

City of Aberdeen, Maryland

Comprehensive Annual Financial Report
June 30, 2016

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October 27, 2016

To the Honorable Mayor, City Council
and Citizens of the City of Aberdeen:

The City of Aberdeen's comprehensive annual financial report for the year ended June 30, 2016, is hereby submitted. City ordinances and State statutes require that the City of Aberdeen issue annually a report on its financial position and its activities. An independent firm of certified public accountants is selected by the City Council. Responsibility of both accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City's management. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner that presents fairly the financial position and results of operations of the various funds and account groups of the City government. All information necessary to enable the reader to gain an understanding of the City's government activities has been included.

Management of the government is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the government are protected from loss, theft or misuse and to ensure that adequate accounting data are complied with to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that the financial statements will be free from material misstatement. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived and 2) the valuation of costs and benefits requires estimates and judgments by management.

City of Aberdeen's financial statements have been audited by RSM US LLP, Independent Certified Public Accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City of Aberdeen for the fiscal year ended June 30, 2016 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and

significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the financial statements for City of Aberdeen for the fiscal year ended June 30, 2016 are fairly presented in conformity with GAAP. The auditor's report is presented as the first component of the financial section of this 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 MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE GOVERNMENT

The City of Aberdeen was incorporated in 1892. The City is a full service municipality providing water and wastewater utilities, public safety, planning, public works, and environmental and administrative services to a populous in excess of 15,000 citizens. The Aberdeen City government operates with the Mayor serving as the Chief Executive Officer and the Council as the legislative body. The City Manager serves as the Chief Operating Officer.

Located in northeastern Maryland, Aberdeen is a community situated at the headwaters of the Chesapeake Bay, traversed by two interstate highways, Interstate 95 and Route 40, and two rail lines, Amtrak and CSX. At the epicenter of the New York/Baltimore Washington metropolitan corridor, Aberdeen is surrounded by several regional and national airports, lying approximately 30 miles from Baltimore and Wilmington, Delaware, and 70 miles from D.C. and Philadelphia.

Pursuant to City Charter, the Mayor presents the capital and operating budgets to the City Council during April of each year. The City Council holds public hearings regarding the budgets and, prior to July 1, passes an annual appropriation ordinance. The legislation becomes effective July 1 and provides the spending authority at the fund level for the operations of the City Government with unexpended or unencumbered appropriation authority expiring the following June 30. The appropriated budgets are prepared by fund and department. Expenditures of the funds may not legally exceed appropriations at the fund level. During the fiscal year, the City Council may adopt supplemental appropriations. A Statement of Revenues, Expenditures, and Changes in Fund Balances on a Budget (Non-GAAP) vs. Actual basis is presented for the two major governmental funds which adopted an annual budget, and can be found on pages 76 through 80 of this report.

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 - Aberdeen has a rich history as a military community and is home to the United States Army's Aberdeen Proving Ground. Aberdeen Proving Ground (APG) was established on October 20, 1917 and is the U.S. Army's oldest active testing and evaluation facility, and home to defense technology. APG is center for Army material and electronic testing, laboratory research and military training, the post is a key element in the nation's defense. Home to thousands of military, civilian and contract team members, APG has a long and illustrious reputation as one of the defense communities finest installations in the world.

With completion of the most recent Base Realignment and Closure process, APG's mission changed from ordinance development, testing and training to high tech electronic and intelligence research and development. As a result, the number of jobs on APG grew significantly to include contractors in "high tech" defense related industries. These new personnel have higher educational attainment, skill levels and incomes than those replaced. This has led to increased wages and salaries having a positive impact on the local economy.

The City has a diversified employment base with a good blend of commercial, industrial, financial, governmental, educational and non-profit institutional employers. Major employers include Frito-Lay Inc., Saks Fifth Avenue, Pier I Imports, Harford County Board of Education and Aberdeen Proving Ground.

Long-term financial planning – In October 2011, Fitch Ratings, and Standard and Poor's Rating Services assigned their AA rating to the City. In September 2014, Standard and Poor's upgraded the rating to AA+. In September 2015, Fitch Ratings affirmed the AA rating.

Capital improvements and tending to aging infrastructure will be an ongoing priority. Much of the underground infrastructure in the older sections of the city are either undersized or in need of replacement.

AWARDS

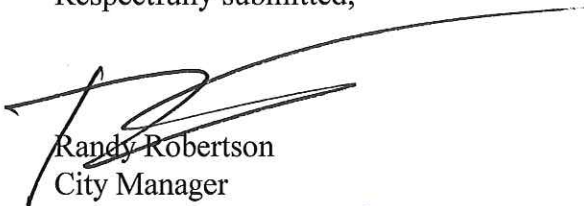
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to City of Aberdeen for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2015. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.


ACKNOWLEDGMENTS

The preparation of this report could not have been accomplished without the efficient and dedicated service of the entire staff of the Finance Department. We, as well as the city's elected leaders extend our sincere appreciation to each member of this department. Also, special thanks go to the Mayor and City Council for their leadership and support in planning and overseeing the governmental operations in a responsible and progressive manner.

Respectfully submitted,



Randy Robertson
City Manager



Opiribo Jack, CPA
Director of Finance



Government Finance Officers Association

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

Presented to

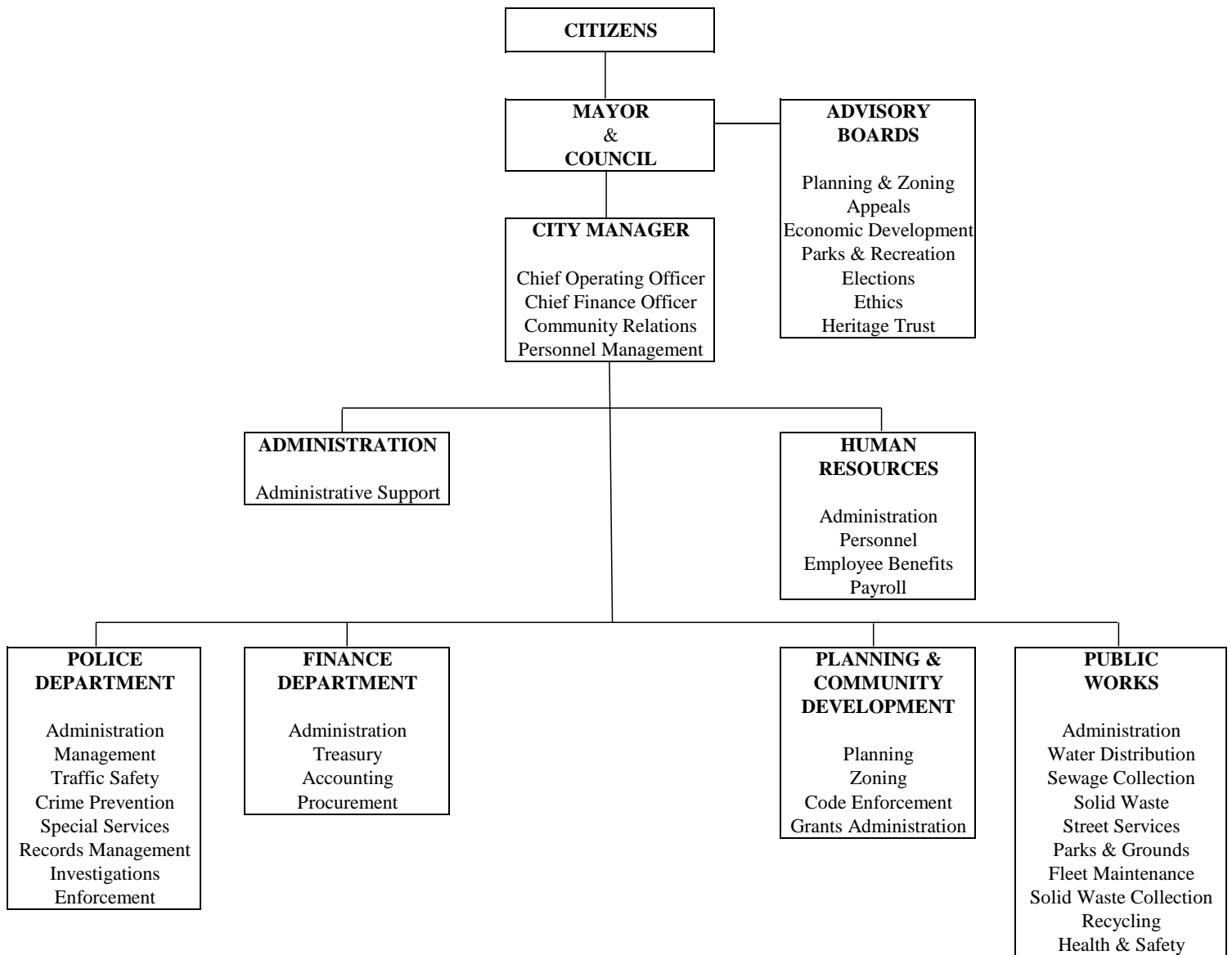
**City of Aberdeen
Maryland**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

