds:

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

I. Summary of significant accounting policies (continued)

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

Additionally, the government reports the following funds:

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

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

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

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

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

I. Summary of significant accounting policies (continued)

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

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

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

2. Receivables and payables

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

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

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

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

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

I. Summary of significant accounting policies (continued)

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

2. Receivables and payables (continued)

Significant property tax information is as follows:

	<u>Real Property</u>	<u>Business Personal Property</u>
Assessment roll validated:	January 1	January 1
Tax rate ordinance approved:	May 23	May 23
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 6/30/2018 Per \$100 of assessable base	\$ 0.941	\$ 2.353
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 \$3,544,641 on the statement of net position due to a deposit being held for the City's wholesale power supplier.

Benefit charge proceeds of \$3,774,721 in the Water fund are classified as restricted assets on the statement of net position because their use is limited to major capital additions, replacements or improvements to water plants, water transmission mains, pump stations, or tanks. The funds are not to be used to pay for maintenance items per policies set by the Mayor and Council.

The Water fund also has restricted assets of \$877,784 for money received as part of the 2006 agreement between the City and the Department of Interior for the City to refrain from development of real estate which it owns along the Appalachian Trail and of \$101,000 for money received as part of a 2004 agreement between the City and Aviation Resources Delaware, Inc. to construct a finished water storage tank in the vicinity of Industry Drive.

Benefit charge proceeds of \$1,061,698 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, 2018, \$73,641 was restricted for single family loans and \$1,620 was restricted for escrowed taxes and insurance. In addition, \$28,526 was restricted for program income.

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 \$596,538 in restricted cash which reflects retirees' available balances on individual Health Retirement Accounts. The Workers Compensation fund has \$2,112,093 as restricted assets on the statement of net position. From this total, \$70,000 is being held by PMA Management Corporation and \$2,042,093 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 from external entities are stated at acquisition value at the date of donation. Internal asset transfers or donations are recorded at the carrying value.

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

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

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

6. Compensated absences

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

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 – 160 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. Deferred Outflows/Inflows of Resources

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

8. Long-term obligations

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

I. Summary of significant accounting policies (continued)

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

8. Long-term obligations (continued)

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.

9. Fund Balance

In the fund financial statements, governmental funds report reservations of fund balance using classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the purpose for which the funds may be spent. The designations of fund balances are made in accordance with GASB 54, and represent the intent of the government's administration to use fund balances for specific purposes in the future. Committed, assigned, or unassigned amounts are considered to have been spent when an expense is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used. Fund balance is reported in five components: nonspendable, restricted, committed, assigned and unassigned.

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

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

Committed – Portion of net resources with imposed limitations set at the highest level of decision making authority. At the City, the highest decision making authority is the Mayor & Council. Mayor & Council authority includes formal approval and adoption of ordinances and resolutions per the City's charter. Both an ordinance and resolution are equally binding and the necessary legislative action required varies per charter and topic. Formal action at the same level of authority is required to remove these limitations. The action to establish, modify, or rescind commitments would be a majority vote of Mayor and Council taken during a Regular or Special Session.

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

I. Summary of significant accounting policies (continued)

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

9. Fund Balance (continued)

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

10. Net Position

The difference between assets, deferred outflows, liabilities, and deferred inflows is *Net Position* on the government-wide and fiduciary fund statements. Net Position is classified as *Net Investment in Capital Assets*, legally *Restricted* for a specific purpose or *Unrestricted* and available for appropriation for general purposes. *Net Investment in Capital Assets* consists of capital assets, net of accumulated depreciations, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of these assets. As of June 30, 2018, net position *Net Investment in Capital Assets* excludes unspent debt proceeds of \$2,400,195 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 has adopted the provisions of Governmental Accounting Standard Board (GASB) issued Statement No. 75, entitled Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions; Statement No. 81, entitled Irrevocable Split-Interest Agreements; Statement No. 85, entitled Omnibus; and Statement No. 86, entitled Certain Debt Extinguishment Issues.

The adoption of these standards did not have a material effect on these statements with the exception of Statement No. 75. The adoption of Statement No. 75 had no impact on

Summary of significant accounting policies (continued)

E. GASB Statements (continued)

the City's governmental fund financial statements. However, the adoption has resulted in the restatement of the City's Fiscal Year 2017 government-wide financial statements to reflect the reporting of net OPEB liability and the recognition of OPEB expense in accordance with the provisions of the Statement. For additional information, please see footnote V.C.

As of year ended June 30, 2018, GASB Statement No. 83 entitled Certain Asset Retirement Obligations, Statement No. 84 entitled Fiduciary Activities, Statement No. 87 entitled Leases, Statement No. 88 entitled Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements and Statement No. 89 entitled Accounting for Interest Cost Incurred before the End of a Construction Period, the City has not yet completed the process of evaluating the impact of these pronouncements on its financial statements.

II. Reconciliation of government-wide and fund financial statements

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

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

One item explains that “long-term liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$24,807,691 difference are as follows:

Bonds payable, including unamortized premiums	\$ 19,902,356
Accrued interest payable	224,287
Compensated absences	<u>4,681,048</u>
Net adjustment to reduce <i>fund balance -- total governmental funds</i> to arrive at <i>net position -- governmental activities</i>	<u>\$ 24,807,691</u>

Another item explains that “net pension liability and the related deferred outflows and inflows do not represent current financial resources and therefore are not reported in the funds.” The details of this \$39,358,667 difference are as follows:

Net pension liability	\$ 43,337,292
Deferred outflows related to pensions	(4,629,466)
Deferred inflows related to pensions	<u>650,841</u>
Net adjustment to reduce <i>fund balance -- total governmental funds</i> to arrive at <i>net position -- governmental activities</i>	<u>\$ 39,358,667</u>

Another item explains that “net OPEB liability and the related deferred outflows and inflows do not represent current financial resources and therefore are not reported in the funds.” The details of this \$17,600,981 difference are as follows:

Net OPEB liability	\$ 16,883,054
Deferred outflows related to OPEB	(2,041)
Deferred inflows related to OPEB	<u>719,968</u>
Net adjustment to reduce <i>fund balance -- total governmental funds</i> to arrive at <i>net position -- governmental activities</i>	<u>\$ 17,600,981</u>

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

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes 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. Several major elements of that reconciliation are listed below.

One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$1,139,031 difference are as follows:

Capital Asset Additions	\$ 3,017,256
Depreciation expense	<u>(4,156,287)</u>
Net adjustment to increase <i>net changes in fund balances -- total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ (1,139,031)</u>

A second element of that reconciliation explains that “Net OPEB expense transactions based on actuarial calculations to determine net position liabilities are not included in fund statements.” The details of this \$1,851,181 difference are as follows:

Net OPEB liability decrease	\$ 2,569,108
OPEB activity: change in assumptions, investment earnings, & change in experience	<u>(717,927)</u>
Net adjustment to increase <i>net changes in fund balances -- total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 1,851,181</u>

A third element of that reconciliation explains that “Net pension expense transactions based on actuarial calculations to determine net position liabilities are not included in fund statements.” The details of this \$1,851,181 difference are as follows:

Net pension liability increase	\$ (3,475,359)
Pensions activity: change in assumptions, investment earnings, & change in experience	<u>917,847</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>\$ (2,557,512)</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, 2018, expenditures/expenses exceeded revenues by \$29,197 in the Community Development Block Grant Fund, \$574,996 in the Economic Redevelopment Fund, \$5,598 in the Flexible Spending Fund, \$19,441 in the Excise Tax Fund, \$29,864 in the Upper Floors Redevelopment Fund, and \$77,385 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, 2018, \$4,813,566 is restricted for the Capital Project Fund for projects which contain specific grants, bond proceeds, or contributions.

Additionally, on June 30, 2018, a total of \$4,836,831 is restricted, nonspendable, and assigned for Special Revenue Funds. This total consists of \$2,414,554 for the Community Development Block Grant Fund, \$1,165,340 for the Economic Redevelopment Fund, \$1,081,474 for the Business Revolving Loan Fund, \$2,394 for the Excise Tax Fund, \$173,613 for the Grant Revenue Fund and (\$544) for Other Purposes.

IV. Detailed notes on all funds

A. Deposits and investments

1. City owned and managed investments

As of June 30, 2018, 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 \$39,497,521 and the bank balances were \$40,559,892. 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 \$13,838,985 was secured by federal depository insurance and \$26,720,907 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, 2018, the City had \$19,314,670 invested in the Maryland Local Government Investment Pool (the "Pool"). The Pool was created under Maryland State Law, is regulated by the Maryland State Treasurer's Office, and participation in the pool is voluntary. It is maintained exclusively to assist eligible participants defined by Articles 95 and 22 of the Annotated Code of Maryland. The Pool may invest in any instrument in which the State Treasurer may invest. Permissible instruments are established by Section 6-222 of the State Finance and Procurement Article. No direct investment may have a maturity date of more than 13 months after its acquisition. Securities of the Pool are valued daily on an amortized cost basis, which approximates fair value and are held to maturity under normal circumstances. Investments in money market funds are valued at the closing net asset value per share on the day of valuation. The fair value of the position in the Pool is the same as the value of the pool net assets (shares). Standard & Poor's assigned their highest rating, AAA, to the Pool. The Pool is valued at net asset value. There are no significant redemption notices or periods of notifications for the Pool. Additionally, the City has no funding commitments to the Pool.

IV. Detailed notes on all funds (continued)

A. Deposits and investments (continued)

1. City owned and managed investments (continued)

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

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

2. Pension investments

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

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

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

	<u>Range</u>	<u>Target</u>
<u>Equities</u>	<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 outlined below are measured Level 1 inputs.

The City Pension Plan has the following recurring fair value measurements as of June 30, 2018:

	Moody's Rating	Fair Value	Investment Maturities (in Years)			
			Less than 1	1 - 5	6 -10	More than 10
Cash and Cash Equivalents		\$ 799,705	\$ 799,705	\$ -	\$ -	\$ -
CitiBank NA	AAA	-	-	-	-	-
Federal Home Loan Mortgage Corp	AAA/NR	117,765	-	1,220	-	116,545
Federal National Mortgage Assn	NR	1,048,656	-	-	133,538	915,118
Government National Mortgage Assoc	NR	34,447	-	-	295	34,152
U S Treasury Notes	AAA	1,463,423	-	541,490	457,289	464,644
Various Agencies	BA1	-	-	-	-	-
Various Agencies	A1	238,239	-	122,265	96,115	19,859
Various Agencies	A2	147,098	-	137,810	-	9,288
Various Agencies	A3	409,280	-	266,366	53,695	89,219
Various Agencies	AA1	19,096	-	-	-	19,096
Various Agencies	AA2	111,928	-	70,463	-	41,465
Various Agencies	AA3	117,880	10,000	88,753	-	19,126
Various Agencies	AAA	420,692	-	289,857	73,769	57,066
Various Agencies	BAA1	434,902	41,068	264,814	66,595	62,425
Various Agencies	BAA2	291,300	-	127,951	101,791	61,558
Various Agencies	BAA3	270,842	-	79,982	100,742	90,118
Various Agencies	NA	126,746	-	126,746	-	-
High Yield Funds		-	-	-	-	-
Common Stock		3,307,558	3,307,558	-	-	-
Mutual Funds		11,627,633	11,627,633	-	-	-
Total Investments Held by Trustee of Pension Plan		<u>\$ 20,987,191</u>	<u>\$ 15,785,965</u>	<u>\$ 2,117,717</u>	<u>\$ 1,083,829</u>	<u>\$ 1,999,679</u>

Credit risk – The City's Pension Plan Investment Policy allows for investing in the following investment types. Also below is the benchmark used for rating each of the assets. We are unable to put a value to unknown future changes.

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

IV. Detailed notes on all funds (continued)

A. Deposits and investments (continued)

2. Pension investments (continued)

Foreign Currency Risk – The City’s Pension Plan has 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. We are unable to put a value to unknown future changes.

IV. Detailed notes on all funds (continued)

A. Deposits and investments (continued)

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

The City OPEB Plan has the following recurring fair value measurements as of June 30, 2018:

	Moody's Rating	Fair Value	Investment Maturities (in Years)			
			Less than 1	1 - 5	6 -10	More than 10
Cash and Cash Equivalents		\$ 421,883	\$ 421,883	\$ -	\$ -	\$ -
Common Stock		1,338,540	1,338,540	-	-	-
Mutual Funds		8,291,061	8,291,061	-	-	-
Total Investments Held by Trustee of OPEB Plan		<u>\$ 10,051,484</u>	<u>\$ 10,051,484</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	\$ 1,248,819	\$ -	\$ -	\$ -	\$ 1,248,819
Intergovernmental	936,993	245,935	-	165,673	1,348,601
Customers	3,091,903	37,538	115,262	3,129	3,247,832
Loans	217,762	23,828	-	3,485,012	3,726,602
Interest	33,167	1,312	1,576	284	36,339
Employee	259	-	-	-	259
Gross receivables	<u>5,528,903</u>	<u>308,613</u>	<u>116,838</u>	<u>3,654,098</u>	<u>9,608,452</u>
Less: allowance for uncollectibles	<u>(2,943,726)</u>	<u>(26,072)</u>	<u>-</u>	<u>(1,188,244)</u>	<u>(4,158,042)</u>
Net total receivables	<u><u>\$ 2,585,177</u></u>	<u><u>\$ 282,541</u></u>	<u><u>\$ 116,838</u></u>	<u><u>\$ 2,465,854</u></u>	<u><u>\$ 5,450,410</u></u>

Business-Type Activities:

	Electric	Water	Wastewater	Non-Major Enterprise Funds	Business- Type Activities
Receivables:					
Intergovernmental	\$ -	\$ -	\$ 2,500	\$ -	\$ 2,500
Customers	4,774,301	1,725,880	2,363,163	385,294	9,248,638
Loans	1,287,572	-	-	502,288	1,789,860
Interest	1,868	2,516	2,377	416	7,177
Gross receivables	<u>6,063,741</u>	<u>1,728,396</u>	<u>2,368,040</u>	<u>887,998</u>	<u>11,048,175</u>
Less: allowance for uncollectibles	<u>(3,010,589)</u>	<u>(83,484)</u>	<u>(152,376)</u>	<u>(768,092)</u>	<u>(4,014,541)</u>
Net total receivables	<u><u>\$ 3,053,152</u></u>	<u><u>\$ 1,644,912</u></u>	<u><u>\$ 2,215,664</u></u>	<u><u>\$ 119,906</u></u>	<u><u>\$ 7,033,634</u></u>

IV. Detailed notes on all funds (continued)

B. Receivables (continued)

City Totals:

	Governmental Activities	Business-Type Activities	Total
Receivables:			
Taxes	\$ 1,248,819	\$ -	\$ 1,248,819
Intergovernmental	1,348,601	2,500	1,351,101
Customers	3,247,832	9,248,638	12,496,470
Loans	3,726,602	1,789,860	5,516,462
Interest	36,339	7,177	43,516
Employee	259	-	259
Gross receivables	<u>9,608,452</u>	<u>11,048,175</u>	<u>20,656,627</u>
Less: allowance for uncollectibles	<u>(4,158,042)</u>	<u>(4,014,541)</u>	<u>(8,172,583)</u>
Net total receivables	<u><u>\$ 5,450,410</u></u>	<u><u>\$ 7,033,634</u></u>	<u><u>\$ 12,484,044</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	\$ 604,134	\$ -	\$ 604,134
Other unavailable revenues	-	34,717	34,717
Total unavailable/unearned revenue for governmental funds	<u><u>\$ 604,134</u></u>	<u><u>\$ 34,717</u></u>	<u><u>\$ 638,851</u></u>

IV. Detailed notes on all funds (continued)

C. Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 6,862,932	\$ -	\$ -	\$ -	\$ 6,862,932
Construction in progress	987,803	120,007	-	(727,034)	380,776
Total capital assets, not being depreciated	<u>7,850,735</u>	<u>120,007</u>	<u>-</u>	<u>(727,034)</u>	<u>7,243,708</u>
Capital assets, being depreciated:					
Land improvements	9,097,065	439,445	(19,622)	121,886	9,638,774
Buildings and structures	16,467,462	248,510	-	194,266	16,910,237
Machinery and equipment	6,765,563	507,296	-	-	7,272,859
Automobiles and trucks	11,402,562	556,643	(1,192,977)	-	10,766,228
Office furniture and fixtures	3,351,954	81,672	(274)	-	3,433,352
Infrastructure	104,363,107	1,063,683	-	410,883	105,837,673
Total capital assets being depreciated	<u>151,447,713</u>	<u>2,897,249</u>	<u>(1,212,874)</u>	<u>727,034</u>	<u>153,859,123</u>
Less accumulated depreciation for:					
Land improvements	(1,378,444)	(292,462)	-	-	(1,670,906)
Buildings and structures	(9,855,505)	(412,153)	-	-	(10,267,658)
Machinery and equipment	(4,665,806)	(280,470)	-	-	(4,946,276)
Automobiles and trucks	(6,461,494)	(730,367)	1,175,545	-	(6,016,316)
Office furniture and fixtures	(3,118,291)	(82,198)	274	-	(3,200,215)
Infrastructure	(48,489,687)	(2,358,638)	-	-	(50,848,325)
Total accumulated depreciation	<u>(73,969,228)</u>	<u>(4,156,287)</u>	<u>1,175,819</u>	<u>-</u>	<u>(76,949,695)</u>
Total capital assets, being depreciated, net	<u>77,478,486</u>	<u>(1,259,037)</u>	<u>(37,054)</u>	<u>727,034</u>	<u>76,909,428</u>
Governmental activities capital assets, net	<u>\$ 85,329,221</u>	<u>\$ (1,139,030)</u>	<u>\$ (37,054)</u>	<u>\$ -</u>	<u>\$ 84,153,136</u>

IV. Detailed notes on all funds (continued)

C. Capital Assets (continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 5,705,970	\$ -	\$ -	\$ -	\$ 5,705,970
Construction in progress	1,672,687	1,247,876	-	(299,721)	2,620,842
Total capital assets, not being depreciated	<u>7,378,657</u>	<u>1,247,876</u>	<u>-</u>	<u>(299,721)</u>	<u>8,326,812</u>
Capital assets, being depreciated:					
Land improvements	1,791,717	3,595	-	-	1,795,312
Buildings and structures	215,151,673	1,019,982	-	133,517	216,305,172
Machinery and equipment	110,124,184	1,860,469	(2,996,613)	166,203	109,154,242
Automobiles and trucks	5,632,070	478,428	(282,293)	-	5,828,206
Office furniture and fixtures	852,110	18,899	-	-	871,009
Infrastructure	26,537	-	-	-	26,537
Total capital assets being depreciated	<u>333,578,290</u>	<u>3,381,372</u>	<u>(3,278,906)</u>	<u>299,721</u>	<u>333,980,478</u>
Less accumulated depreciation for:					
Land improvements	(1,138,629)	(61,225)	-	-	(1,199,854)
Buildings and structures	(75,394,033)	(4,102,627)	-	-	(79,496,659)
Machinery and equipment	(60,685,480)	(3,095,915)	2,969,425	-	(60,811,970)
Automobiles and trucks	(3,689,854)	(402,082)	282,298	-	(3,809,638)
Office furniture and fixtures	(747,299)	(17,668)	-	-	(764,967)
Infrastructure	(2,211)	(885)	-	-	(3,096)
Total accumulated depreciation	<u>(141,657,507)</u>	<u>(7,680,401)</u>	<u>3,251,723</u>	<u>-</u>	<u>(146,086,184)</u>
Total capital assets, being depreciated, net	<u>191,920,784</u>	<u>(4,299,029)</u>	<u>(27,184)</u>	<u>299,721</u>	<u>187,894,294</u>
Business-type activities capital assets, net	<u>\$ 199,299,441</u>	<u>\$ (3,051,153)</u>	<u>\$ (27,184)</u>	<u>\$ -</u>	<u>\$ 196,221,106</u>

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

Governmental activities:	
General government, including general infrastructure assets	\$ 2,541,691
Public safety	816,965
Highways and streets	258,448
Culture and recreation	485,210
Municipal buildings	53,972
Total depreciation expense – governmental activities	<u>\$ 4,156,287</u>

IV. Detailed notes on all funds (continued)

C. Capital Assets (continued)

Business-type activities:

Electric	\$ 963,276
Water	3,229,817
Wastewater	3,059,454
Parking facilities	239,762
Golf course	36,754
Property management	151,337
Total depreciation expense – business-type activities	<u>\$ 7,680,401</u>

Construction commitments

The government has active construction projects as of June 30, 2018. The projects include improvements and construction of parking decks, park improvements, water and wastewater treatment plant and system, and building improvements. At year end, the government's commitments with contractors are as follows:

Project	Spent-to- Date	Remaining Commitment
Signal Network	\$ 7,958	\$ 42
City Hall Improvements	1,473	13,527
New Sidewalks	6,872	328
Stormwater Management Planning	105,000	480,000
Green Streets	12,333	82,668
Bicycle Trail	79,643	-
Kiwanis Park	9,500	500
Pangborn Lake Reconstruction	88,318	10,202
Traffic Beacons	58,832	24,310
Parks Restroom Upgrades	3,009	3,816
Urban Improvement Project	7,840	1,960
Willson Treatment Plant Improvements	164,968	1,832,745
Edgemont Reservoir Improvements	548,078	2,274,946
Pump Station Improvements	149,521	835,000
R.C.Willson Plant - Phase IV	1,904	-
Water System SCADA Improvements	51,262	450,000
Willson Traveling Screen Replacement	193,091	1,294,000
Sludge Storage	550,682	3,000,000
Citywide - CS Rehabilitation	693,298	485,787
Upgrades to Parking Decks	267,120	30,000
36-40 N Potomac St	920	15,000
	<u> </u>	<u> </u>
Total	<u>\$ 3,001,619</u>	<u>\$ 10,834,830</u>

IV. Detailed notes on all funds (continued)

C. Capital Assets (continued)

The funding sources for the projects above vary. The Water System SCADA Improvements and Sludge Storage 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 reconstruction of a wall at 36-40 N. Potomac Street is being funded by the Property Management 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, City Hall Improvements, New Sidewalks, Green Streets, Kiwanis Park, Pangborn Lake, Traffic Beacons, Parks Restroom Upgrades and the Urban Improvement Project) 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, 2018, is as follows:

Advances from/to other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Community Development Block Grant Fund	\$139,500

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 2018. The temporary advance will then be reversed.

Interfund transfers:

Transfers in:	Transfers Out:								Total Transfers In
	General Fund	Nonmajor Governmental	Electric	Water	Wastewater	Nonmajor Enterprise	Internal Service	Capital Projects	
General	\$ -	\$ 23,329	\$ -	\$ -	\$ -	\$ -	\$ 542,881	\$ -	\$ 566,210
Capital Projects	939,847	186,726	1,875	1,875	1,875	500	-	-	1,132,698
Nonmajor									
Governmental	242,867	111,317	-	-	-	-	-	-	354,184
Electric	-	-	-	-	-	-	53,079	-	53,079
Water	-	-	-	-	-	-	76,308	-	76,308
Wastewater	-	-	-	-	-	-	76,306	-	76,306
Nonmajor									
Enterprise	279,076	-	-	-	-	-	-	-	279,076
Transfers in	\$ 1,461,790	\$ 321,372	\$ 1,875	\$ 1,875	\$ 1,875	\$ 500	\$ 748,574	\$ -	\$ 2,537,861

The \$566,210 transferred into the General Fund has two separate components: (1) a \$23,329 transfer from the Community Development Block Grant Fund for part-time employee costs and (2) a \$542,881 transfer from the Health Insurance Fund for a return of the prior years' surplus and City Wide Wellness Programs.

Transfers to the Capital Projects Fund from the General Fund for \$939,847, and Non-major Governmental Funds for \$186,726 are for capital project improvements. These annual capital projects include purchases of governmental vehicles, annual resurfacing of City streets and alleys, funds for park and neighborhood improvements, and various other major capital projects.

IV. Detailed notes on all funds (continued)

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

The \$242,867 transfer from the General Fund to the Non-major Governmental Funds has three separate components: (1) a \$113,721 transfer to the Grant Revenue Fund for local match requirements, (2) a \$4,146 transfer to the Economic Redevelopment Fund for the final Invest Hagerstown residency incentive, and (3) a \$125,000 transfer to Economic Redevelopment for the continuation of economic incentive programs. The \$111,317 transfer between Non-major Governmental Funds has two components: (1) a \$29,962 transfer between the Economic Redevelopment Fund and the Upper Floors Fund in order to close the separate funds and consolidate all into Economic Redevelopment for continuation of loan and incentive programs and (2) a \$81,355 transfer between the Community Development Block Grant Fund and the Economic Redevelopment Fund for the sale of 43-53 West Washington Street previously acquired with HUD funds.

The \$279,076 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 FY2024. Total costs for equipment operating leases were \$76,100 in FY2018. Future minimum lease payments for these leases are as follows:

	Fiscal Years Ending June 30,					Total
	2019	2020	2021	2022	Thereafter	
Totals	\$ 75,963	\$ 75,963	\$ 75,963	\$ 72,799	\$ 24,289	\$ 324,977

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, 2018 was \$608,231. Future minimum rental income for these leases is as follows:

	Fiscal Years Ending June 30,					Total
	2019	2020	2021	2022	2023	
Totals	\$ 544,238	\$ 385,857	\$ 377,287	\$ 319,332	\$ 159,268	\$ 1,656,834

As of June 30, 2018, 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	Accumulated	Net	Carrying	
	(Not Being	Depreciation	Depreciation	Amount	
	Depreciated)	Cost	Depreciation	Net	Amount
Totals	\$ 953,373	\$ 3,769,691	\$ 1,502,195	\$ 2,267,496	\$ 3,220,869

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 FY18, a general obligation bond has been issued for both governmental and business-type activities. In addition, the 2015B Public Facilities taxable general obligation bond was reprogrammed within the governmental 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:

Description	Interest Rates	Maturity	Governmental Activities	Business-Type Activities	Total
1998 MD Water Quality Revolving Loan Fund	3.13%	2019	\$ -	\$ 84,557	\$ 84,557
1998 MD Water Quality Revolving Loan Fund	2.37%	2020	-	812,141	812,141
2000 MD Water Quality Revolving Loan Fund	2.40%	2021	-	378,446	378,446
2002 State of Maryland Water Supply Assistance	4.40%	2024	-	97,516	97,516
2004 Public Facilities Bonds	3.40%-4.30%	2019	235,000	-	235,000
2004 Taxable Facilities	5.40%-6.00%	2019	-	260,000	260,000
2004 Public Facilities Bonds, Second Issue	3.36%	2020	627,000	33,000	660,000
2005 MD Water Quality Revolving Loan Fund	0.40%	2025	-	2,659,818	2,659,818
2006 Public Facilities Bonds	3.66%	2021	2,416,708	798,292	3,215,000
2007 MD Drinking Water Revolving Loan Fund	0.40%	2026	-	2,533,800	2,533,800
2009-A Tax Exempt Bonds	2.00%-4.00%	2019	805,923	904,077	1,710,000
2009-B Taxable Build America Bonds	5.00%-5.75%	2029	5,073,545	5,691,456	10,765,000
2009 MDE West End Reservoir Tank Phase II	0.00%	2039	-	3,844,379	3,844,379
2009 MDE Water Quality Bond	0.00%	2032	-	544,164	544,164
2009 MDE RCWillson Mains	0.00%	2041	-	3,513,201	3,513,201
2009 MD Water Quality Revolving Loan Fund	0.00%	2030	-	4,230,944	4,230,944
2009 Salem Ave. Collection System Rehabilitation	0.00%	2030	-	460,105	460,105
2011 Public Facilities Bonds	2.00%-3.50%	2031	-	4,575,000	4,575,000
2014 Public Improvement Bonds	2.50%	2029	343,697	982,731	1,326,428
2012 United Bank Loan	4.00%-WSPR	2022	253,886	-	253,886
2013A MDE Willson Plant Phase IV	0.90%	2044	-	8,075,483	8,075,483
2013B MDE Willson Plant Phase IV	0.00%	2044	-	1,500,000	1,500,000
2015A Public Facilities Bond	3.06%	2035	3,233,695	3,971,305	7,205,000
2015B Public Facilities Bond Taxable	3.89%	2035	574,459	1,060,541	1,635,000
2017A Public Facilities Bond	2.58%	2037	4,154,175	1,360,825	5,515,000
2017B Public Facilities Bond Taxable	3.45%	2037	481,481	1,078,519	1,560,000
2018 Public Improvements Bond Taxable	4.30%	2033	1,265,000	280,000	1,545,000
Total general obligation bonds payable			19,464,569	49,730,298	69,194,867
Premiums on bond issues			437,787	126,512	564,299
Total general obligation debt outstanding			\$ 19,902,356	\$ 49,856,810	\$ 69,759,166

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
2019	\$ 1,863,767	\$ 628,326	\$ 3,835,283	\$ 881,380
2020	1,933,895	661,875	3,827,857	812,142
2021	1,554,395	592,289	3,324,945	755,038
2022	1,603,611	529,028	3,258,924	693,015
2023	946,813	476,833	4,599,916	636,094
2024-2028	5,340,928	1,723,620	14,134,972	2,563,711
2029-2033	4,369,924	645,677	9,630,053	1,061,146
2034-2038	1,851,236	120,609	4,866,550	299,709
2039-2043	-	-	2,185,986	66,792
2044-2048	-	-	65,812	3,143
Total	19,464,569	5,378,257	49,730,298	7,772,170
Premiums on bond issues	437,787	-	126,512	-
Total general obligation debt	\$ 19,902,356	\$ 5,378,257	\$ 49,856,810	\$ 7,772,170

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, 2018, \$10,759 of revenue bonds was outstanding:

Description	Interest Rate	Maturity	Business-type Activities
1993 M.C.C.B. water supply assistance loan	5.36%	2025	\$ 10,759

Revenue bond debt service requirements to maturity are as follows:

Year Ended June 30	Business-type Activities	
	Principal	Interest
2019	1,307	542
2020	1,377	470
2021	1,451	394
2022	1,529	314
2023	1,611	230
2024-2025	3,484	189
Total	\$ 10,759	\$ 2,139

IV. Detailed notes on all funds (continued)

F. Long-term debt (continued)

Changes in long-term liabilities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable:					
General obligation					
Bonds	\$ 19,926,415	\$ 1,265,000	\$ (1,726,846)	\$ 19,464,569	\$ 1,863,765
Premium	472,472	-	(34,685)	437,787	-
Total long-term debt	<u>20,398,887</u>	<u>1,265,000</u>	<u>(1,761,531)</u>	<u>19,902,356</u>	<u>1,863,765</u>
Compensated absences	<u>4,636,391</u>	<u>6,057,730</u>	<u>(6,013,073)</u>	<u>4,681,048</u>	<u>1,777,784</u>
Governmental activity					
Long-term liabilities	<u>\$ 25,035,278</u>	<u>\$ 7,322,730</u>	<u>\$ (7,774,604)</u>	<u>\$ 24,583,404</u>	<u>\$ 3,641,549</u>
Business-type activities:					
Bonds payable:					
General obligation					
Bonds	\$ 53,195,879	\$ 280,000	\$ (3,745,581)	\$ 49,730,298	\$ 3,835,283
Revenue bonds	12,000	-	(1,241)	10,759	1,307
Premium	<u>147,759</u>	<u>-</u>	<u>(21,247)</u>	<u>126,512</u>	<u>-</u>
Total long-term debt	<u>53,355,638</u>	<u>280,000</u>	<u>(3,768,069)</u>	<u>49,867,569</u>	<u>3,836,590</u>
Compensated absences	<u>1,826,187</u>	<u>1,998,806</u>	<u>(1,898,159)</u>	<u>1,926,834</u>	<u>878,065</u>
Business-type activities					
Long-term liabilities	<u>\$ 55,181,825</u>	<u>\$ 2,278,806</u>	<u>\$ (5,666,228)</u>	<u>\$ 51,794,403</u>	<u>\$ 4,714,655</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 2018.

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 \$30,000 for general liability risk claims, \$521,698 for health and dental insurance, and \$844,204 for workers compensation.

	General Liability Risks Program		Health Insurance Fund		Workers Compensation Fund	
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
Unpaid claims, beginning of year	\$ 40,000	\$ 50,000	\$ 705,708	\$ 650,967	\$381,834	\$ -
Incurred claims	18,703	21,295	5,834,651	6,242,144	326,701	652,407
Change in reserve	(10,000)	(10,000)	-	-	462,370	-
Claim payments	(18,703)	(21,295)	(6,018,661)	(6,187,403)	(326,701)	(270,573)
Unpaid claims, end of year	<u>\$ 30,000</u>	<u>\$ 40,000</u>	<u>\$ 521,698</u>	<u>\$ 705,708</u>	<u>\$844,204</u>	<u>\$ 381,834</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, 2018. 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 2018, 282 retirees and their 104 dependents were eligible for hospitalization and dental benefits.

Plan description. The hospitalization insurance is a contributory plan, and eligible retirees may insure themselves and eligible dependents. If an employee suffers a job-related death or disability requiring early retirement, the City provides full medical coverage at the City's cost for the employee and his/her eligible dependents until the employee and his/her spouse are Medicare eligible, and his/her eligible children attain age 26. When a retiree or spouse reaches age 65 or becomes eligible for Medicare insurance, the retiree and spouse will receive the same benefits granted to other retirees at age 65. Eligible family members (spouse, children) are dependents who were eligible for the employee's healthcare insurance prior to the employee's retirement from the City.

Hospitalization and dental insurance coverage is provided to retirees with coverage and contributory levels based on the employee's hire date and years of full time continuous service.

- At retirement, an employee hired before July 1, 1989 must have completed ten (10) years of full time continuous service with the City to qualify for coverage for himself/herself and their eligible dependents.

V. Other information (continued)

C. Other post employment benefits (continued)

- At retirement, an employee hired on or after July 1, 1989 must have completed twenty (20) years of full time continuous service with the City to qualify for coverage for himself/herself and their eligible dependents.

Retirees meeting those hire dates and years of full time continuous services and were also hired on or before February 2, 2004 share the cost of dependency coverage with the City.

- Employees hired after February 2, 2004, upon their retirement, coverage for eligible dependents will be made available at the full expense of the retiree.
- Employees hired on or after July 1, 2009 who become eligible for retiree healthcare insurance, may elect insurance for themselves and eligible dependents until the retiree/dependent becomes eligible for Medicare or is no longer an eligible dependent. For retirees and their spouses who are under age 65, a traditional 80/20% cost sharing program for medical costs will be made available by the City, unless the retiree or spouse has been proven eligible for Medicare coverage.

For those retirees and their dependents who are over the age of 65 or are proven to be eligible for Medicare coverage, the City provides up to a \$350 monthly stipend to aid in the cost of acquiring a Medicare supplemental health insurance plan. Of the eligible retirees, 57 retirees and 31 dependents are provided the \$350 monthly stipend to aid in acquiring a Medicare supplemental health insurance plan. No drug benefits are provided under the Medicare supplemental health insurance plan after June 30, 2010.

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

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

Investments: Rate of return. For the year ended June 30, 2018, the annual money-weighted rate of return of OPEB plan investments, net of the OPEB plan expense was 8.09%. The money-weighted rate of return reflects investment performance, net of investment expense, adjusted for the changing amounts actually invested.