CITY OF ABERDEEN - ORGANIZATIONAL CHART



CITY OF ABERDEEN
HARFORD COUNTY, MARYLAND
GOVERNMENT ORGANIZATION

ELECTED AND APPOINTED OFFICIALS

AS OF JUNE 30, 2016

ELECTED OFFICIALS

City Mayor	Mr. Patrick L. McGrady
City Council Members	Mr. Steven E. Goodin Mrs. Sandra J. Landbeck Mr. Timothy W. Lindecamp Mr. Melvin T. Taylor

APPOINTED OFFICIALS

Interim City Manager	Mr. Kyle Torster
City Clerk	Mrs. Monica A. Correll
Director of Finance	Mr. Opiribo Jack
Police Chief	Mr. Henry Trabert
Director of Public Works	Mr. Kyle Torster
Director of Planning & Community Development	Mrs. Phyllis Grover
City Attorney	Council, Baradel, Kosmerl & Nolan, PA
Bond Counsel	Royston, Mueller, McLean & Reid, LLP

Independent Auditor's Report

RSM US LLP

To the Honorable Mayor and Members of the City Council
City of Aberdeen, 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 Aberdeen, Maryland, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Aberdeen, Maryland's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 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 of Aberdeen, Maryland, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 7 to the basic financial statements, Fiduciary Net Position has been restated as of July 1, 2015 for a change in the City's reporting entity. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 10 through 20, the Schedule of Changes in the City's Net Pension Liability and Related Ratios – Pension on page 72, the Schedule of City Contributions – Pension on page 73, the Schedule of Investment Returns – Pension on page 74, and the Other Post-Employment Benefits – Schedules of Employer Contributions and Funding Progress on page 75, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Aberdeen, Maryland's basic financial statements. The supplementary information, listed in the table of contents as other supplementary information, and the other information, listed in the table of contents as the introductory and statistical sections, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information, listed in the table of contents as other supplementary information, is 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other information, listed in the table of contents as the introductory and statistical sections, has 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 it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2016, on our consideration of the City of Aberdeen, Maryland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Aberdeen, Maryland's internal control over financial reporting and compliance.

RSM US LLP

Frederick, Maryland
October 27, 2016

City of Aberdeen, Maryland

Management's Discussion and Analysis

June 30, 2016

Introduction

As management of the City of Aberdeen, Maryland (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2016. The Management's Discussion and Analysis (MD&A) is best understood if read in conjunction with the City's basic financial statements.

Financial Highlights

1. The City's assets exceeded its liabilities at the close of the most recent fiscal year by \$75.6 million (*net position*). Of this amount, \$10.4 million (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
2. The City's total net position increased \$3.0 million. Most of this increase is attributable to better than expected tax revenues, management fees, and savings in expenses.
3. The City's total long-term liabilities decreased by \$1.3 million during the current fiscal year from \$26.6 million to \$25.4 million.
4. As of the close of the current fiscal year, the City's governmental funds, on a current financial resource basis, reported a combined ending fund balance of \$12.7 million. This represents an increase of \$2.1 million over the prior year. About 89.3% (\$11.3 million) is unassigned and is available for spending at the City's discretion.
5. At the end of the current fiscal year, unassigned fund balance for the General Fund was \$11.3 million or 78.3% of total General Fund 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.

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 giving rise 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).

City of Aberdeen, Maryland

Management's Discussion and Analysis

June 30, 2016

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, public works, parks and recreation, municipal buildings, and economic and community development. The business-type activities of the City include water, sewer, and stadium operations.

The government-wide financial statements include only the City of Aberdeen because the City has no component unit relationships with any other agency. The government-wide financial statements can be found on pages 21 and 22 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 Aberdeen, 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.

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 narrower than that of the government-wide financial statements, it is useful to compare the information presented for government funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, 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 three individual governmental funds – the General, Capital Projects, and Special Revenue 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 three governmental funds.

The City adopts an annual appropriated budget for its individual governmental funds, except for the Special Revenue fund. A budgetary comparison statement has been provided for the General fund to demonstrate compliance with this budget. The governmental funds financial statements can be found on pages 23 to 27 of this report.

Proprietary funds. The City maintains only Enterprise funds, which are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water, Sewer, and Stadium funds. The basic proprietary fund financial statements can be found on pages 28 to 30 of this report.

Fiduciary funds. The City maintains three separate fiduciary funds, which are used to report assets held in a trust or agency capacity for others and which therefore cannot be used to support the City's own programs. The City uses fiduciary funds to account for the City of Aberdeen Defined Benefit Pension Plan, the City of Aberdeen Police Department Pension Plan, and the City of Aberdeen OPEB Trust Fund. The basic fiduciary fund financial statements can be found on page 31 of this report.

City of Aberdeen, Maryland

Management's Discussion and Analysis

June 30, 2016

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 are part of the basic financial statements and can be found on pages 32 to 71 of this report.

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 72 to 75 of this report. Other supplementary information as noted in the table of contents can be found on pages 76 to 80 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's overall financial condition and position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$75.6 million at the close of the most recent fiscal year. City of Aberdeen net position are 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 (80.9%) reflects its investment in capital assets net of depreciation (e.g., land and improvements, buildings, machinery, equipment, infrastructure, and improvements); less any un-matured debt used to acquire these assets. The debt used to acquire these assets must be repaid using other financial resources because the assets themselves cannot be used for repayment.

Restricted net position represents 5.3% of total net position. Restricted net position is resources that are subject to external restrictions on how they may be used.

Unrestricted net position of the government-wide financial statements has a balance of \$10.4 million (13.8% of total net position) that may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, all three categories of net position are positive for both the government as a whole as well as for the governmental and business-type activities.

The City's net position experienced a 4.1% increase. Most of this increase is attributable to better than expected tax revenues, management fees, and savings in expenses.