V. Other information (continued)

C. Other post employment benefits (continued)

Net OPEB liability. The components of the net OPEB liability as of June 30, 2018 were as follows:

Total OPEB Liability (TPL)	\$ 34,260,318
Plan Fiduciary Net Position	10,064,985
City's Net OPEB Liability	<u>\$ 24,195,333</u>

City's Net Position as a Percentage of OPEB Liability	29.38%
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The schedule below reflects the factors that impact net position liability and results as June 30, 2018:

	<u>2018</u>
Total OPEB Liability	
Service Cost	\$ 355,153
Interest Cost	2,677,681
Differences Between Expected and Actual Experience	(1,259,781)
Plan Changes	(2,268,178)
Assumption Changes	3,656
Benefit Payments	(1,867,491)
Net Change in Total OPEB Liability	<u>(2,358,960)</u>
Total OPEB liability-Beginning of Year	36,619,278
Total OPEB liability-End of Year	<u>34,260,318</u>
Plan Fiduciary Net Position	
Contributions-Employer	\$ 2,517,491
Net Investment Income	708,254
Benefit Payments	(1,867,491)
Administrative Expense	(35,391)
Net Change in Fiduciary Net Position	<u>1,322,863</u>
Fiduciary Net Position-Beginning of Year	8,742,121
Fiduciary Net Position-End of Year	<u>10,064,985</u>
Net OPEB Liability	24,195,333
Fiduciary Net Position as a % of Total OPEB Liability	29.38%
Covered Employee Payroll	\$ 28,483,725
Net OPEB Liability as a % of Payroll	85%
Annual Money-Weighted Rate of Return, net of investment expense	7.70%

V. Other information (continued)

C. Other post employment benefits (continued)

Actuarial methods and assumptions. Projections for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The last actuarial valuation date was July 1, 2017 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	Entry Age Normal for GASB75.
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	4.25%
Trend Rates	Medical - 6.0% starting 2017 & decreasing linearly to 5.0% annually Dental - 3.0% increase annually

Retirement Age – As specified in the following table:

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

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

Actual coverage status is based on the earliest age at which an employee can retire under the appropriate pension plan. Current COBRA rates are blended at 50%/50% high Plan/low Plan. Rates are adjusted 150% to age band to retirement. 80% of participants are assumed to be married.

V. Other information (continued)

C. Other post employment benefits (continued)

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

Asset Class	Target % of Portfolio	Expected Rate of Return
Cash	3%	0.00%
Large-Cap Domestic Equities	42%	6.75%
Mid/Small Domestic Equities	6%	7.35%
International Equities	15%	7.35%
Real Estate Investment Trusts	2%	5.65%
Investment Grade Bonds	30%	2.15%
High Yield Bonds	2%	3.05%
Total	100%	7.50%

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	\$27,451,840	\$ 24,195,333	\$ 21,393,758

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 (5.0% to 4.0%)	Current rate (6.0% to 5.0%)	1% increase (7.0% to 6.0%)
Net OPEB Liability	\$22,829,853	\$ 24,195,333	\$ 25,763,184

V. Other information (continued)

C. Other post employment benefits (continued)

OPEB deferred outflows of resources and deferred inflows of resources:

At June 30, 2018 the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,007,825
Changes of assumptions	2,925	-
Net difference between projected and actual earnings on OPEB plan investments	-	23,971
Total	\$ 2,925	\$ 1,031,796

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

Year Ended June 30:	
2019	\$ (257,218)
2020	(257,218)
2021	(257,218)
2022	(257,217)
2023	-

Reinstatement of net position:

In June 2015, GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. GASB 75 established standards of accounting and financial reporting for other post-employment benefits provided to the employees of state and local governments. The requirements of GASB 75 were effective for fiscal years beginning after June 15, 2017. The implementation of GASB 75 by the City required reinstatement of the prior year net position to recognize the City's net OPEB liability, the liability to employees for benefits provided through the City's OPEB plan. The City's net OPEB liability of \$30,866,375 was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. A reinstatement to recognize the net OPEB liability decreased the City's beginning net position from \$221,243,515 to \$190,377,140. Before this reinstatement, the City's government wide financial statements did not reflect the liability.

V. Other information (continued)

C. Other post employment benefits (continued)

The decrease in net position for governmental activities for the net OPEB liability and net OPEB asset were as follows:

Total net position at June 30, 2017, as previously reported	\$	50,538,893
Governmental Funds		(19,452,162)
Governmental Funds		(2,989,219)
Total net position at June 30, 2017, as restated	\$	<u>28,097,512</u>

The decrease in net position for business-type activities for the net OPEB liability was as follows:

Total net position at June 30, 2017, as previously reported	\$	170,704,622
Electric Fund		(2,832,233)
Water Fund	\$	(2,373,784)
WasteWater Fund		(3,218,977)
Total net position at June 30, 2017, as restated	\$	<u>162,279,628</u>

D. Employee retirement systems and pension plans

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

Single Employer Pension Plan

City of Hagerstown Police and Fire Employees' Retirement Plan

Cost Sharing Multiple Employer Pension Plans

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

Single Employer Pension Plan

Plan description. The City of Hagerstown Police and Fire Employees' Retirement Plan (Sworn Plan) was established July 1, 1998. At that time the government's sworn employees were allowed to elect to withdraw from the State's cost sharing multiple employer pension plans and to have their net plan assets (\$4,088,321) transferred to the City's Police and Fire Employees' Retirement Plan. The Sworn Plan provides retirement, disability, and death benefits to plan members and beneficiaries. All full-time sworn Police and Fire department employees of the government hired on or after July 1, 1998, and active full-time sworn Police and Fire department employees electing to transfer into the plan on that date are members of the plan. As discussed in Note 1, the Police and Fire Employees' Retirement Plan is considered part of the government's reporting entity and is included in the government's financial statements as the Pension Trust Fund. No separate financial statements are issued.

V. Other information (continued)

D. Employee retirement systems and pension plans (continued)

Membership in the Sworn Plan consisted of the following as of July 1, 2017, the date of the most recent actuarial valuation:

Active	177
Retired or disabled	90
Vested terminations or inactive	<u>6</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 basis. For the last seven years, the City has contributed 100% of the minimum annual required contribution. Based on the July 1, 2017 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 2017/2018. As of June 30, 2018, the plan's net position was \$21,043,677 and included the following policy target asset allocation breakdown.

V. Other information (continued)

D. Employee retirement systems and pension plans (continued)

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

For the year ended June 30, 2018, the annual money weighted return on pension plan investments, net of investment expense was 8.25% 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, 2018 is as follows:

Total Pension Liability (TPL)	\$ 54,837,082
Plan Fiduciary Net Position	<u>21,043,677</u>
City's Net Pension Liability	<u>\$ 33,793,405</u>
City's Net Position as a Percentage of TPL	38.37%

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, 2018:

Total pension liability	<u>2018</u>
Service cost: Retirement benefits	\$ 873,381
Interest	3,763,614
Differences between expected and actual experience	(24,097)
Changes of assumptions	3,017,852
Benefit payments (includes member's contributions refunds, deaths, & terminations)	<u>(2,663,168)</u>
	\$ 4,967,582
Total pension liability - beginning	<u>49,869,501</u>
Total pension liability - ending (a)	<u><u>\$ 54,837,083</u></u>
Plan fiduciary net position	
Contributions - employer	\$ 1,373,832
Contributions - member	694,617
Net investment income	1,631,732
Benefit payments (includes member's contributions refunds, deaths, & terminations)	(2,663,168)
Administrative expense	<u>(127,872)</u>
	909,141
Plan fiduciary net position - beginning	<u>20,134,537</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 21,043,678</u></u>
City's net pension liability - ending (a) - (b)	<u><u>\$ 33,793,405</u></u>
Plan fiduciary net position as a percentage of total pension liability	38.37%
Covered employee payroll	\$ 10,061,909
Net liability as a percentage of covered payroll	335.85%
Annual money-weighted rate of return, net of investment expense	7.47%

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the plan, calculated using the discount rate of 7.25%, as well as what the plan's net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

V. Other information (continued)

D. Employee retirement systems and pension plans (continued)

	1% decrease 6.25%	Current rate 7.25%	1% increase 8.25%
Net Pension Liability	\$ 27,081,916	\$ 33,793,405	\$ 41,909,272

Deferred outflows and inflows of resources related to pensions. As of June 30, 2018, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 59,092	\$ -
Changes of assumptions	2,492,317	-
Net difference between projected and actual earnings on pension plan investments	168,538	-
Total	\$ 2,719,947	\$ -

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

Year Ended June 30:	
2019	\$ 854,173
2020	759,547
2021	527,234
2022	578,993
2023	-

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 80.

Actuarial methods and assumptions. The annual required contribution for the current year was determined as part of the July 1, 2017 actuarial valuation using the entry age actuarial cost method. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period is 25 years. The actuarial assumptions included:

- (a) Investment return – 7.25% as selected by the plan sponsor.
- (b) Funding method – Frozen Initial Liability
- (c) Projected salary increases of 4.25% per year.
- (d) Valuation of Assets – Market value.
- (f) Mortality – RP-2000 sex distinct with general improvement using scale AA

V. Other information (continued)

D. Employee retirement systems and pension plans (continued)

- (g) Turnover – Pre-retirement for retirement and spousal benefits is T8
- (h) Inflation – 2.25%

The long-term expected rate of return on pension plan investments was determined using log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2018 is as follows:

	% of Portfolio	Assumed Rate of Return	Inflation	Real Rate of Return
Cash	3%	0.00%	0%	0%
Large-Cap Domestic Equities	41%	9.00%	2.25%	6.75%
Mid/Small Domestic Equities	8%	9.60%	2.25%	7.35%
International Equities	14%	9.60%	2.25%	7.35%
Real Estate Investment Trusts	3%	7.90%	2.25%	5.65%
Investment Grade Bonds	29%	4.40%	2.25%	2.15%
High Yield Bonds	2%	5.30%	2.25%	3.05%
Total	100%	7.63%	2.25%	5.38%

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

V. Other information (continued)

D. Employee retirement systems and pension plans (continued)

multiple employer defined benefit system which provides pension benefits, death and disability benefits to plan members and their beneficiaries. The State Personnel and Pensions Article of the Annotated Code of Maryland specify all plan benefits to plan members. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Office of Legislative Audits, State Office Building, 301 West Preston Street, Baltimore, Maryland, 21201, or by calling 410-946-5900.

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

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

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

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
2018	\$ 1,745,575	\$ 1,745,575	100%

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: As of June 30, 2018, the City reported a liability of \$17,739,302 for its proportionate share of the net pension liability. The net Pension liability was measured as of June 30, 2017, 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, 2017, the City's proportion was 0.0820 percent.

For the year ended June 30, 2018, the City recognized pension expense of \$2,050,000. As of June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

V. Other information (continued)

D. Employee retirement systems and pension plans (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
City contributions subsequent to the measurement date	\$ 1,745,575	\$ -
Changes of assumptions	587,450	-
Net difference between projected and actual earnings on pension plan investments	1,216,214	-
Difference between actual and expected experience	-	1,209,723
Total	\$ 3,549,239	\$ 1,209,723

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:		
2019	\$	283,475
2020		604,773
2021		75,678
2022		(369,985)

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	2.65% general, 3.15% wage
Salary Increases	3.15% to 9.15%, including wage inflation
Investment Rate of Return	7.50%

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

V. Other information (continued)

D. Employee retirement systems and pension plans (continued)

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	36%	5.30%
Rate Sensitive	21%	1.20%
Credit Opportunity	9%	3.60%
Real Assets	15%	5.70%
Absolute Return	8%	3.10%
Private Equity	11%	7.00%
Total	100%	

Discount Rate: The discount rate used to measure the total pension liability was 7.50 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 7.50 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 (6.50 percent) or 1 percentage point higher (8.50 percent) than the current rate:

	1% decrease 6.50%	Current rate 7.50%	1% increase 8.50%
City's proportionate share of the Net Pension Liability	\$ 26,240,811	\$ 17,739,302	\$ 12,106,555

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, 2018. This can be found at www.sra.state.md.us/Agency/Downloads/CAFR/CAFR-2018.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 Four Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the ERS net pension liability (asset)	0.0820%	0.0856%	0.0865%	0.0762%
City's proportionate share of the ERS net pension liability (asset)	\$ 17,739,302	\$ 20,203,134	\$ 17,987,564	\$ 13,529,649
City's covered-employee payroll	\$ 14,529,094	\$ 14,841,869	\$ 15,093,193	\$ 15,021,461
Plan fiduciary net position as a percentage of the total pension liability	69.38%	65.79%	68.78%	71.87%

Notes to Schedule:

This schedule is presented to illustrate the requirement to reflect information for 10 years.

Information prior to June 30, 2015 is not available.

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

Required Supplementary Information

State of Maryland Retirement and Pension Plan

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

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

Notes to schedule:

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, closed
Inflation	2.65% general, 3.15% wage
Salary Increases	3.15% to 9.15%, including wage inflation
Discount Rate	7.50%
Investment Rate of Return	7.50%
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 Four Fiscal Years

Total pension liability	2018	2017	2016	2015
Service cost: Retirement benefits	\$ 873,381	\$ 818,483	\$ 751,552	\$ 574,841
Interest	3,763,614	3,590,998	3,510,534	3,347,378
Differences between expected and actual experience	(24,097)	410,836	(420,327)	-
Changes of assumptions	3,017,852	-	195,086	-
Benefit payments (includes member's contributions refunds, deaths, & terminations)	<u>(2,663,168)</u>	<u>(2,525,420)</u>	<u>(2,421,115)</u>	<u>(2,268,315)</u>
	\$ 4,967,582	\$ 2,294,897	\$ 1,615,729	\$ 1,653,903
Total pension liability - beginning	<u>49,869,501</u>	<u>47,574,604</u>	<u>45,958,874</u>	<u>44,304,971</u>
Total pension liability - ending (a)	<u>\$ 54,837,083</u>	<u>\$ 49,869,501</u>	<u>\$ 47,574,603</u>	<u>\$ 45,958,874</u>
 Plan fiduciary net position				
Contributions - employer	\$ 1,373,832	\$ 1,249,915	\$ 1,408,922	\$ 1,155,675
Contributions - member	694,617	632,200	728,171	604,317
Net investment income	1,631,732	2,097,503	79,333	958,835
Benefit payments (includes member's contributions refunds, deaths, & terminations)	(2,663,168)	(2,525,420)	(2,421,115)	(2,268,315)
Administrative expense	<u>(127,872)</u>	<u>(116,599)</u>	<u>(109,198)</u>	<u>(129,778)</u>
	909,141	1,337,599	(313,887)	320,733
Plan fiduciary net position - beginning	<u>20,134,537</u>	<u>18,796,938</u>	<u>19,110,825</u>	<u>18,790,093</u>
Plan fiduciary net position - ending (b)	<u>\$ 21,043,678</u>	<u>\$ 20,134,537</u>	<u>\$ 18,796,938</u>	<u>\$ 19,110,825</u>
City's net pension liability - ending (a) - (b)	<u>\$ 33,793,405</u>	<u>\$ 29,734,964</u>	<u>\$ 28,777,665</u>	<u>\$ 26,848,049</u>
Plan fiduciary net position as a percentage of total pension liability	38.37%	40.37%	39.51%	41.58%
Covered employee payroll	\$ 10,061,909	\$ 9,727,339	\$ 9,714,880	\$ 9,475,504
Net liability as a percentage of covered payroll	335.85%	305.68%	296.22%	283.34%
Annual money-weighted rate of return, net of investment expense	7.47%	10.54%	-0.16%	4.41%

Notes to Schedule:

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

Required Supplementary Information

The City of Hagerstown Police and Fire Employees' Retirement Plan

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Actuarially determined contribution	\$ 2,050,050	\$ 1,353,475	\$ 1,312,319	\$ 1,252,278	\$ 1,024,869	\$ 965,733
Contributions in relation to the actuarially determined contribution	\$ 2,050,050	\$ 1,353,475	\$ 1,312,319	\$ 1,252,278	\$ 1,024,869	\$ 965,733
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 10,061,909	\$ 9,727,339	\$ 9,714,880	\$ 9,475,504	\$ 8,009,496	\$ 8,764,142
Contributions as a percentage of covered employee payroll	20.37%	13.91%	13.51%	13.22%	12.80%	11.02%

Notes to schedule:

Valuation date: Employee data as of July 1, 2017 and Asset information as of June 30, 2018

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of projected payroll on an open basis
Remaining amortization period	25 years
Asset valuation method	Market value
Inflation	2.25% per year
Salary increases	4.25% per year
Investment rate of return	7.25% 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 Changes in Net OPEB Liability and Related Ratios Last Two Fiscal Years

Total Fiduciary Liability	<u>2018</u>	<u>2017</u>
Total OPEB Liability		
Service Cost	\$ 355,153	\$ 402,527
Interest Cost	2,677,681	2,601,151
Differences Between Expected and Actual Experience	(1,259,781)	-
Plan Changes	(2,268,178)	-
Assumption Changes	3,656	-
Benefit Payments	(1,867,491)	(2,094,941)
Net Change in Total OPEB Liability	<u>(2,358,960)</u>	<u>908,737</u>
Total OPEB liability-Beginning of Year	36,619,278	35,710,541
Total OPEB liability-End of Year	<u>\$ 34,260,318</u>	<u>\$ 36,619,278</u>
 Plan Fiduciary Net Position		
Contributions-Employer	\$ 2,517,491	\$ 2,744,941
Net Investment Income	708,254	886,273
Benefit Payments	(1,867,491)	(2,094,941)
Administrative Expense	(35,391)	(23,374)
Net Change in Fiduciary Net Position	<u>1,322,863</u>	<u>1,512,899</u>
Fiduciary Net Position-Beginning of Year	8,742,121	7,229,222
Fiduciary Net Position-End of Year	<u>\$ 10,064,985</u>	<u>\$ 8,742,121</u>
 Net OPEB Liability	 \$ 24,195,333	 \$ 27,877,157
Fiduciary Net Position as a % of Total OPEB Liability	29.38%	23.87%
 Covered Employee Payroll	 \$ 28,483,725	 \$ 27,837,939
Net OPEB Liability as a % of Payroll	85%	100%
Annual Money-Weighted Rate of Return, net of investment expense	7.70%	11.94%

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

Required Supplementary Information

The City of Hagerstown Other Post Employment Benefits Plan

Schedule of Contributions Last Two Fiscal Years

	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 2,715,546	\$ 1,754,051
Contributions in relation to the actuarially determined contribution	<u>(2,517,491)</u>	<u>(2,744,941)</u>
Contribution Deficiency (Excess)	<u>\$ 198,055</u>	<u>\$ (990,890)</u>
Covered Employee Payroll	\$ 28,483,725	\$ 27,837,939
Contributions as a Percentage of Covered Employee Payroll	8.84%	9.86%

Notes to Schedule

Methods and Assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal for GASB75
Amortization method	Level percentage of payroll
Amortization period	30 years
Asset Valuation Method	Assets are valued at market value
Healthcare Cost Trends	Medical Costs are assumed to increase annually at rate starting at 6.0% in 2017; decreasing linearly over 10 years to an annual increase of 5%. Dental costs are assumed to increase 3% annually.
Salary Increases	4.25% 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.