City of Aberdeen, Maryland

Management's Discussion and Analysis

June 30, 2016

The following table summarizes the net position for governmental and business-type activities as of June 30, 2016 and 2015:

	Governmental Activities (000)		Business-type Activities (000)		Total (000)	
	2016	2015	2016	2015	2016	2015
Assets						
Current and other assets	\$ 14,601	\$ 13,004	\$ 5,753	\$ 6,832	\$ 20,354	\$ 19,836
Capital assets, net	25,311	24,564	57,088	57,769	82,399	82,333
Total assets	39,912	37,568	62,841	64,601	102,753	102,169
Deferred Outflows of Resources	731	496	64	-	795	496
Liabilities						
Long-term liabilities	7,564	7,650	17,807	18,974	25,371	26,624
Other liabilities	1,602	2,017	764	789	2,366	2,806
Total liabilities	9,166	9,667	18,571	19,763	27,737	29,430
Deferred Inflows of Resources	198	598	-	-	198	598
Net Position						
Net investment in capital assets	21,293	20,242	39,873	39,292	61,166	59,534
Restricted	429	442	3,579	3,601	4,008	4,043
Unrestricted	9,557	7,115	883	1,945	10,440	9,060
Total Net Position	\$ 31,279	\$ 27,799	\$ 44,335	\$ 44,838	\$ 75,614	\$ 72,637

City of Aberdeen, Maryland

Management's Discussion and Analysis

June 30, 2016

The following table indicates the changes in net position for governmental and business-type activities for the years ended June 30, 2016 and 2015:

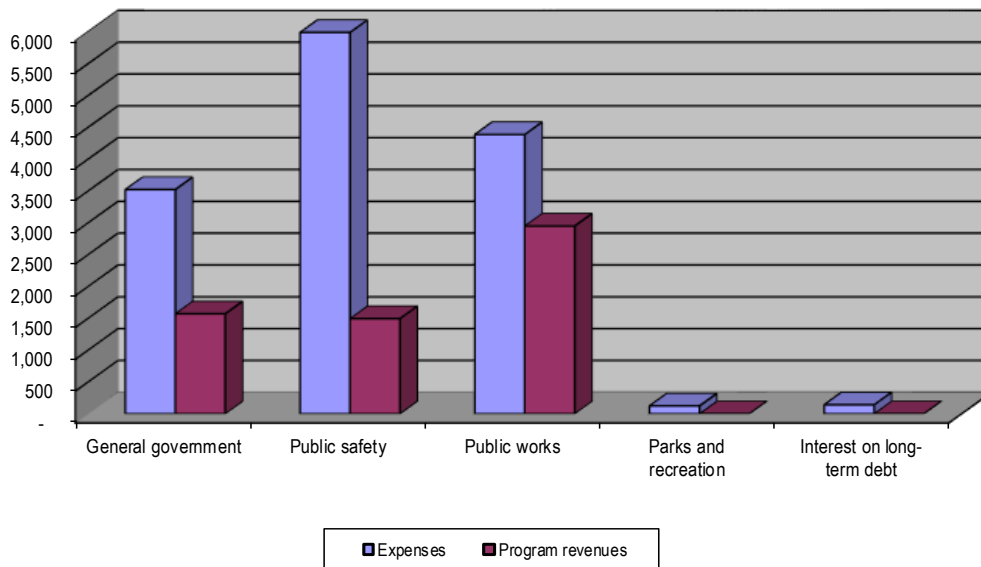
	Governmental Activities (000)		Business-type Activities (000)		Total (000)	
	2016	2015	2016	2015	2016	2015
Revenues						
Program revenues:						
Charges for service	\$ 2,868	\$ 2,756	\$ 5,910	\$ 7,690	\$ 8,778	\$ 10,446
Operating grants/contributions	2,655	1,982	120	-	2,775	1,982
Capital grants/contributions	494	633	448	566	942	1,199
General revenues:						
Property taxes	10,053	10,043	-	-	10,053	10,043
State shared/other local taxes	1,750	1,593	66	-	1,816	1,593
Miscellaneous	351	301	67	173	418	474
Total revenues	18,171	17,308	6,611	8,429	24,782	25,737
Program Expenses						
General government	3,523	3,468	-	-	3,523	3,468
Public safety	5,991	5,739	-	-	5,991	5,739
Public works	4,387	4,136	-	-	4,387	4,136
Parks and recreation	123	109	-	-	123	109
Interest on long-term debt	142	124	-	-	142	124
Utilities and other enterprise funds	-	-	7,639	7,407	7,639	7,407
Total expenses	14,166	13,576	7,639	7,407	21,805	20,983
Increase in net position before transfers	4,005	3,732	(1,028)	1,022	2,977	4,754
Transfers	(525)	(539)	525	539	-	-
Increase in net position	3,480	3,193	(503)	1,561	2,977	4,754
Net Position, July 1	27,799	24,606	44,838	43,277	72,637	67,883
Net Position, June 30	\$ 31,279	\$ 27,799	\$ 44,335	\$ 44,838	\$ 75,614	\$ 72,637

Governmental activities: The increase in net position for governmental activities was \$3.5 million, which is \$300 thousand higher when compared to the 2015 increase of \$3.2 million. This increase largely resulted from a \$447 thousand increase in hotel and motel contributions from the County. There were no other significant fluctuations compared to 2015.

City of Aberdeen, Maryland Management's Discussion and Analysis June 30, 2016

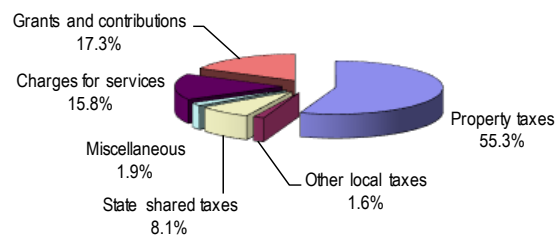
The following chart compares the Expenses and Program Revenues of the City's Governmental Activities:

Expenses and Program Revenues Governmental Activities (000)



The following chart shows Revenues by Source of the City's Governmental Activities:

Revenues by Source Governmental Activities

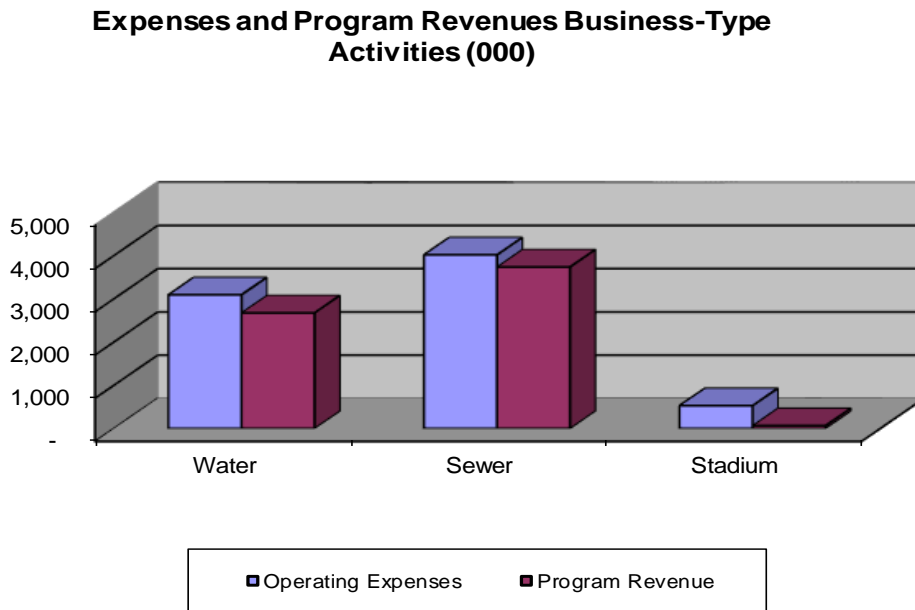


Business-type Activities: Business-type activities decreased the City's net position by \$503 thousand, which is \$2.1 million less than the increase from 2014 to 2015. Key elements of this decrease are as follows:

- Charges for services decreased \$1.8 million primarily due to a decrease in the volume of capital connections during 2016.
- Business-type expenses increased by \$232 thousand primarily due to increases in costs of services provided to customers.
- In addition, operating grants and contributions increased \$120 thousand while capital grants and contributions decreased \$118 thousand due to the shift in state funding from capitalized upgrades to operation of the wastewater treatment plant.