City of Hagerstown, Maryland
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2018

	Budgeted Amounts		2018 Actual	Variance with Final Budget - Positive (Negative)	2017 Actual	Increase/ (Decrease) Over Prior Year
	Original	Final				
Revenues and Transfers						
General Property Taxes:						
Current year's levy	\$ 25,977,333	\$ 25,977,333	\$ 26,857,129	\$ 879,796	\$ 25,990,012	\$ 867,117
Prior year's levy - net	(60,000)	(60,000)	(100,965)	(40,965)	(95,543)	(5,422)
Payments in lieu of taxes	2,814,000	2,814,000	2,756,906	(57,094)	2,841,980	(85,074)
Interest on delinquent taxes	150,000	150,000	192,315	42,315	176,450	15,865
	28,881,333	28,881,333	29,705,385	824,052	28,912,899	792,486
Less discounts allowed	(30,500)	(30,500)	(30,803)	(303)	(30,186)	(617)
Total General Property Taxes	28,850,833	28,850,833	29,674,582	823,749	28,882,713	791,869
Income and Other Taxes:						
Income tax	2,445,200	2,445,200	2,177,627	(267,573)	2,628,280	(450,653)
Admission	330,000	330,000	410,160	80,160	443,873	(33,713)
Enterprise zone tax credits	20,612	20,612	27,707	7,095	30,485	(2,778)
Police protection	690,000	690,000	737,861	47,861	739,779	(1,918)
State aid for fire service	55,000	55,000	78,390	23,390	78,697	(307)
Financial corporations	34,214	34,214	34,214	-	34,214	-
Hotel/motel room tax	188,000	188,000	202,103	14,103	187,687	14,416
Total Income and Other Taxes	3,763,026	3,763,026	3,668,062	(94,964)	4,143,015	(474,953)
Licenses and Permits:						
Residential rental licenses	635,000	635,000	657,893	22,893	635,059	22,834
Cable television franchise	410,000	410,000	383,202	(26,798)	395,741	(12,539)
Traders	90,000	90,000	98,724	8,724	103,669	(4,945)
Building permits	175,000	175,000	301,517	126,517	192,960	108,557
Electrical permits	115,000	115,000	115,728	728	119,856	(4,128)
Distilled spirits	6,000	6,000	-	(6,000)	-	-
Plumbing permits	75,000	75,000	75,939	939	77,119	(1,180)
Other	549,610	549,610	524,174	(25,436)	398,410	125,764
Total Licenses and Permits	2,055,610	2,055,610	2,157,177	101,567	1,922,814	234,363
Intergovernmental Grant Revenues:						
Federal grants	233,350	233,350	239,797	6,447	310,966	(71,169)
State and local grants	278,000	278,000	331,718	53,718	160,263	171,455
Total Intergovernmental Grant Revenues	511,350	511,350	571,515	60,165	471,229	100,286
Service Charges:						
Refuse collection fees	2,291,300	2,291,300	2,579,248	287,948	2,258,122	321,126
Stadium	-	-	-	-	-	-
Swimming pool	72,550	72,550	61,940	(10,610)	70,772	(8,832)
Other	690,812	644,162	692,612	48,450	670,078	22,534
Total Service Charges	3,054,662	3,008,012	3,333,800	325,788	2,998,972	334,828
Fines and Forfeitures:						
Safe Speed for School	1,100,000	1,100,000	1,035,499	(64,501)	978,114	57,385
Red Light Program	120,960	120,960	68,700	(52,260)	-	68,700
Other	172,500	172,500	58,894	(113,606)	173,150	(114,256)
Total Fines and Forfeitures	1,393,460	1,393,460	1,163,093	(230,367)	1,151,264	11,829
Unallocated General Revenues:						
Administrative allocation	2,031,000	2,031,000	1,997,500	(33,500)	2,031,000	(33,500)
Interest on investments	18,000	18,000	81,627	63,627	47,124	34,503
Sale of land & other property	41,000	41,000	39,898	(1,102)	44,401	(4,503)
Miscellaneous	406,453	410,853	209,326	(201,527)	196,485	12,841
Total Unallocated General Revenues	2,496,453	2,500,853	2,328,351	(172,502)	2,319,010	9,341
Total Revenues	42,125,394	42,083,144	42,896,580	813,436	41,889,017	1,007,563

* 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, 2018

	Budgeted Amounts		2018 Actual	Variance with Final Budget - Positive (Negative)	2017 Actual	Increase/ (Decrease) Over Prior Year
	Original	Final				
Revenues and Transfers (continued)						
Other Financing Sources:						
Transfers from community development fund	30,160	30,160	23,329	(6,831)	26,287	(2,958)
Transfers from health insurance fund	545,825	545,825	542,881	(2,944)	35,660	507,221
Budgeted use of fund balance	1,306,198	1,306,198	-	(1,306,198)	-	-
Total Other Financing Sources	1,882,183	1,882,183	566,210	(1,315,973)	61,947	504,263
Total Revenues and Other Financing Sources	\$ 44,007,577	\$ 43,965,327	\$ 43,462,790	\$ (502,537)	\$ 41,950,964	\$ 1,511,826
Expenditures and Transfers						
General Government:						
Council	\$ 123,230	\$ 123,230	\$ 133,665	\$ (10,435)	\$ 116,464	\$ 17,201
Mayor	67,643	67,643	62,414	5,229	66,866	(4,452)
City administrator	215,236	215,236	210,388	4,848	211,554	(1,166)
City clerk	161,740	161,740	158,544	3,196	159,838	(1,294)
Community affairs	185,184	173,037	142,264	30,773	145,879	(3,615)
Legal counsel	236,000	236,000	198,300	37,700	259,266	(60,966)
Public functions	463,086	418,536	323,205	95,331	462,308	(139,103)
Communications	283,406	282,891	256,766	26,125	270,959	(14,193)
Finance and accounting	728,824	701,806	682,993	18,813	581,671	101,322
Information technology	900,835	872,950	852,910	20,040	872,755	(19,845)
Cashiering	452,833	452,833	482,388	(29,555)	451,269	31,119
Planning	433,364	403,010	385,227	17,783	442,172	(56,945)
Annexation	8,800	8,800	-	8,800	1,212	(1,212)
City hall expenditures	302,357	302,357	208,337	94,020	304,059	(95,722)
City engineer	1,156,546	1,158,356	1,131,495	26,861	1,111,796	19,699
Human resources	679,153	679,153	656,653	22,500	596,366	60,287
Total General Government	6,398,237	6,257,578	5,885,549	372,029	6,054,434	(168,885)
Public Safety:						
Police department	14,107,414	13,895,413	13,387,026	508,387	13,255,605	131,421
Fire department	7,646,706	7,661,953	7,694,594	(32,641)	7,187,360	507,234
Code enforcement	1,557,872	1,542,086	1,387,477	154,609	1,351,649	35,828
Signal department	483,186	469,519	445,499	24,020	500,010	(54,511)
Total Public Safety	23,795,178	23,568,971	22,914,596	654,375	22,294,624	619,972
Highways and Streets:						
General street department operations	976,366	972,347	987,705	(15,358)	834,257	153,448
Snow removal	404,011	404,011	217,511	186,500	167,860	49,651
Street cleaning	232,163	232,163	237,455	(5,292)	259,928	(22,473)
Street lighting	622,000	622,000	618,932	3,068	601,993	16,939
Central maintenance garage	549,077	549,077	525,080	23,997	586,972	(61,892)
Total Highways and Streets	2,783,617	2,779,598	2,586,683	192,915	2,451,010	135,673
Waste, Collection and Disposal	2,115,019	2,115,019	2,294,415	(179,396)	2,022,219	272,196
Culture and Recreation:						
City parks	1,868,465	1,839,329	1,612,851	226,478	1,680,998	(68,147)
Swimming pool	163,346	163,346	205,583	(42,237)	188,954	16,629
Farmers market	78,134	78,134	80,477	(2,343)	95,473	(14,996)
Stadium	12,922	12,922	31,882	(18,960)	37,948	(6,066)
Recreation department	461,494	461,494	497,566	(36,072)	424,864	72,702
Hager house and 202 train museum	55,714	55,714	108,434	(52,720)	75,116	33,318
Total Culture and Recreation	2,640,075	2,610,939	2,536,793	74,146	2,503,353	33,440

* 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, 2018

	Budgeted Amounts		2018 Actual	Variance with Final Budget - Positive (Negative)	2017 Actual	Increase/ (Decrease) Over Prior Year
	Original	Final				
Expenditures and Transfers (continued)						
Economic and Community Development:						
Economic development	363,075	351,057	346,049	5,008	372,756	(26,707)
Housing and community development	150,701	150,701	147,005	3,696	140,491	6,514
Neighborhoods first	76,886	76,886	48,320	28,566	58,646	(10,326)
Total Economic and Community Dev	<u>590,662</u>	<u>578,644</u>	<u>541,374</u>	<u>37,270</u>	<u>571,893</u>	<u>(30,519)</u>
Unallocated General Expenditures:						
Retiree benefits	1,528,794	1,471,038	1,449,253	21,785	1,515,793	(66,540)
Contributions to other agencies	205,000	205,000	195,000	10,000	195,000	-
Inventory adjustments	10,000	10,000	8,975	1,025	12,969	(3,994)
Budget contingency	(295,811)	-	-	-	-	-
Total Unallocated General Expenditures	<u>1,447,983</u>	<u>1,686,038</u>	<u>1,653,228</u>	<u>32,810</u>	<u>1,723,762</u>	<u>(70,534)</u>
Debt Service:						
Principal	1,816,482	1,816,482	1,726,847	89,635	1,504,498	222,349
Interest	596,071	596,071	638,740	(42,669)	537,853	100,887
Issuance Costs	1,685	1,685	29,595	(27,910)	117,200	(87,605)
Total Debt Service	<u>2,414,238</u>	<u>2,414,238</u>	<u>2,395,182</u>	<u>19,056</u>	<u>2,159,551</u>	<u>235,631</u>
Total Expenditures	\$ 42,185,009	\$ 42,011,025	\$ 40,807,820	\$ 1,203,205	\$ 39,780,846	\$ 1,026,974
Other Financing Uses:						
Transfers to golf course fund	220,000	220,000	279,076	(59,076)	319,180	(40,104)
Transfers to grant revenue fund	-	57,094	113,721	(56,627)	8,954	104,767
Transfers to economic redevelopment fund	125,000	125,000	125,000	-	100,000	25,000
Transfers to capital projects fund	130,371	202,711	307,740	(105,029)	1,042,752	(735,012)
Transfers from FB reserves to capital projects fund	1,049,000	1,049,000	632,107	416,893	-	632,107
Transfers from FB reserves to economic redevelopment fund	257,198	257,198	4,146	253,052	794,415	(790,269)
Total Other Financing Uses	<u>1,781,569</u>	<u>1,911,003</u>	<u>1,461,790</u>	<u>449,213</u>	<u>2,265,301</u>	<u>(803,511)</u>
Total Expenditures and Other Financing Uses	<u>43,966,578</u>	<u>43,922,028</u>	<u>42,269,610</u>	<u>1,652,418</u>	<u>42,046,147</u>	<u>223,463</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses						
	40,999	43,299	1,193,180	1,149,881	(95,183)	1,288,363
Fund balances - beginning	10,430,610	10,430,610	10,430,610	-	10,525,793	(95,183)
Fund balances - ending	\$ 10,471,609	\$ 10,473,909	\$ 11,623,790	\$ 1,149,881	\$ 10,430,610	\$ 1,193,180

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, 2018

	<u>Budgeted Amounts</u>		<u>2018 Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>2017 Actual</u>	<u>Increase/ (Decrease) Over Prior Year</u>
	<u>Original</u>	<u>Final</u>				
Revenues						
Intergovernmental grant revenues	\$ 1,993,400	\$ 2,780,974	\$ 1,018,343	\$ (1,762,631)	\$ 992,549	\$ 25,794
Income and other taxes	1,101,000	1,257,030	1,250,241	(6,789)	1,206,125	44,116
Contributions and donations	113,500	137,500	218,150	80,650	323,021	(104,871)
Interest income	-	-	44,875	44,875	14,189	30,686
Rental Income	35,000	35,000	35,000	-	35,000	-
Other revenues	20,000	39,593	89,632	50,039	41,127	48,505
Total revenues	<u>3,262,900</u>	<u>4,250,097</u>	<u>2,656,241</u>	<u>(1,593,856)</u>	<u>2,612,011</u>	<u>44,230</u>
Expenditures						
General government projects	5,050,771	5,959,708	2,908,069	3,051,639	5,459,771	(2,551,702)
Public safety projects	4,465,454	4,507,753	945,764	3,561,989	1,961,018	(1,015,254)
Highways and streets projects	1,275,000	1,275,000	131,045	1,143,955	586,190	(455,145)
Culture and recreation	1,314,204	1,390,459	503,856	886,603	1,500,359	(996,503)
Total expenditures	<u>12,105,429</u>	<u>13,132,920</u>	<u>4,488,734</u>	<u>8,644,186</u>	<u>9,507,338</u>	<u>(5,018,604)</u>
Excess (deficiency) of revenues over (under) expenditures	(8,842,529)	(8,882,823)	(1,832,493)	7,050,330	(6,895,327)	5,062,834
Other Financing Sources (Uses)						
Bond financing Current Year	5,965,600	5,965,600	1,265,000	(4,700,600)	4,992,515	(3,727,515)
Bond financing Prior Proceeds Reprogram	-	-	-	-	314,538	(314,538)
Transfers in:						
Excise tax fund	-	15,168	19,629	4,461	395,000	(375,371)
General fund	1,179,371	1,251,711	939,847	(311,864)	1,042,752	(102,905)
Electric fund	1,875	1,875	1,875	-	3,500	(1,625)
Water fund	1,875	1,875	1,875	-	3,500	(1,625)
Wastewater fund	1,875	1,875	1,875	-	3,500	(1,625)
Community development block grant fund	240,000	240,000	167,097	(72,903)	402,022	(234,925)
Parking fund	500	500	500	-	2,000	(1,500)
Grant fund	-	-	-	-	13,829	(13,829)
Property management fund	-	-	-	-	188,697	(188,697)
Budgeted use of fund balance	<u>1,831,546</u>	<u>1,775,775</u>	<u>-</u>	<u>(1,775,775)</u>	<u>-</u>	<u>-</u>
Total other financing sources and (uses)	<u>9,222,642</u>	<u>9,254,379</u>	<u>2,397,698</u>	<u>(6,856,681)</u>	<u>7,361,853</u>	<u>(4,964,155)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)	380,113	371,556	565,205	193,649	466,526	98,679
Fund balances - beginning	4,248,361	4,248,361	4,248,361	-	3,781,835	466,526
Fund balances - ending	\$ <u>4,628,474</u>	\$ <u>4,619,917</u>	\$ <u>4,813,566</u>	\$ <u>193,649</u>	\$ <u>4,248,361</u>	\$ <u>565,205</u>

Parks and Recreation



SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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, 2018

	Special Revenue					Total Nonmajor Governmental Funds
	Community Development Block Grant	Economic Redevelopment	Flexible Spending	Business Revolving Loan	Excise Tax	
Assets						
Pooled cash and investments	\$ 7,781	\$ 169,545	\$ 8,743	\$ 447,487	\$ 5,267	\$ -
Interest receivable	-	96	13	131	5	-
Accounts receivable	-	1,200	1,929	-	-	-
Intergovernmental receivable	72,147	10,197	-	-	-	-
Loans receivable (net of allowance for uncollectibles)	1,623,271	-	-	634,880	-	-
Properties held for resale	849,852	985,552	-	-	-	-
Restricted assets:						
Pooled cash and investments	103,787	-	6,258	-	-	-
Total assets	\$ 2,656,838	\$ 1,166,590	\$ 16,943	\$ 1,082,498	\$ 5,272	\$ 199,317
Liabilities						
Accounts and retainages payable	\$ 25,526	\$ -	\$ 302	\$ 832	\$ 2,878	\$ -
Accrued liabilities	1,997	-	-	192	-	-
Advances from other funds	139,500	-	-	-	-	-
Escrowed taxes and insurance	1,620	-	-	-	-	-
Customer deposits	-	1,250	17,185	-	-	-
Undisbursed loan and grant commitments	73,641	-	-	-	-	-
Total liabilities	242,284	1,250	17,487	1,024	2,878	25,704
Fund Balance						
Nonspendable	-	-	-	-	-	-
Restricted	2,414,554	-	-	-	-	173,613
Committed	-	985,552	-	-	-	-
Assigned	-	179,788	(544)	1,081,474	2,394	-
Unassigned	-	-	-	-	-	-
Total fund balances	2,414,554	1,165,340	(544)	1,081,474	2,394	173,613
Total liabilities and fund balances	\$ 2,656,838	\$ 1,166,590	\$ 16,943	\$ 1,082,498	\$ 5,272	\$ 199,317

*The Upper Floors Redevelopment Fund was closed and remaining cash, loans, and fund balance was consolidated into the Economic Redevelopment Fund effective February 28, 2018

City of Hagerstown, Maryland
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2018