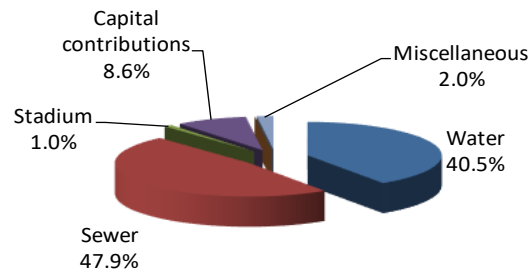
City of Aberdeen, Maryland Management's Discussion and Analysis June 30, 2016

The following chart compares the Expenses and Program Revenues of the City's Business-Type Activities.



The following chart shows Revenues by Source of the City's Business-Type Activities:

Revenues by Source Business-Type Activities



City of Aberdeen, Maryland

Management's Discussion and Analysis

June 30, 2016

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the City of Aberdeen'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 current financial resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Aberdeen's governmental funds reported combined ending balances of \$12.7 million, an increase of \$2.1 million in comparison with the prior year. Approximately 89.3% of this total amount (\$11.3 million) constitutes unassigned fund balance, which represents working capital available to support governmental operating needs and future years' expenditures. The remainder of fund balance is classified to reflect constraints on the City's remaining fund balance, including: 1) non-spendable fund balance for other assets, including prepaid items, advances to other funds, and inventory (\$144 thousand), 2) restricted for community development (\$429 thousand), and 3) assigned balances for public safety, public works, storm water management and capital projects (\$785 thousand).

The General Fund is the chief operating fund of the City of Aberdeen. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$11.3 million, which represents 98.7% of total fund balance. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 78.3% of total General Fund expenditures, while total fund balance represents 79.3% of that same amount. The General Fund balance increased by \$2 million during the current fiscal year. The key elements are:

- Total revenues were higher than total expenditures by \$3 million.
- Total revenues were \$778 thousand higher than 2015.
- Taxes were \$163 thousand higher than 2015 due to higher income tax revenue.
- Intergovernmental revenue was \$500 thousand higher than 2015 due to this being the first full year of hotel tax revenue from the County.
- Total expenditures were \$846 thousand higher than 2015 mainly due to sidewalk and building repairs and higher contributions to the fire department.
- Transfers out were \$1.3 million which were made largely for the funding of capital projects in other funds. Transfers out were \$1.8 million lower than 2015.

Financial resources of the Capital Project Fund are used in the acquisition or construction of major capital projects not financed by the proprietary funds. At the end of the current fiscal year, fund balance of \$160 thousand was assigned to storm water management, and the remaining fund balance of \$625 thousand was assigned to capital projects for a total fund balance of \$785 thousand. The fund balance increased by \$148 thousand during the current fiscal year. The key elements are:

- Revenue was \$20 thousand higher than 2015 due to increased grant revenue.
- Expenditures were \$3 million less than 2015 due to fewer public works projects.
- Total transfers in were \$788 thousand from the general fund for capital projects funding, a decrease of \$1.8 million compared to 2015.

Proprietary funds. The City of Aberdeen'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 funds at the end of the year amounted to a surplus of \$985 thousand for the Water Fund, a deficit of \$3 thousand for the Sewer Fund, and a deficit of \$99 thousand for the Stadium Fund. The total net position decreased by \$503 thousand. Other factors concerning these funds' finances have been addressed in the discussion of the City of Aberdeen's business-type activities.

City of Aberdeen, Maryland

Management's Discussion and Analysis

June 30, 2016

General Fund Budgetary Highlights

The final budget for the General Fund expenditures was increased \$1.3 million (9.3%) over the original budget to adjust for situations arising during the year. The most significant increases relate to a \$785 thousand increase for bond refunding, a \$71 thousand increase for repairs to the senior center, a \$78 thousand increase for repairs to aging buildings around the City, a \$120 thousand increase for sidewalk repairs and a \$120 thousand transfer to the stadium fund for capital repairs.

Property taxes were \$763 thousand higher than budgeted due to higher growth and property values than initially assessed. Income tax was \$270 thousand higher than budgeted because of the improved economy.

Capital Asset and Debt Administration

Capital assets. The City of Aberdeen's investment in capital assets for its governmental and business-type activities as of June 30, 2016, amounts to \$82.4 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 increase in City of Aberdeen's investment in capital assets for the current fiscal year was \$66 thousand or 0.1% (a 3.0% increase for governmental activities and a 1.2% decrease for business-type activities). The major capital asset activities in the current year included street resurfacing totaling approximately \$723 thousand, the refurbishment of a water tank for \$661 thousand, and a sewer project for \$483 thousand.

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

	Governmental Activities (000)		Business-type Activities (000)		Total (000)	
	2016	2015	2016	2015	2016	2015
Land	\$ 5,715	\$ 5,513	\$ 1,963	\$ 1,963	\$ 7,678	\$ 7,476
Buildings	4,931	4,934	13,649	14,107	18,580	19,041
Improvements other than buildings	155	156	579	619	734	775
Machinery and equipment	1,121	1,098	1,728	1,812	2,849	2,910
Vehicles	1,143	946	-	-	1,143	946
Recreational facilities	236	260	-	-	236	260
Infrastructure	12,010	11,657	-	-	12,010	11,657
Water and sewer systems	-	-	38,997	38,790	38,997	38,790
Construction in progress	-	-	172	478	172	478
Total	\$ 25,311	\$ 24,564	\$ 57,088	\$ 57,769	\$ 82,399	\$ 82,333

Additional information on the City of Aberdeen's capital assets can be found in Note 6 of this report.

City of Aberdeen, Maryland
Management's Discussion and Analysis
June 30, 2016

Long-term debt. At the end of the current fiscal year, the City of Aberdeen had total long-term liabilities outstanding of \$25.4 million. The full faith and credit and unlimited taxing power of the City are irrevocably pledged to the levy and collection of taxes in order to provide for the payment of principal and interest due on the bonds.

City of Aberdeen's Outstanding Long-term Liabilities

	Governmental Activities (000)		Business-type Activities (000)		Total (000)	
	2016	2015	2016	2015	2016	2015
General obligation bonds	\$ 3,995	\$ 3,815	\$ 8,834	\$ 9,585	\$ 12,829	\$ 13,400
Notes payable	6	507	8,383	8,849	8,389	9,356
Compensated absences	556	544	139	110	695	654
Net pension liability	1,213	845	-	-	1,213	845
OPEB obligation	1,776	1,939	389	387	2,165	2,326
Premiums (discounts), net	18	-	62	43	80	43
Total	\$ 7,564	\$ 7,650	\$ 17,807	\$ 18,974	\$ 25,371	\$ 26,624

During the current fiscal year, the City of Aberdeen's total long-term liabilities decreased by \$1.3 million or 4.7%. The City has strictly adhered to its debt repayment amortization schedules.