	Special Revenue					Total Nonmajor Governmental Funds		
	Community Development Block Grant	Economic Redevelopment	Flexible Spending	Business Revolving Loan	Excise Tax		Grant Revenue	Upper Floors Redevelopment
Revenues								
Intergovernmental	\$ 373,528	\$ 143,537	-	\$ -	\$ -	\$ 365,573	\$ -	\$ 882,638
Program income	33,656	-	-	112,259	-	-	-	145,915
Investment earnings	34	1,617	231	1,597	188	331	98	4,096
Property sales	-	-	-	-	-	-	-	-
Other revenues	165	21,413	(240)	719	-	-	-	22,057
Total revenues	407,383	166,567	(9)	114,575	188	365,904	98	1,054,706
Expenditures								
Current:								
General government	-	-	-	-	-	25,000	-	25,000
Public safety	-	-	-	-	-	423,339	-	423,339
Economic and community development:								
Public services	105,000	-	-	-	-	-	-	105,000
Housing rehabilitation	86,577	-	-	-	-	-	-	86,577
Direct economic development	-	161,322	-	-	-	12,965	-	174,287
Administration	135,654	657,994	5,589	15,835	-	-	-	815,072
Capital outlay	213	-	-	-	-	17,990	-	18,203
Interest expense	65	-	-	-	-	-	-	65
Total expenditures	327,509	819,316	5,589	15,835	-	479,294	-	1,647,543
Other Financing Sources (Uses)								
Transfers in	81,355	159,108	-	-	-	113,721	-	354,184
Transfers out	(190,426)	(81,355)	-	-	(19,629)	-	(29,962)	(321,372)
Total other financing sources (uses)	(109,071)	77,753	-	-	(19,629)	113,721	(29,962)	32,812
Net change in fund balances	(29,197)	(574,996)	(5,598)	98,740	(19,441)	331	(29,864)	(560,025)
Fund balances - beginning	2,443,751	1,740,336	5,054	982,734	21,835	173,282	29,864	5,396,856
Fund balances - ending	\$ 2,414,554	\$ 1,165,340	(544)	\$ 1,081,474	\$ 2,394	\$ 173,613	\$ -	4,836,831

*The Upper Floors Redevelopment Fund was closed and remaining cash, loans, and fund balance was consolidated into the Economic Redevelopment Fund effective February 28, 2018

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, 2018

	Budgeted Amounts		2018 Actual	Variance with Final Budget - Positive (Negative)	2017 Actual	Increase/ (Decrease) Over Prior Year
	Original	Final				
Revenues						
Intergovernmental	\$ 1,099,952	1,099,952	\$ 373,528	\$ (726,424)	\$ 740,310	\$ (366,782)
Program income	116,405	116,405	33,656	(82,749)	28,174	5,482
Investment earnings	-	-	34	34	-	34
Property sales	150,000	150,000	-	(150,000)	-	-
Other revenues	-	-	165	165	46,250	(46,085)
Total revenues	<u>1,366,357</u>	<u>1,366,357</u>	<u>407,383</u>	<u>(958,974)</u>	<u>814,734</u>	<u>(407,351)</u>
Expenditures						
Public services	105,000	105,000	105,000	-	105,000	-
Housing rehabilitation	674,800	674,800	86,577	588,223	57,064	29,513
Administration	151,474	151,474	135,654	15,820	543,762	(408,108)
Capital outlay	1,000	1,000	213	787	888	(675)
Interest expense	-	-	65	(65)	251	(186)
Total expenditures	<u>932,274</u>	<u>932,274</u>	<u>327,509</u>	<u>604,765</u>	<u>706,965</u>	<u>(379,456)</u>
Excess (deficiency) of revenues over (under) expenditures	434,083	434,083	79,874	(354,209)	107,769	(27,895)
Other Financing Sources (Uses)						
Transfers from economic redevelopment fund	-	-	81,355	81,355	-	81,355
Transfers to general fund	(30,160)	(30,160)	(23,329)	6,831	(26,287)	2,958
Transfers to capital projects fund	(240,000)	(240,000)	(167,097)	72,903	(402,022)	234,925
Total other financing sources (uses)	<u>(270,160)</u>	<u>(270,160)</u>	<u>(109,071)</u>	<u>161,089</u>	<u>(428,309)</u>	<u>319,238</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)						
	163,923	163,923	(29,197)	(193,120)	(320,540)	291,343
Fund balances - beginning	<u>2,443,751</u>	<u>2,443,751</u>	<u>2,443,751</u>	<u>-</u>	<u>2,764,291</u>	<u>(320,540)</u>
Fund balances - ending	<u>\$ 2,607,674</u>	<u>\$ 2,607,674</u>	<u>\$ 2,414,554</u>	<u>\$ (193,120)</u>	<u>\$ 2,443,751</u>	<u>\$ (29,197)</u>

City of Hagerstown, Maryland
Economic Redevelopment
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2018

	Budgeted Amounts		2018 Actual	Variance with Final Budget - Positive (Negative)	2017 Actual	Increase/ (Decrease) Over Prior Year
	Original	Final				
Revenues						
Intergovernmental	\$ 210,000	\$ 210,000	\$ 143,537	\$ (66,463)	\$ -	\$ 143,537
Investment earnings	160	160	1,617	1,457	500	1,117
Miscellaneous revenue	-	-	3,095	3,095	-	3,095
Rental income	-	-	18,318	18,318	22,046	(3,728)
Total revenues	<u>210,160</u>	<u>210,160</u>	<u>166,567</u>	<u>(43,593)</u>	<u>22,546</u>	<u>144,021</u>
Expenditures						
Direct economic development	482,171	482,171	161,322	320,849	422,746	(261,424)
Administration	11,025	11,025	657,994	(646,969)	60,100	597,894
Total expenditures	<u>493,196</u>	<u>493,196</u>	<u>819,316</u>	<u>(326,120)</u>	<u>482,846</u>	<u>336,470</u>
Excess (deficiency) of revenues over (under) expenditures	(283,036)	(283,036)	(652,749)	(369,713)	(460,300)	(192,449)
Other Financing Sources (Uses)						
Transfers from general fund	125,000	125,000	125,000	-	100,000	25,000
Transfers from general fund balance reserves	257,198	257,198	4,146	(253,052)	794,415	(790,269)
Transfers from upper floors	50,838	50,838	29,962	(20,876)	21,000	8,962
Transfers to community development block grant fund	-	-	(81,355)	(81,355)	-	(81,355)
Total other financing sources (uses)	<u>433,036</u>	<u>433,036</u>	<u>77,753</u>	<u>(355,283)</u>	<u>915,415</u>	<u>(837,662)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)						
	150,000	150,000	(574,996)	(724,996)	455,115	(1,030,111)
Fund balances - beginning	1,740,336	1,740,336	1,740,336	-	1,285,221	455,115
Fund balances - ending	\$ <u>1,890,336</u>	\$ <u>1,890,336</u>	\$ <u>1,165,340</u>	\$ <u>(724,996)</u>	\$ <u>1,740,336</u>	\$ <u>(574,996)</u>

City of Hagerstown, Maryland
Flexible Spending
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2018

	<u>Original and Final Budget</u>	<u>2018 Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>2017 Actual</u>	<u>Increase/ (Decrease) Over Prior Year</u>
Revenues					
Investment earnings	\$ 10	\$ 231	\$ 221	\$ 19	\$ 212
Charges for services	<u>6,300</u>	<u>(240)</u>	<u>(6,540)</u>	<u>2,413</u>	<u>(2,653)</u>
Total revenues	<u>6,310</u>	<u>(9)</u>	<u>(6,319)</u>	<u>2,432</u>	<u>(2,441)</u>
Expenditures					
Contracted services	<u>9,695</u>	<u>5,589</u>	<u>4,106</u>	<u>9,604</u>	<u>(4,015)</u>
Total expenditures	<u>9,695</u>	<u>5,589</u>	<u>4,106</u>	<u>9,604</u>	<u>(4,015)</u>
Excess (deficiency) of revenues over (under) expenditures	(3,385)	(5,598)	(2,213)	(7,172)	1,574
Other Financing Sources (Uses)					
Transfers to general fund	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)					
	(3,385)	(5,598)	(2,213)	(7,172)	1,574
Fund balances - beginning	5,054	5,054	-	12,226	(7,172)
Fund balances - ending	\$ <u>1,669</u>	\$ <u>(544)</u>	\$ <u>(2,213)</u>	\$ <u>5,054</u>	\$ <u>(5,598)</u>

City of Hagerstown, Maryland
Business Revolving Loan
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2018

	<u>Original and Final Budget</u>	<u>2018 Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>2017 Actual</u>	<u>Increase/ (Decrease) Over Prior Year</u>
Revenues					
Investment earnings	\$ 120	\$ 1,597	\$ 1,477	\$ 333	\$ 1,264
Miscellaneous	-	719	719	1,398	(679)
Program revenue	28,186	112,259	84,073	22,714	89,545
Total revenues	<u>28,306</u>	<u>114,575</u>	<u>86,269</u>	<u>24,445</u>	<u>90,130</u>
Expenditures					
Legal & Audit Fees	2,495	5,206	(2,711)	3,929	1,277
Administration	10,821	10,629	192	7,728	2,901
Direct economic development loans	75,000	-	75,000	2,774	(2,774)
Total expenditures	<u>88,316</u>	<u>15,835</u>	<u>72,481</u>	<u>14,431</u>	<u>1,404</u>
Other Financing Sources (Uses)					
Transfers from upper floors redevelopment fund	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(60,010)	98,740	158,750	10,014	88,726
Fund balances - beginning	982,734	982,734	-	972,720	10,014
Fund balances - ending	\$ <u>922,724</u>	\$ <u>1,081,474</u>	\$ <u>158,750</u>	\$ <u>982,734</u>	\$ <u>98,740</u>

**City of Hagerstown, Maryland
Excise Tax**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		<u>2018 Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>2017 Actual</u>	<u>Increase/ (Decrease) Over Prior Year</u>
	<u>Original</u>	<u>Final</u>				
Revenues						
Investment earnings	\$ 75	\$ 75	\$ 188	\$ 113	\$ 691	\$ (503)
Excise tax	-	-	-	-	-	-
Total revenues	<u>75</u>	<u>75</u>	<u>188</u>	<u>113</u>	<u>691</u>	<u>(503)</u>
Expenditures						
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses)						
Transfers to capital projects fund	-	(15,168)	(19,629)	(4,461)	(395,000)	375,371
Total other financing sources (uses)	<u>-</u>	<u>(15,168)</u>	<u>(19,629)</u>	<u>(4,461)</u>	<u>(395,000)</u>	<u>375,371</u>
Excess (deficiency) of revenues over (under) expenditures	75	(15,093)	(19,441)	(4,348)	(394,309)	374,868
Fund balances - beginning	21,835	21,835	21,835	-	416,144	(394,309)
Fund balances - ending	\$ <u>21,910</u>	\$ <u>6,742</u>	\$ <u>2,394</u>	\$ <u>(4,348)</u>	\$ <u>21,835</u>	\$ <u>(19,441)</u>

City of Hagerstown, Maryland
Grant Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>2018 Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>2017 Actual</u>	<u>Increase/ (Decrease) Over Prior Year</u>
	<u>Original</u>	<u>Final</u>				
Revenues						
Intergovernmental	\$ 331,478	\$ 661,349	\$ 365,573	\$ (295,776)	\$ 468,488	\$ (102,915)
Investment earnings	-	-	331	331	1	330
Total revenues	<u>331,478</u>	<u>661,349</u>	<u>365,904</u>	<u>(295,445)</u>	<u>468,489</u>	<u>(102,585)</u>
Expenditures						
General government	-	-	25,000	(25,000)	50,332	(25,332)
Public services	-	-	-	-	7,018	(7,018)
Public safety	263,678	645,128	423,339	221,789	358,276	65,063
Economic and community development	40,000	41,015	12,965	28,050	15,110	(2,145)
Capital outlay	27,800	32,300	17,990	14,310	23,895	(5,905)
Total expenditures	<u>331,478</u>	<u>718,443</u>	<u>479,294</u>	<u>239,149</u>	<u>454,631</u>	<u>24,663</u>
Excess (deficiency) of revenues over (under) expenditures	-	(57,094)	(113,390)	(56,296)	13,858	(127,248)
Other Financing Sources (Uses)						
Transfers from general fund	-	57,094	113,721	56,627	8,954	104,767
Transfers to capital projects fund	-	-	-	-	(13,829)	13,829
Total other financing sources (uses)	<u>-</u>	<u>57,094</u>	<u>113,721</u>	<u>56,627</u>	<u>(4,875)</u>	<u>118,596</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)						
	-	-	331	331	8,983	(8,652)
Fund balances - beginning	173,282	173,282	173,282	-	164,299	8,983
Fund balances - ending	<u>\$ 173,282</u>	<u>\$ 173,282</u>	<u>\$ 173,613</u>	<u>\$ 331</u>	<u>\$ 173,282</u>	<u>\$ 331</u>

City of Hagerstown, Maryland
Upper Floors Redevelopment Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2018

	Budgeted Amounts		2018 Actual	Variance with Final Budget - Positive (Negative)	2017 Actual	Increase/ (Decrease) Over Prior Year
	Original	Final				
Revenues						
Investment earnings	\$ -	\$ -	\$ 98	\$ 98	\$ 103	\$ (5)
Total revenues	<u>-</u>	<u>-</u>	<u>98</u>	<u>98</u>	<u>103</u>	<u>(5)</u>
Expenditures						
Legal	-	-	-	-	-	-
Direct economic development loans	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses)						
Transfers from economic redevelopment fund	(50,838)	(50,838)	(29,962)	20,876	(21,000)	(8,962)
Total other financing sources (uses)	<u>(50,838)</u>	<u>(50,838)</u>	<u>(29,962)</u>	<u>20,876</u>	<u>(21,000)</u>	<u>(8,962)</u>
Excess (deficiency) of revenues over (under) expenditures	(50,838)	(50,838)	(29,864)	20,974	(20,897)	(8,967)
Fund balances - beginning	29,864	29,864	29,864	-	50,761	(20,897)
Fund balances - ending	\$ <u>(20,974)</u>	\$ <u>(20,974)</u>	\$ <u>-</u>	\$ <u>20,974</u>	\$ <u>29,864</u>	\$ <u>(29,864)</u>

*This fund was closed and remaining cash, loans, and fund balance was consolidated into the Economic Redevelopment Fund effective February 28, 2018

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, 2018

	<u>Golf Course</u>	<u>Property Management</u>	<u>Parking Facilities</u>	<u>Total Nonmajor Enterprise Funds</u>
Assets				
Current assets:				
Pooled cash and investments	\$ 27,385	\$ 32,772	\$ 1,379,676	\$ 1,439,833
Interest receivable	-	17	399	416
Accounts receivable (net of allowance for uncollectibles)	5,880	26,617	86,993	119,490
Prepaid items	719	396	298	1,413
Total current assets	<u>33,984</u>	<u>59,802</u>	<u>1,467,366</u>	<u>1,561,152</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	5,443,920	7,732,804	13,396,570
Machinery and equipment	390,981	48,029	380,673	819,683
Automobiles and trucks	121,220	-	62,141	183,361
Infrastructure	26,537	-	-	26,537
Office furniture and fixtures	-	111,193	-	111,193
Construction in progress	-	920	267,120	268,040
Less accumulated depreciation	<u>(581,076)</u>	<u>(1,676,638)</u>	<u>(4,575,938)</u>	<u>(6,833,652)</u>
Total capital assets, net	<u>528,030</u>	<u>4,623,874</u>	<u>6,594,837</u>	<u>11,746,741</u>
Total noncurrent assets	<u>528,030</u>	<u>4,623,874</u>	<u>6,594,837</u>	<u>11,746,741</u>
Total assets	<u>562,014</u>	<u>4,683,676</u>	<u>8,062,203</u>	<u>13,307,893</u>
Liabilities				
Current liabilities:				
Accounts and retainages payable	12,981	6,087	3,420	22,488
Compensated absences - current	3,765	-	21,502	25,267
Accrued liabilities	4,773	2,084	18,532	25,389
Customer deposits and rebates	-	2,700	7,688	10,388
Unearned revenue	1,080	-	-	1,080
General obligation bonds - current	-	5,085	203,026	208,111
Other liabilities - current	-	-	-	-
Total current liabilities	<u>22,599</u>	<u>15,956</u>	<u>254,168</u>	<u>292,723</u>
Noncurrent liabilities:				
General obligation bonds - long term	-	126,301	703,661	829,962
Compensated absences	4,498	-	25,676	30,174
Other long term liabilities	-	-	-	-
Total noncurrent liabilities	<u>4,498</u>	<u>126,301</u>	<u>729,337</u>	<u>860,136</u>
Total liabilities	<u>27,097</u>	<u>142,257</u>	<u>983,505</u>	<u>1,152,859</u>
Net Position				
Net Investment in Capital Assets	528,030	4,492,488	5,688,150	10,708,668
Unrestricted	6,887	48,931	1,390,548	1,446,366
Total net position	<u>\$ 534,917</u>	<u>\$ 4,541,419</u>	<u>\$ 7,078,698</u>	<u>\$ 12,155,034</u>

City of Hagerstown, Maryland
Combining Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Enterprise Funds
For the Year Ended June 30, 2018

	<u>Golf Course</u>	<u>Property Management</u>	<u>Parking Facilities</u>	<u>Total Nonmajor Enterprise Funds</u>
Operating revenues:				
Service charges	\$ 169,415	\$ 353,276	\$ 949,326	\$ 1,472,017
Other revenues	4,606	3,550	2,501	10,657
Total operating revenues	<u>174,021</u>	<u>356,826</u>	<u>951,827</u>	<u>1,482,674</u>
Operating expenses:				
Selling, general and administrative expenses	416,343	298,403	517,021	1,231,767
Depreciation	36,754	151,338	239,762	427,854
Total operating expenses	<u>453,097</u>	<u>449,741</u>	<u>756,783</u>	<u>1,659,621</u>
Operating income	<u>(279,076)</u>	<u>(92,915)</u>	<u>195,044</u>	<u>(176,947)</u>
Nonoperating revenues (expenses):				
Intergovernmental revenue	-	5,616	-	5,616
Investment earnings	-	14,414	9,535	23,949
Interest expense	-	(4,444)	(29,458)	(33,902)
Bond issuance costs	-	(56)	(5,618)	(5,674)
Total nonoperating revenue (expenses)	<u>-</u>	<u>15,530</u>	<u>(25,541)</u>	<u>(10,011)</u>
Income (loss) before contributions and transfers	(279,076)	(77,385)	169,503	(186,958)
Transfers in	279,076	-	-	279,076
Transfers out	-	-	(500)	(500)
Changes in net position	<u>-</u>	<u>(77,385)</u>	<u>169,003</u>	<u>91,618</u>
Total net position - beginning	534,917	4,618,804	6,909,695	12,063,416
Total net position - ending	<u>\$ 534,917</u>	<u>\$ 4,541,419</u>	<u>\$ 7,078,698</u>	<u>\$ 12,155,034</u>

City of Hagerstown, Maryland
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2018

	<u>Golf Course</u>	<u>Property Management</u>	<u>Parking Facilities</u>	<u>Total Nonmajor Enterprise Funds</u>
Cash Flows From Operating Activities				
Receipts from customers and users	\$ 175,709	\$ 361,831	\$ 941,523	\$ 1,479,063
Payments to suppliers	(157,364)	(161,280)	(105,279)	(423,923)
Payments to employees	(254,599)	(146,540)	(396,490)	(797,629)
Net cash used by operating activities	<u>(236,254)</u>	<u>54,011</u>	<u>439,754</u>	<u>257,511</u>
Cash Flows From Noncapital Financing Activities				
Transfers from (to) other funds	<u>279,076</u>	<u>-</u>	<u>(500)</u>	<u>278,576</u>
Net cash provided (used) by noncapital and related financing activities	<u>279,076</u>	<u>-</u>	<u>(500)</u>	<u>278,576</u>
Cash Flows From Capital And Related Financing Activities				
Proceeds from intergovernmental grant	-	15,342	-	15,342
Capital contribution	-	-	-	-
Acquisition and construction of capital assets	(29,994)	(91,240)	(256,481)	(377,715)
Proceeds from bond issuance	-	-	280,000	280,000
Principal paid on capital debt	-	(5,052)	(181,990)	(187,042)
Interest paid on capital debt	-	(4,013)	(19,415)	(23,428)
Proceeds from sale of capital assets	-	-	-	-
Net cash provided (used) by capital and related financing activities	<u>(29,994)</u>	<u>(84,963)</u>	<u>(177,886)</u>	<u>(292,843)</u>
Cash Flows From Investing Activities				
Interest and dividends received	<u>-</u>	<u>14,430</u>	<u>9,328</u>	<u>23,758</u>
Net cash provided by investing activities	<u>-</u>	<u>14,430</u>	<u>9,328</u>	<u>23,758</u>
Net increase (decrease) in pooled cash and investments	12,828	(16,522)	270,696	267,002
Pooled cash and investments, beginning of year	14,557	49,294	1,108,980	1,172,831
Pooled cash and investments, end of year	<u>\$ 27,385</u>	<u>\$ 32,772</u>	<u>\$ 1,379,676</u>	<u>\$ 1,439,834</u>
Reconciliation of operating income to net cash (used) by operating activities:				
Operating income (loss)	\$ (279,076)	\$ (92,915)	\$ 195,044	\$ (176,947)
Adjustments to reconcile operating income to net cash used by operating activities:				
Depreciation expense	36,754	151,338	239,762	427,854
Bond issuance costs	-	(56)	(5,618)	(5,674)
Net effect of changes in assets and liabilities				
Accounts receivable	1,416	4,705	(10,942)	(4,821)
Inventories	-	-	-	-
Prepaid items	(373)	1	(298)	(670)
Long-term accounts receivable	-	-	-	-
Accounts and retainages payable	9,195	(8,796)	457	856
Compensated absences payable	(4,357)	-	33,201	28,844
Accrued liabilities	(85)	(566)	(12,491)	(13,142)
Customer deposits and rebates	-	300	639	939
Other liabilities - current	-	-	-	-
Due from other agencies	-	-	-	-
Unearned revenue	272	-	-	272
Other long-term liabilities	-	-	-	-
Total adjustments	<u>42,822</u>	<u>146,926</u>	<u>244,710</u>	<u>434,458</u>
Net cash used by operating activities	<u>\$ (236,254)</u>	<u>\$ 54,011</u>	<u>\$ 439,754</u>	<u>\$ 257,511</u>
Reconciliation of pooled cash and investments to the balance sheet				
Pooled cash and investments	\$ 27,385	\$ 32,772	\$ 1,379,676	\$ 1,439,833
Totals	<u>\$ 27,385</u>	<u>\$ 32,772</u>	<u>\$ 1,379,676</u>	<u>\$ 1,439,833</u>

Growth and Expansion in Hagerstown



INTERNAL SERVICE FUNDS

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

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

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

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

City of Hagerstown, Maryland
Combining Statement of Net Position
Internal Service Funds
June 30, 2018

	Worker's Compensation	Health Insurance	Dental Insurance	Total Internal Service Funds
Assets				
Current assets:				
Pooled cash and investments	\$ -	\$ 4,345,243	\$ 412,719	\$ 4,757,962
Interest receivable	-	1,457	119	1,576
Accounts receivable (net of allowance for uncollectibles)	-	107,686	7,576	115,262
Prepaid Items	218,190	-	-	218,190
Total current assets	218,190	4,454,386	420,414	5,092,990
Noncurrent assets:				
Restricted assets:				
Pooled cash and investments	2,112,093	755,538	31,300	2,898,931
Total noncurrent assets	2,112,093	755,538	31,300	2,898,931
Total assets	2,330,283	5,209,924	451,714	7,991,921
Liabilities				
Current liabilities:				
Accounts and retainages payable	11,199	642	3,150	14,991
Accrued liabilities	844,204	503,279	18,419	1,365,902
Unearned revenue	-	183,089	-	183,089
Total current liabilities	855,403	687,010	21,569	1,563,982
Total liabilities	855,403	687,010	21,569	1,563,982
Net Position				
Unassigned	1,474,880	4,522,914	430,145	6,427,939
Total net position	\$ 1,474,880	\$ 4,522,914	\$ 430,145	\$ 6,427,939

City of Hagerstown, Maryland
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2018

	<u>Worker's Compensation</u>	<u>Health Insurance</u>	<u>Dental Insurance</u>	<u>Total Internal Service Funds</u>
Operating revenues:				
Service charges	\$ 1,129,042	\$ 7,756,687	\$ 414,389	\$ 9,300,118
Other revenues	-	142,632	-	142,632
Total operating revenues	<u>1,129,042</u>	<u>7,899,319</u>	<u>414,389</u>	<u>9,442,750</u>
Operating expenses:				
Claim and premium expenses	950,703	5,595,612	287,789	6,834,104
Administrative expenses	87,602	553,538	38,506	679,646
Contributions to OPEB plan - Employer	-	650,000	-	650,000
Total operating expenses	<u>1,038,305</u>	<u>6,799,150</u>	<u>326,295</u>	<u>8,163,750</u>
Operating income (loss)	<u>90,737</u>	<u>1,100,169</u>	<u>88,094</u>	<u>1,279,000</u>
Nonoperating revenues (expenses):				
Investment earnings	45	25,707	2,261	28,013
Total nonoperating revenue (expenses)	<u>45</u>	<u>25,707</u>	<u>2,261</u>	<u>28,013</u>
Income before contributions and transfers	<u>90,782</u>	<u>1,125,876</u>	<u>90,355</u>	<u>1,307,013</u>
Transfer in from other funds	-	-	-	-
Transfer out to other funds	-	(748,574)	-	(748,574)
Changes in net position	<u>90,782</u>	<u>377,302</u>	<u>90,355</u>	<u>558,439</u>
Total net position - beginning	1,384,098	4,145,612	339,790	5,869,500
Total net position - ending	<u>\$ 1,474,880</u>	<u>\$ 4,522,914</u>	<u>\$ 430,145</u>	<u>\$ 6,427,939</u>

City of Hagerstown, Maryland
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2018

	Worker's Compensation	Health Insurance	Dental Insurance	Total Internal Service Funds
Cash Flows From Operating Activities				
Receipts from interfund services provided	\$ 1,129,042	\$ 7,910,985	\$ 414,375	\$ 9,454,402
Payments to suppliers	(608,204)	(6,987,247)	(348,377)	(7,943,828)
Net cash provided (used) by operating activities	520,838	923,738	65,998	1,510,574
Cash Flows From Noncapital Financing Activities				
Transfers to other funds	-	(748,574)	-	(748,574)
Net cash used by capital and related financing activities	-	(748,574)	-	(748,574)
Cash Flows From Investing Activities				
Interest and dividends received	45	25,099	2,198	27,342
Net cash provided by investing activities	45	25,099	2,198	27,342
Net increase in pooled cash and investments	520,883	200,263	68,196	789,342
Pooled cash and investments, beginning of year	1,591,210	4,900,518	375,823	6,867,551
Pooled cash and investments, end of year	\$ 2,112,093	\$ 5,100,781	\$ 444,019	\$ 7,656,893
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating Income (loss)	\$ 90,737	\$ 1,100,169	\$ 88,094	\$ 1,279,000
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Net effect of changes in assets and liabilities				
Accounts receivable	-	11,666	(14)	11,652
Prepaid items	(20,935)	-	-	(20,935)
Accounts and retainages payable	(11,334)	454	(26,623)	(37,503)
Accrued liabilities	462,370	(188,551)	4,541	278,360
Total adjustments	430,101	(176,431)	(22,096)	231,574
Net cash provided (used) by operating activities	\$ 520,838	\$ 923,738	\$ 65,998	\$ 1,510,574
Reconciliation of pooled cash and investments to the balance sheet				
Pooled cash and investments	\$ -	\$ 4,345,243	\$ 412,719	\$ 4,757,962
Restricted pooled cash and investments	2,112,093	755,538	31,300	2,898,931
Totals	\$ 2,112,093	\$ 5,100,781	\$ 444,019	\$ 7,656,893

Healthy Living



FIDUCIARY FUNDS

Fiduciary funds are used to account for resources held for the benefit of parties outside the government.

Pension Trust Fund – This accounts for the activities of the Public Safety Employees Pension System, which accumulates resources for pension benefit payments to qualified public safety employees.

Other Post Employment Benefit (OPEB) Fund – This accumulates resources to provide health benefits to eligible retirees, and in certain instances, their eligible survivors and dependents.

City of Hagerstown, Maryland
Combining Statement of Fiduciary Net Position
June 30, 2018

	Pension	Other Post	All
	Trust Fund	Employment	Trust Funds
	Trust Fund	Benefits (OPEB)	Trust Funds
	<u>Trust Fund</u>	<u>Trust Fund</u>	<u>Trust Funds</u>
Assets			
Investments, at fair value:			
Cash and Cash Equivalents	\$ 799,705	\$ 421,883	\$ 1,221,588
Government and Agency Issues	2,664,291	-	2,664,291
Corporate Debt Issues	2,588,004	-	2,588,004
Common Stock	3,307,558	1,338,540	4,646,098
Mutual Funds	11,627,633	8,291,061	19,918,694
Total investments	<u>20,987,191</u>	<u>10,051,484</u>	<u>31,038,675</u>
Interest Receivable	56,486	13,501	69,987
Total assets	<u>21,043,677</u>	<u>10,064,985</u>	<u>31,108,662</u>
Net Position Restricted for Pensions & OPEB	\$ <u>21,043,677</u>	\$ <u>10,064,985</u>	\$ <u>31,108,662</u>

City of Hagerstown, Maryland
Combining Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2018

	Pension	Other Post	All
	Trust Fund	Employment	Trust Funds
Additions	<u>Trust Fund</u>	<u>Benefits (OPEB)</u>	<u>Trust Funds</u>
Contributions:			
Employer	\$ 1,400,050	\$ 650,000	\$ 2,050,050
Plan members	707,876	-	707,876
Total contributions	<u>2,107,926</u>	<u>650,000</u>	<u>2,757,926</u>
Investment earnings:			
Interest and dividends	830,558	385,386	1,215,944
Net increase/(decrease) in the fair value of investments	760,357	322,805	1,083,162
Other revenues	1,339	114	1,453
Total investment earnings	<u>1,592,254</u>	<u>708,305</u>	<u>2,300,559</u>
Less investment expense	58,578	24,348	82,926
Net investment earnings	<u>1,533,676</u>	<u>683,957</u>	<u>2,217,633</u>
Total additions	<u>3,641,602</u>	<u>1,333,957</u>	<u>4,975,559</u>
Deductions			
Benefits	2,663,168	-	2,663,168
Administrative expenses	26,645	533	27,178
Actuarial fees	42,649	10,560	53,209
Total deductions	<u>2,732,462</u>	<u>11,093</u>	<u>2,743,555</u>
Change in net position	909,140	1,322,864	2,232,004
Net position - beginning	20,134,537	8,742,121	28,876,658
Net position - ending	<u>\$ 21,043,677</u>	<u>\$ 10,064,985</u>	<u>\$ 31,108,662</u>

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)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities:										
Net investment in capital assets	\$ 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	\$ 66,650,974
Restricted	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	9,650,397
Unassigned	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)	(48,291,059)
Total governmental activities net position	\$ 73,973,869	\$ 74,492,766	\$ 77,739,835	\$ 76,572,508	\$ 78,105,880	\$ 78,989,451	\$ 47,046,490	\$ 51,080,040	\$ 50,538,893	\$ 28,010,312
Business-type activities:										
Net investment in capital assets	\$ 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	\$ 146,353,536
Unassigned	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	20,475,472
Total business-type activities net position	\$ 151,398,932	\$ 157,750,262	\$ 165,816,484	\$ 169,384,386	\$ 168,903,412	\$ 171,636,080	\$ 166,721,917	\$ 168,525,533	\$ 170,704,622	\$ 166,829,008
Primary government:										
Net investment in capital assets	\$ 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	\$ 213,004,510
Restricted	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	9,650,397
Unrestricted	13,570,094	19,459,777	21,277,255	27,498,442	25,578,184	25,949,882	(7,422,282)	(3,177,438)	(1,392,368)	(27,815,587)
Total primary government net position	\$ 225,372,801	\$ 232,243,028	\$ 243,556,319	\$ 245,956,894	\$ 247,009,292	\$ 250,625,531	\$ 213,768,407	\$ 219,605,573	\$ 221,243,515	\$ 194,839,320

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental activities:										
General Government	\$ 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	\$ 8,627,247
Public Safety	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	25,773,111
Highways and Streets	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	2,791,282
Waste Collection & Disposal	2,094,011	2,023,079	2,035,237	2,637,297	1,937,485	1,950,238	1,971,595	2,000,312	2,021,510	2,293,396
Culture and Recreation	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	3,005,649
Economic & Community Development	3,179,654	3,184,156	2,519,688	2,419,346	3,174,443	1,349,844	4,053,605	966,551	3,393,612	3,204,744
Interest on Long-term Debt	523,931	684,700	539,668	532,560	514,648	550,317	557,668	540,521	628,301	622,454
Total governmental activities expenses	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	46,317,883
Business-type activities:										
Electric	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	23,814,395
Water	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	10,995,786
Wastewater	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	12,343,489
Parking Facilities	760,188	733,541	723,980	786,348	699,693	742,030	739,264	738,566	724,828	771,525
Golf Course	469,694	414,492	418,962	388,840	467,869	407,944	435,174	443,541	481,273	432,368
Property Management	302,237	384,631	410,706	577,208	668,343	542,884	517,393	527,751	613,979	451,559
Ice Rink	-	-	-	-	-	-	-	-	-	-
Total business-type activities expenses	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	48,809,122
Total primary government expenses	\$ 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	\$ 95,127,005
Program Revenues										
Governmental activities:										
Charges for services:										
General Government	\$ 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	\$ 2,633,174
Public Safety	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	3,014,038
Streets and Alleys	136,424	90,588	75,676	86,045	102,791	87,261	73,088	48,843	149,743	73,337
Waste Collection & Disposal	2,178,805	2,153,210	2,164,998	2,298,388	2,478,721	2,220,898	2,238,358	2,252,262	2,258,122	2,579,249
Parks and Recreation	186,607	191,602	234,637	225,306	209,899	195,633	259,668	230,561	273,319	310,218
Economic & Community Development	311,982	364,403	96,216	95,246	97,321	89,771	245,921	62,417	61,746	150,415
Operating grants and contributions	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	1,554,570
Capital grants and contributions	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	1,236,493
Total governmental activities program revenues	\$ 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	\$ 11,551,494