The amount of general obligation debt the City of Aberdeen may issue is not limited by State statute or local ordinance. However, the City adheres to a fiscal policy adopted by its elected officials that prohibits general obligation debt from exceeding 15% of the assessed value of taxable property. The City was in full compliance at June 30, 2016. Additional information on the City of Aberdeen's long-term liabilities can be found in Note 8 of this report.

Economic Factors and Next Year's Budgets and Rates

- Regional employment that also impacts the City has been stable and is expected to remain stable. Harford County unemployment rates are lower than many other Maryland counties and Maryland unemployment rates are lower than most states in the country.
- Aberdeen Proving Grounds (APG) is home to a workforce in excess of 20,000 employees. APG's mission is primarily RDT&E (Research, Development, Test and Evaluation) and features a large civilian based employment population working in highly skilled disciplines with advanced degrees. The installation continues to be postured for additional mission and job growth as APG expands its global presence in salient and relevant world issues.
- New construction, both residential and commercial, is expected to continue at a moderate rate, which will impact the real estate tax base.
- The real estate tax rate reduced to \$0.6566 per \$100 of assessed value for the fiscal year 2017 budget.
- The water base rate was increased to \$17.85 while the sewer base rate remained unchanged at \$19.57 for the fiscal year 2017 budget.

All of these factors were considered in preparing the City of Aberdeen's budget for fiscal year 2017.

City of Aberdeen, Maryland
Management's Discussion and Analysis
June 30, 2016

Requests for Information:

This financial report is designed to provide a general overview of the City of Aberdeen'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 Aberdeen, 60 North Parke Street, Aberdeen, MD 21001 or by telephone at (410) 272-1600.

City of Aberdeen, Maryland

**Statement of Net Position
June 30, 2016**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 12,863,841	\$ 4,514,175	\$ 17,378,016
Receivables, current	1,487,200	1,108,789	2,595,989
Prepays	8,828	-	8,828
Internal balances	171,791	(171,791)	-
Inventory	10,472	103,631	114,103
Receivables, noncurrent	58,095	198,484	256,579
Capital assets			
Nondepreciable assets	5,715,088	2,135,461	7,850,549
Net of accumulated depreciation	19,596,229	54,952,381	74,548,610
Total assets	39,911,544	62,841,130	102,752,674
Deferred Outflows of Resources			
Deferred charge on refunding	-	64,245	64,245
Deferred outflows for pension	731,122	-	731,122
Total deferred outflows of resources	731,122	64,245	795,367
Liabilities			
Accounts payable	850,322	655,177	1,505,499
Accrued liabilities	102,068	108,173	210,241
Unearned revenue	306,871	-	306,871
Other liabilities	342,771	-	342,771
Noncurrent liabilities			
Due within one year	626,776	1,436,344	2,063,120
Due in more than one year	6,936,901	16,370,947	23,307,848
Total liabilities	9,165,709	18,570,641	27,736,350
Deferred Inflows of Resources			
Deferred inflows for pension	197,989	-	197,989
Net Position			
Net investment in capital assets	21,292,838	39,873,118	61,165,956
Restricted for			
Community development	429,003	-	429,003
Debt service	-	1,001,256	1,001,256
Capital revolving loans	-	2,577,140	2,577,140
Unrestricted	9,557,127	883,220	10,440,347
Total net position	\$ 31,278,968	\$ 44,334,734	\$ 75,613,702

See Notes to Basic Financial Statements.

City of Aberdeen, Maryland

Statement of Activities

Year Ended June 30, 2016

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General government	\$ 3,523,465	\$ 368,918	\$ 707,431	\$ 494,342	\$ (1,952,774)	\$ -	\$ (1,952,774)
Public safety	5,991,215	29,916	1,466,272	-	(4,495,027)	-	(4,495,027)
Public works	4,387,453	2,469,187	481,363	-	(1,436,903)	-	(1,436,903)
Parks and recreation	122,603	-	-	-	(122,603)	-	(122,603)
Interest on long-term debt	142,235	-	-	-	(142,235)	-	(142,235)
Total governmental activities	14,166,971	2,868,021	2,655,066	494,342	(8,149,542)	-	(8,149,542)
Business-Type Activities							
Water	3,094,184	2,674,959	-	-	-	(419,225)	(419,225)
Sewer	4,017,082	3,169,699	120,000	447,700	-	(279,683)	(279,683)
Stadium	527,575	65,150	-	-	-	(462,425)	(462,425)
Total business-type activities	7,638,841	5,909,808	120,000	447,700	-	(1,161,333)	(1,161,333)
Total primary government	\$ 21,805,812	\$ 8,777,829	\$ 2,775,066	\$ 942,042	(8,149,542)	(1,161,333)	(9,310,875)
General revenues							
Property tax					10,053,492	-	10,053,492
Income tax - shared					1,405,667	-	1,405,667
Admission and amusements tax - shared					66,630	66,630	133,260
Other local taxes					277,870	-	277,870
Interest earnings					26,249	24,606	50,855
Gain on disposal of capital assets					324,547	-	324,547
Gain on sale of property					-	41,835	41,835
Transfers					(525,206)	525,206	-
Total general revenues and transfers					11,629,249	658,277	12,287,526
Change in net position					3,479,707	(503,056)	2,976,651
Net position							
Beginning					27,799,261	44,837,790	72,637,051
Ending					\$ 31,278,968	\$ 44,334,734	\$ 75,613,702

See Notes to Basic Financial Statements.

City of Aberdeen, Maryland

Balance Sheet – Governmental Funds
June 30, 2016

	General Fund	Special Revenue Fund	Capital Projects Fund	Governmental Funds
Assets				
Cash and cash equivalents	\$ 11,559,779	\$ 362,440	\$ 941,622	\$ 12,863,841
Receivables (net of allowance for uncollectibles)	1,175,057	66,563	303,675	1,545,295
Due from other funds	171,791	-	-	171,791
Prepays	8,828	-	-	8,828
Inventory	10,472	-	-	10,472
Total assets	\$ 12,925,927	\$ 429,003	\$ 1,245,297	\$ 14,600,227
Liabilities				
Accounts payable	\$ 389,852	\$ -	\$ 460,470	\$ 850,322
Accrued liabilities	102,068	-	-	102,068
Unearned revenue	306,871	-	-	306,871
Other liabilities	342,771	-	-	342,771
Total liabilities	1,141,562	-	460,470	1,602,032
Deferred Inflows of Resources				
Unavailable revenue – property taxes and grants	337,219	-	-	337,219
Total deferred inflows of resources	337,219	-	-	337,219
Fund Balances				
Non-spendable				
Prepays	8,828	-	-	8,828
Inventory	10,472	-	-	10,472
Advances to other funds	124,566	-	-	124,566
Restricted				
Community development	-	429,003	-	429,003
Assigned				
Stormwater management	-	-	160,243	160,243
Capital projects	-	-	624,584	624,584
Unassigned	11,303,280	-	-	11,303,280
Total fund balances	11,447,146	429,003	784,827	12,660,976
Total liabilities, deferred inflows of resources and fund balances	\$ 12,925,927	\$ 429,003	\$ 1,245,297	\$ 14,600,227

See Notes to Basic Financial Statements.