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)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Business-type activities:										
Charges for services:										
Electric	\$ 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	\$ 24,575,942
Water	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	11,658,823
Wastewater	8,146,918	9,003,327	9,918,807	10,266,294	10,699,798	10,785,125	12,241,385	12,401,054	13,046,779	13,442,122
Parking Facilities	885,489	872,441	811,868	855,638	936,246	869,670	975,936	953,580	993,779	951,827
Golf Course	208,572	126,890	137,884	178,462	178,462	196,758	205,199	224,893	174,035	174,021
Property Management	499,700	202,752	330,576	344,856	(985,215)	(132,163)	203,395	344,644	308,646	356,826
Operating grants and contributions	-	440,847	107,730	-	-	-	51,110	69,489	44,502	5,616
Capital grants and contributions	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	1,449,023
Total business-type activities program revenues	<u>63,185,787</u>	<u>60,238,464</u>	<u>61,368,253</u>	<u>54,886,358</u>	<u>50,746,228</u>	<u>51,135,335</u>	<u>51,401,073</u>	<u>50,650,793</u>	<u>51,264,659</u>	<u>52,614,200</u>
Total primary government program revenues	<u>\$ 74,758,041</u>	<u>\$ 70,716,941</u>	<u>\$ 72,351,335</u>	<u>\$ 66,890,301</u>	<u>\$ 65,851,687</u>	<u>\$ 61,724,842</u>	<u>\$ 64,119,258</u>	<u>\$ 62,981,881</u>	<u>\$ 62,447,728</u>	<u>\$ 64,165,694</u>
Net (expense)/revenue	\$ (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)	\$ (34,766,389)
Governmental activities	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	3,805,078
Business-type activities	<u>(22,696,198)</u>	<u>(25,038,855)</u>	<u>(19,544,835)</u>	<u>(26,093,270)</u>	<u>(28,126,734)</u>	<u>(26,836,694)</u>	<u>(30,943,192)</u>	<u>(28,624,985)</u>	<u>(33,111,932)</u>	<u>(30,961,311)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property Taxes	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	29,674,582
Income and Other taxes	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	5,057,155
Excise Tax	220,678	115,417	96,342	113,485	115,492	69,278	-	-	-	-
Investment Earnings	824,414	205,640	72,526	86,685	37,871	13,880	10,695	38,498	62,960	130,598
Property Sales	-	-	-	-	-	-	-	-	-	-
Gain(Loss) on Disposal of Capital Assets	-	137,326	171,968	312,796	107,791	220,674	269,201	803,541	-	-
Miscellaneous	173,540	(66,000)	(939,642)	(1,125,889)	(798,089)	(175,455)	183,995	(118,745)	(117,983)	(478,644)
Transfers	-	-	-	-	-	-	-	-	-	-
Capital Transfer from Closed Ice Rink Fund	-	-	-	-	-	-	-	-	-	-
Changes in Accounting Estimate	-	-	-	-	-	-	-	-	-	-
Total governmental activities	<u>28,082,960</u>	<u>31,621,357</u>	<u>29,732,897</u>	<u>27,114,435</u>	<u>28,200,850</u>	<u>30,327,742</u>	<u>32,778,752</u>	<u>34,190,131</u>	<u>34,430,622</u>	<u>34,679,188</u>
Business-type activities:										
Investment Earnings	743,942	221,725	185,587	253,521	180,193	156,910	146,024	153,275	201,269	265,659
Transfers	(173,540)	66,000	939,642	1,125,889	798,089	175,455	(183,935)	118,745	117,983	478,644
Total business-type activities	<u>570,402</u>	<u>287,725</u>	<u>1,125,229</u>	<u>1,379,410</u>	<u>978,282</u>	<u>332,365</u>	<u>(37,911)</u>	<u>272,020</u>	<u>319,252</u>	<u>744,303</u>
Total primary government	<u>\$ 28,653,362</u>	<u>\$ 31,909,082</u>	<u>\$ 30,858,126</u>	<u>\$ 28,493,845</u>	<u>\$ 29,179,132</u>	<u>\$ 30,660,107</u>	<u>\$ 32,740,841</u>	<u>\$ 34,462,151</u>	<u>\$ 34,749,874</u>	<u>\$ 35,423,491</u>
Change in Net Position										
Governmental activities	\$ (3,081,688)	\$ 518,897	\$ 3,247,069	\$ (1,167,327)	\$ 1,533,372	\$ 944,481	\$ 75,197	\$ 4,033,550	\$ (641,147)	\$ (87,201)
Business-type activities	9,038,852	6,351,330	8,066,222	3,567,902	(480,974)	2,878,932	1,722,452	1,803,616	2,179,089	4,549,381
Total primary government	<u>\$ 5,957,164</u>	<u>\$ 6,870,227</u>	<u>\$ 11,313,291</u>	<u>\$ 2,400,575</u>	<u>\$ 1,052,398</u>	<u>\$ 3,823,413</u>	<u>\$ 1,797,649</u>	<u>\$ 5,837,166</u>	<u>\$ 1,637,942</u>	<u>\$ 4,462,180</u>

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
2009	24,296,300	2,262,316	94,758	1,899,839	750,533	34,214	53,929	111,256	116,495	1,532,289	31,151,929
2010	26,460,939	2,289,966	75,391	217,622	516,752	34,214	53,361	132,924	127,279	1,598,512	31,506,961
2011	26,910,889	2,068,330	173,017	161,387	516,752	34,214	53,562	137,741	147,663	-	30,203,555
2012	24,077,697	2,271,796	202,180	79,493	516,752	34,214	53,450	110,756	164,257	-	27,510,595
2013	25,227,705	2,305,373	206,234	301,935	516,752	34,214	55,352	101,850	165,898	-	28,915,313
2014	25,365,054	2,452,366	207,892	1,039,880	750,454	34,214	54,797	86,976	176,220	-	30,167,853
2015	27,209,882	2,559,272	214,162	1,081,978	720,362	34,214	63,836	69,699	191,456	-	32,144,861
2016	28,463,400	2,427,965	328,649	1,224,207	686,126	34,214	70,395	48,676	193,894	-	33,477,526
2017	28,882,713	2,628,280	443,873	1,206,125	739,779	34,214	78,697	30,485	187,687	-	34,231,853
2018	29,674,582	2,177,627	410,160	1,250,241	737,861	34,214	78,390	27,707	202,103	-	34,592,885

Source: City of Hagerstown Accounting Department

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

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Reserved	\$ 510,323	\$ 536,025	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved/Undesignated	7,386,804	8,022,458	-	-	-	-	-	-	-	-
Nonspendable	-	-	493,492	487,902	254,914	216,127	226,974	256,363	181,006	167,197
Restricted	-	-	240,816	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	250,000
Assigned	-	-	186,504	199,174	1,783,143	1,596,838	1,555,317	1,077,515	786,785	1,248,537
Unassigned	-	-	7,851,817	7,837,687	7,668,912	8,053,185	8,181,345	9,191,926	9,462,818	9,958,056
Total General Fund	\$ 7,897,127	\$ 8,558,483	\$ 8,772,629	\$ 8,524,763	\$ 9,706,969	\$ 9,866,150	\$ 9,963,636	\$ 10,525,794	\$ 10,430,609	\$ 11,623,790
All other governmental funds										
Reserved	\$ 4,737,722	\$ 3,870,965	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved/Undesignated, reported in:										
Special revenue funds	2,624,295	1,996,542	-	-	-	-	-	-	-	-
Capital projects funds	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	2,588,167
Committed	-	-	2,839,528	1,817,278	43,775	1,672	2,537,161	705,958	2,024,224	2,757,307
Assigned	-	-	2,026,103	1,934,204	4,790,358	4,841,125	4,239,568	3,614,734	2,595,895	4,304,923
Unassigned	-	-	-	-	(146,717)	(150,415)	(1,088,345)	276,605	(92,306)	-
Total all other governmental funds	\$ 7,470,811	\$ 10,321,603	\$ 10,247,443	\$ 9,233,959	\$ 8,639,215	\$ 8,766,826	\$ 10,327,163	\$ 9,447,497	\$ 9,645,217	\$ 9,650,397
Total governmental funds										
Reserved	\$ 5,248,045	\$ 4,406,990	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved/Undesignated, reported in:										
General fund	7,386,804	8,022,458	-	-	-	-	-	-	-	-
Special revenue funds	2,624,295	1,996,542	-	-	-	-	-	-	-	-
Capital projects funds	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	167,197
Restricted	-	-	2,938,969	5,480,693	2,953,196	2,908,949	2,829,671	2,815,706	2,562,152	2,588,167
Committed	-	-	2,839,528	1,817,278	43,775	1,672	2,537,161	705,958	2,024,224	3,007,307
Assigned	-	-	2,212,607	2,133,378	6,573,501	6,437,963	5,794,885	4,692,249	3,382,680	5,553,460
Unassigned	-	-	7,851,817	7,837,687	7,522,195	7,902,770	7,093,000	9,468,531	9,370,512	9,958,056
Total all other governmental funds	\$ 15,367,938	\$ 18,880,086	\$ 19,020,072	\$ 17,758,722	\$ 18,346,184	\$ 18,632,976	\$ 20,290,799	\$ 19,973,290	\$ 20,075,827	\$ 21,274,187

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues:										
Property taxes	\$ 24,296,300	\$ 26,460,939	\$ 26,910,889	\$ 24,077,697	\$ 25,227,703	\$ 25,365,054	\$ 27,209,882	\$ 28,463,400	\$ 28,882,713	\$ 29,674,582
Income and other taxes	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	4,918,303
Licenses and permits	1,464,043	1,579,442	1,554,465	1,723,790	1,545,344	1,524,702	2,259,693	1,910,357	1,922,814	2,157,177
Intergovernmental grant revenues	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	2,472,496
Program Income	308,090	214,394	178,801	187,926	194,232	141,952	224,855	51,895	50,988	145,915
Charges for services	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	3,333,800
Fines and forfeitures	85,627	114,522	73,634	384,137	1,654,158	1,333,317	1,548,400	1,426,168	1,151,264	1,163,093
Investment Earnings	376,985	103,060	72,526	86,688	37,872	13,880	10,695	38,498	62,960	130,598
Property Sales	-	167,543	46,547	128,768	121,266	34,546	22,119	32,306	44,401	39,898
Contributions and Donations	338,606	292,594	453,244	211,248	278,945	271,247	1,556,831	303,831	426,546	318,567
Unallocated general revenue	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	2,253,098
Total revenues	43,027,218	42,106,798	40,832,327	38,960,184	41,338,992	41,060,626	45,186,650	46,692,781	45,834,468	46,607,527
Expenditures:										
General government	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	5,910,549
Public safety	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	23,337,935
Street and alleys	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	2,586,683
Waste collection & disposal	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	2,294,415
Parks and recreation	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	2,536,793
Municipal buildings	-	-	-	-	-	-	-	-	-	-
Economic and Community Development	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	3,211,991
Capital Outlay	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	1,653,293
Debt Service	-	-	-	-	-	-	-	-	-	-
Principal	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	1,726,847
Interest	529,848	579,294	650,015	636,814	595,093	550,187	517,287	577,660	537,853	638,740
Issuance costs	-	49,714	-	975	1,105	1,105	44,215	1,656	117,200	29,595
Unallocated general expenditures	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	3,017,256
Total expenditures	47,912,915	47,112,360	39,752,699	39,895,645	40,228,341	41,301,640	47,955,172	46,940,696	50,956,661	46,944,097
Excess of revenues over(under) expenditures	(4,885,697)	(5,005,562)	1,079,628	(935,461)	1,110,650	(241,014)	(2,768,522)	(247,915)	(5,122,193)	(336,570)
Other financing sources(uses):										
Transfers In	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	2,053,092
Transfers Out	(2,398,394)	(2,517,047)	(3,149,309)	(2,549,309)	(2,913,055)	(1,785,894)	(2,062,664)	(2,195,406)	(3,123,439)	(1,783,162)
Debt Issued	-	-	600,000	600,000	-	428,427	3,923,743	-	4,793,526	1,265,000
Sale of Capital Assets	-	-	-	-	-	-	-	-	-	-
Bond Financing Prior Proceeds Reprogram	-	8,481,044	-	-	-	-	-	-	314,538	-
Premium on Bond Financing	-	102,666	-	-	-	-	282,716	-	198,989	-
Proceeds of Long-term debt	-	-	-	-	-	-	-	-	-	-
Payment to Bond Escrow Agent	-	-	-	-	-	-	-	-	-	-
Total other funding sources(uses)	682,817	8,517,710	(939,642)	(325,889)	(523,089)	527,806	4,426,344	(69,593)	5,224,730	1,534,930
Net changes in Fund Balance	\$ (4,202,880)	\$ 3,512,148	\$ 139,986	\$ (1,261,350)	\$ 587,561	\$ 286,792	\$ 1,657,822	\$ (317,508)	\$ 102,537	\$ 1,198,360
Debt Service as a percentage of noncapital expenditures	5%	5%	6%	7%	5%	5%	4%	5%	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 City Direct Tax Rate	Estimated Actual Value	Assessed Value As a Percentage of Actual Value
2009	2,446,989	125,859	2,572,848	2.758	3,041,191	84.60%
2010	2,650,893	128,231	2,779,124	2.758	3,296,707	84.30%
2011	2,856,491	129,589	2,986,080	2.758	3,559,094	83.90%
2012	2,625,439	109,650	2,735,089	2.758	3,275,555	83.50%
2013	2,601,940	127,861	2,729,801	2.758	3,238,199	84.30%
2014	2,599,512	150,650	2,750,162	2.758	3,224,106	85.30%
2015	2,468,251	108,380	2,576,631	3.143	2,698,043	95.50%
2016	2,521,123	135,120	2,656,243	3.196	2,702,180	98.30%
2017	2,521,811	133,737	2,655,548	3.196	2,704,224	98.20%
2018	2,538,466	133,670	2,672,136	3.294	2,640,451	101.20%

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		
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
2018	0.941	2.353	3.294	0.823	2.370	3.193	0.112	0.000	0.112	3.305	6.599

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

City of Hagerstown, Maryland
Principal Property Taxpayers (Includes Real Estate Property Taxes)
June 30, 2018

Taxpayer	2018			2009		
	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	\$ 61,561,667	1	2.43%	\$ -		0.00%
Lowes Home Centers, Inc.	29,824,200	2	1.17%	35,730,946	2	1.42%
Housing Authority of Hagerstown	26,654,767	3	1.05%			0.00%
Homes for Hagerstown LLC (Hagerstown Apartments)	22,640,800	4	0.89%	20,533,700	5	0.81%
Tractor Supply Company	22,059,500	5	0.87%			0.00%
RPAL Hagerstown LLC	21,843,833	6	0.86%			0.00%
Walmart Real Estate Business Trust	19,852,800	7	0.78%	20,712,890	4	0.82%
Stone House Maryland LLC (Oekos Stone House)	19,671,833	8	0.77%			0.00%
Cortpark II LLC	16,789,687	9	0.66%	19,523,933	6	0.77%
Cortpark LLC	16,517,400	10	0.65%			0.00%
Washington Real Estate			0.00%	39,901,966	1	1.58%
Verizon-Maryland			0.00%	26,094,910	3	1.04%
Sams Real Estate Business Trust			0.00%	13,593,633	10	0.54%
I-81 Hollyhook LLC			0.00%	15,237,033	7	0.60%
Inland Southeast Valley Park LLC			0.00%	14,645,399	9	0.58%
Bowman Railway LLC			0.00%	14,939,000	8	0.59%
Totals	\$ 257,416,487		10.13%	\$ 220,913,410		8.75%

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	Subsequent Years	Amount	Percentage of Levy	
2009	19,629,704	19,253,699	98.1%	276,984	19,530,683	99.50%	
2010	21,455,120	21,146,616	98.6%	225,861	21,372,477	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%	253,842	19,704,236	96.78%	
2013	20,107,789	19,764,852	98.3%	307,390	20,072,242	99.82%	
2014	20,260,778	20,024,757	98.8%	145,123	20,169,880	99.55%	
2015	22,065,699	21,862,523	99.1%	130,886	21,993,409	99.67%	
2016	23,041,528	22,887,668	99.3%	139,373	23,027,041	99.94%	
2017	23,342,489	23,130,460	99.1%	99,501	23,229,961	99.52%	
2018	24,296,476	23,841,947	98.1%	11,184	23,853,131	98.18%	

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		
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
2018	1,649,885,804	40,306	19,902,356	49,867,569	4.23%	1,731

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		
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
2018	2,672,136	40,306	69,769,925		2.61%	1,731

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		
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
2018	2,672,136	40,306	19,902,356		0.74%	494

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, 2018

City of Hagerstown	Debt Outstanding	Estimated Percentage Applicable*	Estimated Share of Overlapping Debt
Debt repaid with property taxes: County	\$ 143,290,624	21.00%	\$ 30,091,031
Subtotal, overlapping debt			
City of Hagerstown Direct Governmental Fund Debt			19,902,356
Total Direct and Overlapping Debt			\$ 49,993,387.04

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt Limit	\$ 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	267,213,623
Total net debt applicable to limit	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	69,769,925
Legal debt margin	\$ 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	\$ 197,443,698
Total net debt applicable to the limit as a percentage of debt limit	15.65%	22.46%	21.77%	24.82%	23.84%	25.04%	30.08%	26.71%	27.77%	26.11%

Legal Debt Margin Calculation for Fiscal Year 2018

Total assessed value	2,672,136,234
Debt limit (10% of total assessed value)	267,213,623
Debt applicable to limit:	
General obligation bonds	69,769,925
Legal debt margin	<u>\$ 197,443,698</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
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
2018	40,306	1,649,885,804	40,934	5.6

Data Source:

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

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

Employer	2018			2009		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Washington County Public Schools	3,100	1	4.66%	2,958	1	4.53%
Meritus Health, Inc. (Washington County Health System, Inc.)	2,740	2	4.12%	2,860	2	4.38%
State of Maryland	2,385	3	3.58%	2,438	3	3.74%
Citicorp Credit Services, Inc	2,300	4	3.45%	1,920	5	2.94%
First Data Merchant Services	2,185	5	3.28%	1,999	4	3.06%
Washington County Government	1,352	6	2.03%	1,254	6	1.92%
Volvo Powertrain NA (Mack Trucks, Inc.)	1,300	7	1.95%	1,115	7	1.71%
FedEx Ground	900	8	1.35%	734	8	1.13%
The Bowman Group, LLC	745	9	1.12%	720	9	1.10%
Federal Government	567	10	0.85%	688	10	0.00%
Hagerstown Community College						
Total	17,574		26.39%	16,686		25.56%

Source: Principal Employers for Washington County MD provided by Maryland Department of Commerce
Total County employment for 2018 was 66,575 and 2009 was 65,228, supplied by Bureau of Labor Statistics.

City of Hagerstown, Maryland
Principal Electric Fund Customers
June 30, 2018

Customer	2018				2009			
	Kwh	Amount Billed	Rank	Percentage of Total Electric Fund Billing	Kwh	Amount Billed	Rank	Percentage of Total Electric Fund Billing
Pinnacle Foods Group LLC	8,496,820	\$ 614,965	1	2.57%				
City of Hagerstown - Public Works	7,245,856	606,863	2	2.54%	7,681,750	\$ 762,180	5	2.37%
City of Hagerstown - Wastewater Plant	9,216,900	573,587	3	2.40%	9,938,251	773,940	4	2.41%
CM Offray, Inc	3,413,120	270,005	4	1.13%	3,890,520	371,282	7	1.16%
C.E. Stevens Inc	3,947,040	256,557	5	1.07%				
Board of Education/Marshall Street	3,293,280	254,276	6	1.06%				
Verizon #27787	3,383,004	226,745	7	0.95%	3,066,696	260,859	9	0.81%
Western Maryland St. Hospital	3,429,806	225,984	8	0.95%	3,184,824	258,562	10	0.81%
Board of Education/North High	2,604,446	203,990	9	0.85%				
HBP, Inc	2,772,560	203,696	10	0.85%				
Shenandoah Family Farm (Formerly Good Humor)					27,416,960	2,190,784	1	6.82%
Washington County Hospital					18,207,303	1,483,464	2	4.62%
Hagerstown Housing Authority					4,900,319	435,192	6	1.36%
Washington County Commissioners					3,737,548	333,249	8	1.04%
Board of Education (Consolidated in FY08)					9,799,808	920,112	3	2.86%
Totals	47,802,832	\$ 3,436,668		14.37%	91,823,979	\$ 7,789,624		24.26%

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, 2018**

Customer	2018				2009			
	Gallons	Amount Billed	Rank	Percentage of Total Water Fund Billing	Gallons	Amount Billed	Rank	Percentage of Total Water Fund Billing
Hagerstown Prison Complex(MCI)	356,722,100	\$ 1,240,952	1	11.57%	433,375,300	\$ 1,105,350	1	17.09%
Town of Smithsburg	82,973,600	241,579	2	2.25%	89,159,200	190,901	2	2.95%
Town of Williamsport	58,795,900	175,554	3	1.64%	70,731,600	151,466	3	2.34%
Meritus Medical Center (Washington County Hospital)	35,462,600	129,668	4	1.21%	21,846,500	55,828	7	0.86%
Volvo Powertrain NA (Mack Trucks, Inc.)	26,251,600	101,844	5	0.95%	30,981,700	79,184	5	1.22%
Town of Funkstown	26,848,000	84,732	6	0.79%	40,202,000	86,232	4	1.33%
Lakeside Park	21,114,300	79,995	7	0.75%	20,260,800	51,785	10	0.80%
Oak Ridge Apartments	18,688,500	75,164	8	0.70%	19,856,800	52,461	9	0.81%
PR Valley Limited Partnership	17,709,500	74,893	9	0.70%				
Homewood Retirement (Virginia Ave)	15,917,900	68,610	10	0.64%	27,857,500	71,182	6	1.10%
Maryland Paper					44,251,200	53,656	8	0.83%
Good Humor Breyers, Inc.								
Totals	660,484,000	\$ 2,272,991		21.20%	798,522,600	\$ 1,898,045		29.33%

Source: City of Hagerstown Billing Department.

**City of Hagerstown, Maryland
Principal Wastewater Fund Customers
June 30, 2018**

Customer	2018				2009			
	Gallons	Amount Billed	Rank	Percentage of Total Wastewater Fund Billing	Gallons	Amount Billed	Rank	Percentage of Total Wastewater Fund Billing
Meritus Medical Center (Washington County Hospital)	34,469,720	\$ 323,748	1	2.55%	31,387,500	\$ 127,433	3	1.60%
Cortpark LLC	28,230,300	154,372	2	1.22%				
Pinnacle Foods Group, LLC	26,277,500	146,500	3	1.15%				
Washington County Detention Center	13,956,500	133,375	4	1.05%	21,846,500	157,513	2	1.98%
Volvo Powertrain NA (Mack Trucks, Inc.)	12,522,600	133,360	5	1.05%	14,157,300	102,074	4	1.28%
CM Offray (MD Ribbon)	22,855,900	126,908	6	1.00%	19,251,200	78,160	9	0.98%
Hagerstown Housing Authority/Noland Village	18,367,000	99,883	7	0.79%	24,941,000	101,017	5	1.27%
Brookhaven (Brandywine/Youngstown)	8,894,500	95,013	8	0.75%	12,243,200	88,274	6	1.11%
Homes for Hagerstown LLC (Realty Investment Co)	14,033,400	82,627	9	0.65%	19,962,500	81,048	8	1.02%
Northhave MHC LLC (was Rockville Mobile Home Inc)	9,502,000	76,540	10	0.60%				
Robinwood Medical Center								
Good Humor Breyers, Inc.					44,251,200	179,660	1	2.26%
Board of Education					19,046,300	81,960	7	1.03%
Western Maryland St Hospital					16,578,600	67,309	10	0.85%
Totals	189,109,420	\$ 1,372,326		10.81%	223,665,300	\$ 1,064,448		13.38%

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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
City Administrator	1.67	1.67	1.67	1.67	1.67	1.66	1.66	1.66	1.66	1.66
City Clerk	1.50	1.50	1.50	1.33	1.33	1.34	1.34	1.34	1.34	1.34
Community & Economic Development (3)(7)	1.33	1.33	23.00	23.50	23.85	23.80	28.80	28.84	6.75	6.75
Public Information (3)	3.50	3.50	-	-	-	-	-	-	-	-
Subtotal Administration	8.00	8.00	26.17	26.50	26.85	26.80	31.80	31.84	9.75	9.75
Accounting (2)	6.50	6.50	8.75	8.75	8.50	8.50	8.50	8.50	8.50	8.50
Treasurer (2)	4.00	4.00	-	-	-	-	-	-	-	-
Information Technology, Communications & Support Services (4)	6.00	6.00	12.00	12.00	12.00	12.00	12.00	12.00	14.10	14.10
Billing/Customer Service (4)	4.00	4.00	-	-	-	-	-	-	-	-
Purchasing (2)	2.50	2.50	-	-	-	-	-	-	-	-
Human Resources	4.00	4.00	4.00	4.00	4.00	4.00	4.00	5.00	5.00	5.00
Planning & Code Administration (3)(7)	6.00	6.00	-	-	-	-	-	-	20.00	20.00
Engineering (1)	14.00	14.00	29.00	29.66	29.72	29.63	29.63	30.64	30.65	30.92
Code Compliance (3)	15.00	15.00	-	-	-	-	-	-	-	-
Police Sworn	107.00	109.00	105.00	105.00	108.00	107.00	107.00	108.00	112.00	112.00
Police Administration/Civilian	24.00	13.00	13.00	13.00	15.00	15.00	15.00	15.00	15.00	15.00
Fire	83.60	83.60	83.00	83.00	83.00	83.00	83.00	83.00	83.00	83.00
Public Works	34.00	34.00	34.00	32.90	32.90	32.90	32.90	32.50	32.90	32.90
Parks & Recreation (1)	20.00	20.00	-	-	-	-	-	-	-	-
Total General Fund	338.60	329.60	314.92	314.81	319.97	318.83	323.83	326.48	330.90	331.17
Electric	40.00	40.00	40.00	40.18	40.18	35.55	35.55	35.55	35.55	35.55
Water	56.00	56.00	54.25	55.49	55.02	55.02	55.02	54.52	54.52	54.52
Wastewater	48.00	48.00	48.00	47.40	47.76	47.76	47.76	48.26	48.26	48.26
Golf Course	3.00	3.00	3.00	2.52	2.37	2.53	2.53	2.52	2.52	2.25
Parking	2.00	2.00	2.40	2.20	2.20	2.20	2.20	2.40	2.20	2.20
Property Management (6)	-	-	-	0.90	0.90	0.90	0.90	1.10	0.90	0.90
Community Development Block Grant	6.40	6.40	3.43	2.50	2.20	2.21	2.21	2.01	2.00	2.00
Business Revolving Loan Fund	-	-	-	-	-	-	-	0.16	0.15	0.15
Telework Center (5)	1.00	1.00	-	-	-	-	-	-	-	-
Approved City Staffing Levels	495.00	486.00	466.00	466.00	470.60	465.00	470.00	473.00	477.00	477.00
General Operations	131.40	131.40	112.75	117.21	117.07	116.94	121.94	123.75	123.05	123.32
Public Safety	214.60	205.60	205.60	201.00	206.00	205.00	205.00	206.00	210.00	210.00
Business-type Activities	149.00	149.00	147.65	147.79	147.53	143.06	143.06	143.25	143.95	143.68

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

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

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

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

(5) Telework Center Closed in 2011.

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

(7) Planning & Code Administration were split from Community & Economic Development in 2017

Source: City of Hagerstown Human Resource Department.

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

Function	FISCAL YEAR									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Fire Department										
Responses to Fire alarms	2,249	2,275	2,428	2,573	2,587	2,978	3,236	3,623	3,575	3,774
Average response time (in minutes)	3:13	4:31	4:17	4:06	3:06	4:38	4:14	4:14	4:29	4:15
False alarms (included in above number)	10	27	18	30	25	30	32	30	51	62
Public fire education programs	453	655	927	1,452	825	1,288	1,302	1,029	1,131	1,187
Persons in attendance at public education programs	13,950	14,875	10,558	9,619	5,880	9,629	9,810	8,572	9,429	9,617
Police Department										
Parking ticket violations issued	12,146	11,660	8,117	7,030	8,838	8,427	8,684	7,985	8,587	11,985
Net parking fines	\$ 143,275	\$ 172,865	\$ 125,161	\$ 91,860	\$ 113,540	\$ 107,135	\$ 118,225	\$ 118,163	\$ 127,708	\$ 183,458
Calls for service	53,479	51,625	54,555	63,697	60,764	61,329	61,250	54,762	55,519	61,944
Alarm calls (included in above number)	2,088	1,563	1,048	696	496	470	564	484	402	560
Parks and Recreation										
Claude M Potterfield Pool										
Total attendance at swimming pool	24,268	23,764	23,611	23,223	17,945	15,998	16,195	21,876	25,776	21,631
Average daily attendance at pool	275	321	353	332	285	222	176	264	293	254
The Greens at Hamilton Run										
Total attendance at golf course	12,219	10,191	10,804	10,946	9,998	10,026	11,736	10,759	10,006	11,133
Average daily attendance at golf course	39	39	39	43	37	41	48	55	53	43
Electric Department										
Number of active accounts	16,974	16,821	16,921	16,876	16,863	16,900	16,866	16,936	17,085	17,093
Number of meters (in use)	17,972	17,898	17,942	17,825	17,876	17,375	17,556	17,691	17,512	17,504
Kilowatt hours purchased	356,049,155	350,706,567	354,751,891	322,917,151	314,865,535	318,885,469	310,397,995	297,411,446	304,938,150	317,991,751
Kilowatt hours sold	348,476,126	337,724,526	343,746,297	312,875,929	304,005,581	307,256,238	306,698,130	287,368,823	297,368,988	311,618,237
System peak demand-kilowatts	66,204	67,389	71,024	68,180	66,100	68,144	67,655	60,680	60,850	67,464
Water Department										
Number of active accounts-City	13,030	12,996	13,028	13,044	13,088	13,082	13,112	13,215	13,324	13,369
Number of active accounts-County	15,189	15,288	15,319	15,343	15,430	15,387	15,632	15,778	15,967	16,100
Total number of active accounts	28,219	28,284	28,347	28,387	28,518	28,469	28,744	28,993	29,291	29,469
Daily average productions in million gallons										
R.C. Wilson Plant (365 days)	10,797	11,346	11,854	11,637	11,559	11,423	11,317	11.7	11,000	10,010
Wm. M. Breichner Plant (365 days)	0.00	-	0.01	-	-	-	-	-	-	-
Greatest consumption for a single day	13,270	13,530	14,000	13,680	13,65	14.3	14.12	14.54	12,850	12,040
Plant pumping capacity per day	20	20	20	20	20	20	20	20	20	20
Average daily metered consumption	8,532	8,233	8,698	8,244	7,729	8,129	8,244	8,160	7,980	7,680,000
Wastewater Department										
Number of active accounts-City	12,777	12,745	12,778	12,779	12,795	12,764	12,853	12,930	13,060	13,107
Number of active accounts-County	2,898	2,916	2,922	2,903	2,902	2,889	2,912	2,934	2,976	2,987
Number of active accounts-District (USA)	3,409	3,434	3,437	3,449	3,476	3,516	3,577	3,633	3,670	3,729
Number of active accounts-Total	19,084	19,095	19,137	19,131	19,173	19,169	19,342	19,497	19,706	19,823
Daily average of sewage treated (million gallons)(including inflow and infiltration)	6,310	7,170	7,430	7,29	6,55	7,08	6,94	7,02	6,700	0,300
Daily average plant capacity (rated optimum efficiency)(million gallons)	8,000	8,000	10,500	10,500	10,500	10,500	8,000	8,000	8,000	8,000

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

Function	FISCAL YEAR									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Parking Facilities Department										
Parking Deck:										
Number of Parking Spaces	625	629	625	625	625	625	625	625	629	625
Number of Permit Parkers	695	868	996	638	485	485	729	693	868	695
Operating Revenue:										
Meter Fees	\$ 237,847	\$ 226,740	\$ 186,781	\$ 186,368	\$ 182,763	\$ 187,460	\$ 189,227	\$ 180,153	\$ 226,740	\$ 237,847
Permit Fees	\$ 162,079	\$ 183,619	\$ 144,237	\$ 161,600	\$ 179,250	\$ 198,800	\$ 181,425	\$ 157,777	\$ 183,619	\$ 162,079
Deck	\$ 334,712	\$ 311,211	\$ 361,707	\$ 378,655	\$ 421,341	\$ 400,545	\$ 426,571	\$ 500,368	\$ 311,211	\$ 334,712
Sanitation										
Number of Waste Collection and Disposal Accounts										
Residential	14,586	14,364	14,304	14,326	14,341	14,278	14,324	14,412	14,364	14,586
Commercial (Trash only)	-	-	-	25	38	53	60	68	-	-
Special Revenue Funds										
Number outstanding loans:										
Community Development Block Grant										
Single family	7	5	6	6	4	4	4	2	5	7
Residential Rental	9	9	8	6	6	6	12	9	9	9
Commercial	2	2	2	2	2	2	2	2	2	2
Deferred	35	37	36	37	36	35	36	35	37	35
Public facilities and improvements	4	4	4	4	4	4	4	3	4	4
Homeownership	6	5	4	4	4	4	5	5	5	6
Direct Homeownership	9	10	9	7	7	7	6	5	10	9
Business Revolving Loans	10	12	10	10	12	12	16	18	12	10
Total	82	84	79	76	75	74	85	79	84	82
Outstanding loan balances:										
Community Development Block Grant										
Single family	44,427	35,592	40,964	31,573	20,335	11,896	6,695	2,951	35,592	44,427
Residential Rental	688,176	656,671	623,803	596,347	716,986	696,938	813,401	795,402	656,671	688,176
Commercial	261,116	234,099	207,740	186,434	167,887	145,980	21,564	106,983	234,099	261,116
Deferred	863,392	797,529	788,302	789,367	783,641	758,431	804,257	839,607	797,529	863,392
Public facilities and improvements	715,276	671,463	627,758	585,653	548,366	584,687	546,291	324,546	671,463	715,276
Homeownership	266,411	217,964	137,620	125,424	117,211	109,331	101,600	93,023	217,964	266,411
Business Revolving Loans	686,774	830,909	569,807	654,480	732,901	773,247	903,163	1,202,994	830,909	686,774
Total	\$ 3,525,572	\$ 3,444,227	\$ 2,995,994	\$ 2,969,278	\$ 3,087,327	\$ 3,080,510	\$ 3,196,971	\$ 3,365,506	\$ 3,444,227	\$ 3,525,572
Program income (interest and loan repayments)										
Community Development Block Grant										
Single family	99,941	8,879	8,296	11,404	12,748	9,447	5,763	4,040	8,879	99,941
Residential Rental	58,745	57,651	62,950	56,975	47,244	46,853	149,291	32,477	57,651	58,745
Commercial	23,892	33,280	30,748	25,173	21,564	25,001	21,564	21,564	33,280	23,892
Deferred	2,301	2,561	18,951	-	20	20,550	3,544	-	2,561	2,301
Public facilities and improvements	68,309	69,578	67,292	63,989	57,383	55,438	55,991	235,477	69,578	68,309
Homeownership*	22,805	66,183	85,768	15,910	110,599	10,865	8,623	10,363	66,183	22,805
Business Revolving Loans	175,432	85,714	107,381	112,732	55,780	73,135	73,657	73,273	85,714	175,432
Total	\$ 451,425	\$ 323,846	\$ 381,386	\$ 286,183	\$ 305,338	\$ 241,289	\$ 318,433	\$ 377,194	\$ 323,846	\$ 451,425

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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Fire Department										
Number of stations (4 volunteer, 1 City owned)	6	6	6	6	6	6	6	6	6	5
Police Department										
Number of Stations and Substations	3	3	3	3	3	3	3	3	3	3
Public Works Department										
Miles of paved streets and alleys	144.4	145.6	145.6	151.0	151.75	151.88	152.10	153.90	154.39	154.39
Number of signalized intersections	130	133	129	132	132	131	132	133	136	136
Parks and Recreation										
Parks and Playgrounds (302.161 acres)	15	15	15	15	18	19	19	20	21	22
Outdoor swimming pools	1	1	1	1	1	1	1	1	1	1
Number of Municipal golf courses	1	1	1	1	1	1	1	1	1	1
Ice Hockey Rinks	1	1	1	1	1	1	1	1	1	1
Municipal Stadium	1	1	1	1	1	1	1	1	1	1
Museums	2	2	2	2	2	2	2	2	2	2
Electric Department										
Number of substations - 34.5KV to 13.8KV	7	7	7	7	7	7	7	7	7	7
Water Department										
Miles of water mains (estimate)	425	425	425	425	425	425	425	430	430	430
Fire hydrants	802	808	814	814	814	825	814	824	824	831
City	1,272	1,291	1,297	1,297	1,318	1,337	1,318	1,354	1,361	1,372
County										
Wastewater Department										
Number of City owned pumping stations	26	26	23	27	25	25	25	23	23	23
Miles of collection system-City owned	153	153	153	156	156	157	156	157	157	157
Parking Facilities Department										
Number of Lots	7	7	7	7	7	7	7	7	8	7
Number of Parking Spaces (Metered or Rented)										
Lots	682	678	678	709	701	701	701	701	716	716
Streets	511	519	519	363	374	372	372	372	376	376
Number of Parking Decks	2	2	2	2	2	2	2	2	2	2

Source: Corresponding City Department.