City of Aberdeen, Maryland

**Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2016**

Fund Balances – Total Governmental Funds		\$ 12,660,976
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Amounts Reported for Governmental Activities in the Statement of Net
Position are Different Because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the funds:

Cost of capital assets	\$ 46,103,814	
Accumulated depreciation	(20,792,497)	
	<u>25,311,317</u>	25,311,317

Long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		337,219
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Deferred outflows for pensions are not included in the governmental funds:

Current year contributions to the pension plans	579,054	
Assumption changes	133,935	
Net difference between projected and actual investment earnings on pension plan assets	<u>18,133</u>	
		731,122

Long-term liabilities are not due and payable in the current period and
therefore are not reported in the funds:

General obligation bonds payable	(3,994,800)	
Notes payable	(5,934)	
Net pension liability	(1,212,821)	
Net OPEB obligation	(1,775,744)	
Accumulated unused compensated absences	(556,633)	
Bond premiums	<u>(17,745)</u>	
		(7,563,677)

Deferred inflows for pensions are not included in the governmental funds:

Differences between expected and actual experience	(154,257)	
Net difference between projected and actual investment earnings on pension plan assets	<u>(43,732)</u>	
		<u>(197,989)</u>

Net position of governmental activities		<u><u>\$ 31,278,968</u></u>
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See Notes to Basic Financial Statements.

City of Aberdeen, Maryland

**Statement of Revenues, Expenditures, and Changes
in Fund Balances – Governmental Funds
Year Ended June 30, 2016**

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
Revenues				
Taxes	\$11,814,604	\$ -	\$ -	\$11,814,604
Licenses and permits	110,186	-	-	110,186
Intergovernmental	2,674,802	13,903	528,748	3,217,453
APG management fees	2,402,144	-	-	2,402,144
Miscellaneous	388,694	4,746	-	393,440
Total revenues	17,390,430	18,649	528,748	17,937,827
Expenditures				
Current:				
General government	2,337,282	31,542	480,383	2,849,207
Public safety	4,258,736	-	94,621	4,353,357
Public works	3,989,509	-	617,931	4,607,440
Parks and recreation	98,922	-	-	98,922
Miscellaneous	3,287,148	-	-	3,287,148
Debt service:				
Principal	346,128	-	-	346,128
Interest and fees	122,823	-	-	122,823
Total expenditures	14,440,548	31,542	1,192,935	15,665,025
Excess (deficiency) of revenue over (under) expenditures	2,949,882	(12,893)	(664,187)	2,272,802
Other Financing Sources (Uses)				
Transfers in (out)	(1,313,317)	-	788,111	(525,206)
Proceeds from sale of capital assets	307,533	-	24,000	331,533
Payment to escrow agent for refunding	(786,956)	-	-	(786,956)
Issuance of refunding bonds	809,800	-	-	809,800
Total other financing sources (uses)	(982,940)	-	812,111	(170,829)
Net change in fund balances	1,966,942	(12,893)	147,924	2,101,973
Fund Balances				
Beginning	9,480,204	441,896	636,903	10,559,003
Ending	\$11,447,146	\$ 429,003	\$ 784,827	\$12,660,976

See Notes to Basic Financial Statements.

City of Aberdeen, Maryland

Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures, and Changes in Fund Balances to the Statement of Activities
Year Ended June 30, 2016

Net Change in Fund Balances – Total Governmental Funds	\$	2,101,973
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Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:

Capital outlays	1,868,283
Depreciation expense	(1,114,301)

In the statement of activities, only the gain/loss on the disposition of capital assets is reported, whereas in the governmental funds, the entire proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balances by costs of the capital assets of \$264,840 disposed, less accumulated depreciation of \$257,854.

(6,986)

Some expenses reported in the statement of activities, do not require the use of current resources and, therefore are not reported as expenditures in the governmental funds. The details are as follows:

Compensated absences	(12,211)
Pension expense, including pension related deferrals	266,743
Other post-employment benefits expense	162,824

Repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but the repayment reduces noncurrent liabilities in the statement of net position. Issuance of bonds provide current financial resource to governmental funds, but the issuance increases noncurrent liabilities in the statement of net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:

Principal repayments	1,131,128
Issuance of refunding bonds	(809,800)
Amortization of premiums and discounts	(17,456)

Under the modified accrual basis of accounting, revenues are not recognized unless they are deemed "available" to finance current expenditures. Accrual basis recognition is not limited by availability, so certain revenues need to be reduced by the amounts that were unavailable at the beginning of the year and increased by the amounts that were unavailable at the end of the year. This adjustment records a net decrease in unavailable revenue at the end of the year over the amount at the beginning of the year.

(90,490)

Change in net position of governmental activities

\$ 3,479,707

See Notes to Basic Financial Statements.

City of Aberdeen, Maryland

**Statement of Revenues, Expenditures, and Changes in
Fund Balance – Budget and Actual – General Fund
Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 10,787,019	\$ 10,787,019	\$ 11,814,604	\$ 1,027,585
Licenses and permits	93,100	93,100	110,186	17,086
Intergovernmental	2,507,612	2,507,612	2,674,802	167,190
APG management fees	650,000	650,000	928,326	278,326
Miscellaneous	322,939	332,939	388,694	55,755
Total revenues	14,360,670	14,370,670	15,916,612	1,545,942
Expenditures				
General government	2,074,265	2,383,558	2,337,282	46,276
Public safety	4,365,689	4,402,489	4,101,240	301,249
Public works	2,564,399	2,684,399	2,515,691	168,708
Parks and recreation	99,500	99,500	98,922	578
Miscellaneous	3,636,588	3,532,688	3,255,042	277,646
Debt service				
Principal	345,000	345,000	345,000	-
Interest	116,912	140,756	140,493	263
Total expenditures	13,202,353	13,588,390	12,793,670	794,720
Other Financing Sources (Uses)				
Transfers out	(1,158,317)	(1,313,317)	(1,313,317)	-
Payment to escrow agent for refunding	-	(786,956)	(786,956)	-
Issuance of refunding bonds	-	809,800	809,800	-
Appropriation of fund balance	-	508,193	-	(508,193)
Total other financing sources (uses)	(1,158,317)	(782,280)	(1,290,473)	(508,193)
Net change in fund balance – budgetary basis	\$ -	\$ -	1,832,469	\$ 1,832,469
Adjustments to Conform with Generally Accepted Accounting Principles (GAAP)			134,473	
Net Change in Fund Balance – GAAP Basis			1,966,942	
Fund Balance				
Beginning			9,480,204	
Ending			<u>\$ 11,447,146</u>	

See Notes to Basic Financial Statements.

City of Aberdeen, Maryland

Statement of Net Position – Proprietary Funds
June 30, 2016

	Business-Type Activities – Enterprise Funds			
	Water Utility	Sewer Utility	Stadium	Total
Assets				
Current assets				
Cash and cash equivalents	\$ 3,607,427	\$ 867,117	\$ 39,631	\$ 4,514,175
Receivables, current	418,679	689,506	604	1,108,789
Inventory	72,406	31,225	-	103,631
Total current assets	4,098,512	1,587,848	40,235	5,726,595
Noncurrent assets				
Receivables, noncurrent	-	198,484	-	198,484
Capital assets, net	10,520,520	34,161,973	12,405,349	57,087,842
Total noncurrent assets	10,520,520	34,360,457	12,405,349	57,286,326
Total assets	14,619,032	35,948,305	12,445,584	63,012,921
Deferred Outflows of Resources				
Deferred charge on refunding	64,245	-	-	64,245
Liabilities				
Current liabilities				
Accounts payable	420,705	231,248	3,224	655,177
Due to other funds	13,535	33,690	124,566	171,791
Accrued liabilities	33,659	63,402	11,112	108,173
Notes payable	-	459,979	-	459,979
Bonds payable	367,016	-	543,583	910,599
Compensated absences	8,431	57,335	-	65,766
Total current liabilities	843,346	845,654	682,485	2,371,485
Noncurrent liabilities				
Notes payable	-	7,922,510	-	7,922,510
Bonds payable	5,630,704	-	2,355,177	7,985,881
Compensated absences	6,093	67,203	-	73,296
OPEB liabilities	54,090	335,170	-	389,260
Total noncurrent liabilities	5,690,887	8,324,883	2,355,177	16,370,947
Total liabilities	6,534,233	9,170,537	3,037,662	18,742,432
Net Position				
Net investment in capital assets	4,587,045	25,779,484	9,506,589	39,873,118
Restricted for debt service	-	1,001,256	-	1,001,256
Restricted for capital revolving loans	2,577,140	-	-	2,577,140
Unrestricted	984,859	(2,972)	(98,667)	883,220
Total net position	\$ 8,149,044	\$ 26,777,768	\$ 9,407,922	\$ 44,334,734

See Notes to Basic Financial Statements.

City of Aberdeen, Maryland

**Statement of Revenues, Expenses, and Changes in
Fund Net Position – Proprietary Funds
Year Ended June 30, 2016**

	Business-Type Activities – Enterprise Funds			
	Water Utility	Sewer Utility	Stadium	Total
Operating Revenues				
Charges for services	\$ 2,427,192	\$ 2,860,486	\$ -	\$ 5,287,678
Other operating revenues	239,802	416,330	131,630	787,762
Miscellaneous	7,965	12,883	150	20,998
	<u>2,674,959</u>	<u>3,289,699</u>	<u>131,780</u>	<u>6,096,438</u>
Operating Expenses				
Cost of service	1,953,373	2,468,721	96,661	4,518,755
Other operating expenses	265,173	334,151	-	599,324
Depreciation	589,844	1,122,202	334,020	2,046,066
	<u>2,808,390</u>	<u>3,925,074</u>	<u>430,681</u>	<u>7,164,145</u>
Operating Loss	<u>(133,431)</u>	<u>(635,375)</u>	<u>(298,901)</u>	<u>(1,067,707)</u>
Non-Operating Revenues (Expenses)				
Investment interest	331	413	-	744
Interest income on notes receivable	-	-	23,862	23,862
Gain on sale of property	-	-	41,835	41,835
Interest expense	(285,794)	(92,008)	(96,894)	(474,696)
	<u>(285,463)</u>	<u>(91,595)</u>	<u>(31,197)</u>	<u>(408,255)</u>
Loss before transfers and capital grants and contributions	<u>(418,894)</u>	<u>(726,970)</u>	<u>(330,098)</u>	<u>(1,475,962)</u>
Transfers in	-	-	525,206	525,206
Capital grants and contributions	-	447,700	-	447,700
	<u>-</u>	<u>447,700</u>	<u>-</u>	<u>447,700</u>
Change in net position	<u>(418,894)</u>	<u>(279,270)</u>	<u>195,108</u>	<u>(503,056)</u>
Net Position				
Beginning	8,567,938	27,057,038	9,212,814	44,837,790
Ending	<u>\$ 8,149,044</u>	<u>\$ 26,777,768</u>	<u>\$ 9,407,922</u>	<u>\$ 44,334,734</u>

See Notes to Basic Financial Statements.

City of Aberdeen, Maryland

Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2015

	Business-Type Activities – Enterprise Funds			
	Water Utility	Sewer Utility	Stadium	Total
Cash Flows from Operating Activities				
Receipts from customers and users	\$ 2,739,706	\$ 3,254,315	\$ 69,445	\$ 6,063,466
Receipts from other sources	-	120,000	67,772	187,772
Payments to employees	(548,095)	(1,118,732)	-	(1,666,827)
Payments to suppliers	(1,621,244)	(1,700,966)	(108,424)	(3,430,634)
Net cash provided by operating activities	570,367	554,617	28,793	1,153,777
Cash Flows from Non-Capital Financing Activities				
Internal activity receipts from other funds	13,535	33,690	124,566	171,791
Net transfers in	-	-	525,206	525,206
Net cash provided by non-capital financing activities	13,535	33,690	649,772	696,997
Cash Flows from Capital and Related Financing Activities				
Principal payments on notes payable	-	(466,784)	-	(466,784)
Principal payments on bonds payable	(2,198,400)	-	(520,000)	(2,718,400)
Proceeds from bonds issuance	1,968,200	-	-	1,968,200
Bond issuance costs incurred	(59,555)	-	-	(59,555)
Interest paid	(306,307)	(94,312)	(78,422)	(479,041)
Capital grants and contributions	-	769,512	-	769,512
Purchase of capital assets	(473,046)	(743,548)	(148,233)	(1,364,827)
Net cash used in capital and related financing activities	(1,069,108)	(535,132)	(746,655)	(2,350,895)
Cash Flows from Investing Activities				
Investment earnings	331	413	-	744
Principal collections on notes receivable	-	-	41,835	41,835
Interest received on note receivable	-	-	23,862	23,862
Net cash provided by investing activities	331	413	65,697	66,441
Net increase (decrease) in cash and cash equivalents	(484,875)	53,588	(2,393)	(433,680)
Cash and Cash Equivalents				
Beginning of year	4,092,302	813,529	42,024	4,947,855
End of year	\$ 3,607,427	\$ 867,117	\$ 39,631	\$ 4,514,175
Reconciliation of Operating Loss to Net Cash				
Provided by Operating Activities				
Operating loss	\$ (133,431)	\$ (635,375)	\$ (298,901)	\$ (1,067,707)
Adjustments to reconcile operating loss to net cash provided by operating activities:				
Depreciation	589,844	1,122,202	334,020	2,046,066
Changes in assets and liabilities:				
Receivables	68,222	84,616	5,437	158,275
Inventory	(17,056)	9,491	-	(7,565)
Accounts payable	77,003	2,658	(11,763)	67,898
Accrued liabilities	(16,792)	(54,205)	-	(70,997)
Deferred revenue	(3,475)	-	-	(3,475)
Compensated absences	5,379	23,558	-	28,937
OPEB liabilities	673	1,672	-	2,345
Net cash provided by operating activities	\$ 570,367	\$ 554,617	\$ 28,793	\$ 1,153,777
Supplemental Schedule of Non-cash Capital and Related Financing Activities				
Decrease in capital grants and contributions receivable	\$ -	\$ 321,812	\$ -	\$ 321,812

See Notes to Basic Financial Statements.

City of Aberdeen, Maryland

Statements of Fiduciary Net Position and Changes in Fiduciary Net Position
As of and Year Ended June 30, 2016

	Pension Trust Funds		OPEB
	Police	Defined	Trust
	Department Plan	Benefit Plan	Fund
Assets			
Investments at fair-value			
Pooled separate accounts	\$ 9,454,665	\$ -	\$ -
Mutual funds	-	-	764,790
Insurance contract, at cost	-	1,339,137	-
Total assets	\$ 9,454,665	\$ 1,339,137	\$ 764,790
Net Position			
Restricted for pension/other benefits	\$ 9,454,665	\$ 1,339,137	\$ 764,790
Additions			
Contributions			
Employer contributions	\$ 521,120	\$ 57,934	\$ 385,000
Employee contributions	213,041	-	-
	734,161	57,934	385,000
Investment earnings	4,896	53,841	2,353
Total additions	739,057	111,775	387,353
Deductions			
Benefit payments	483,389	157,876	-
Administrative expenses and other	32,547	14,314	-
Total deductions	515,936	172,190	-
Change in net position	223,121	(60,415)	387,353
Net Position – Beginning (Note 7)	9,231,544	1,399,552	377,437
Net Position – Ending	\$ 9,454,665	\$ 1,339,137	\$ 764,790

See Notes to Basic Financial Statements.

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies

The City of Aberdeen, Maryland (the City), located in Harford County, was incorporated in 1892 under the provisions of Maryland State Law. The City operates under a form of government which comprises an elected City Council (four members) and an elected Mayor and provides such services as authorized by its Charter.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the significant accounting policies followed in the preparation of the basic financial statements:

A. Reporting Entity

In accordance with the Codification of Governmental Accounting and Financial Reporting Standards (the Codification), the basic financial statements include all funds, organizations, agencies, boards, commissions and authorities for which the City is financially accountable. The City has also considered all other potential organizations for which the nature and significance of their relationships with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a majority of the organization's governing body, and (1) the ability of the City to impose its will on that organization, or (2) the potential for that organization to provide specific benefits to or impose specific financial burdens on the City. Based on these criteria, there are no other organizations or agencies which should be included in these basic financial statements. During the year ending June 30, 2016, the City had a change in reporting entity which is further described in Note 7.

B. Government-Wide and Fund Financial Statements

Government-wide financial statements: The government-wide financial statements report information on all of the non-fiduciary activities of the City. The effect of inter-fund financial transactions has been removed from these statements. However, interfund services provided and used are not eliminated in the process of consolidation. 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.

Statement of net position: This statement is designed to display the financial position of the City as of year-end. Governmental and business-type activities are reported on a consolidated basis and are reported on a full accrual, economic resources basis, which recognizes all long-term assets, including infrastructure, as well as long-term debt and obligations. The City's net position is reported in three categories – (1) net investment in capital assets, (2) restricted, and (3) unrestricted.

Statement of activities: This statement demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported as general revenues. The City does not allocate indirect expenses.

Fund financial statements: Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

General fund budget-to-actual comparison statement: Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the annual budgets of state and local governments, and have a keen interest in following the financial progress of their governments over the course of the year. For this reason, the City has chosen to make its General Fund budget-to-actual comparison statement part of the basic financial statements. The City and many other governments revise their original budgets over the course of the year for a variety of reasons; as a result, both the original adopted budget and the final amended budget have been reflected in this statement.

C. Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred inflows of resources, fund balance/net position, revenues, and expenditures or expenses, as appropriate. The City has the following funds:

Governmental fund types: Governmental fund types are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used; current liabilities are assigned to the fund from which they are paid; deferred inflows of resources assigned to funds in which resources to be earned and the difference between governmental fund assets, liabilities, and deferred inflows of resources, the fund equity, is referred to as "fund balance." The measurement focus is upon determination of changes in current financial position, rather than upon net income determination.

The City has three major governmental funds: the General Fund, the Special Revenue Fund, and the Capital Projects Fund. The General Fund is used to account for all activities of the government not accounted for in some other fund. It accounts for the normal recurring activities of the City such as public safety, public works, parks and recreation, and general government, etc. These activities are financed primarily by property taxes, other taxes, service charges, and grants from other governmental units. The Special Revenue Fund accounts for various projects funded by various block grants. The City utilizes a Capital Projects Fund to account for all financial resources used for acquisition or construction of major capital facilities not financed by proprietary funds.

While the Special Revenue Fund does not meet the criteria set forth by the Codification, the City has elected to present the Special Revenue Fund as a major fund, due to public interest.

Proprietary fund types: Proprietary fund types are used to account for a government's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon income determination, financial position, and cash flows.

The City has three major proprietary funds. The Water Fund operates the water treatment plants and distribution system. The Sewer Fund operates the sewage treatment plant, pumping stations and collection system. The Stadium Fund accounts for the activities of Ripken Stadium.

Fiduciary fund types: The City has two pension funds: the City of Aberdeen Defined Benefit Pension Plan and the City of Aberdeen Police Department Pension Plan (the Pension Trusts). Additionally, the City has an other post-employment benefits (OPEB) Trust fund (OPEB Trust). The fiduciary funds are used to report assets held in a trust or agency capacity for others and which therefore cannot be used to support the City's own programs.

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

D. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds financial statements and the fiduciary funds 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 City considers enterprise zone tax credit revenues and Aberdeen Proving Ground water and sewer system (APG) contract revenues to be available if they are collected within 90 days of the end of the current fiscal period, while all other revenues are considered 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 and expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded and the availability criteria. In the other, monies are virtually unrestricted as to purpose of expenditure, and are usually revocable only for failure to comply with prescribed requirements. These resources are reflected as revenues at the time of receipt, or earlier if the susceptible to accrual criteria are met.

Licenses and permits, fines and forfeitures, charges for sales and services, and miscellaneous revenues are generally recorded as revenue when received in cash, because they are generally not measurable until actually received. In the category of use of money and property, property rentals are recorded as revenue when received in cash, but investment earnings are recorded as earned, since they are measurable and available.

The City is responsible for billing and collecting property taxes in accordance with enabling state legislation. Property taxes become a lien on the first day of the levy year, which is July 1 to June 30. Tax payments are due in one installment by September 30, or two semiannual installments, by September 30 and December 31, at the taxpayer's option, after which interest is accrued. Unpaid taxes are collected through the annual tax sale held on the third Monday of June after taxes become delinquent.

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 non-operating 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 City's enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise 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 non-operating revenues and expenses.

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

E. Use of Estimates

The preparation of financial statements requires the City to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

F. Budgetary Data

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Mayor submits to the City Council a proposed operating budget at least 40 days before the beginning of the fiscal year. The operating budget includes proposed expenditures, the means of financing them, and the use of the federal and/or state grants.
2. Prior to June 30, the budget is passed by vote of the Mayor and City Council. Formal budgetary integration is employed as a management control device during the year for the General Fund. Budgets are adopted according to procedures set by the Mayor and City Council of Aberdeen.
3. Monthly statements are provided by the Director of Finance and budget review is executed by the Mayor and City Council periodically. The City Council legally adopts an annual budget for the General Fund and the Capital Projects Fund. The City has no legally adopted annual budget for the Water, Sewer, and Stadium Enterprise Funds. However, a budget is used as a management tool for these funds.

Expenditures may not exceed appropriations at the general classification level without approval from the Council. The City Manager may approve transfers between departments throughout the year. As a practical matter, the City Manager notifies the City Council periodically of any such transfers. Unexpended and unencumbered appropriations lapse at year-end. No annual budget and actual comparisons are presented in the financial statements for governmental funds utilizing project ordinances.

The policy established by the Mayor and City Council with respect to the City Budget (budgetary basis) does not conform to accounting principles generally accepted in the United States of America (GAAP basis) in certain respects. The primary differences between budgetary and GAAP basis are that under the budgetary basis encumbrances are recorded as the equivalent of expenditures and salary and fringe costs, and the associated revenue, reimbursed under the APG contract are not budgeted for by the City. Budgeted amounts are originally adopted, and as amended by the Mayor and the City Council. Unencumbered appropriations of the operating budget lapse at the end of each fiscal year. Appropriations in the capital budget continue as authority for subsequent period expenditures, and lapse in the year of completion of the capital project.

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Adjustments necessary to convert the excess of revenues and other sources over expenditures and other uses from the budgetary basis to the modified accrual basis, are as follows:

	Revenues	Expenditures and Encumbrances	Other Financing Sources (Uses)	Current Year Effect on Fund Balance
General Fund				
Budgetary basis	\$ 15,916,612	\$ 12,793,670	\$ (1,290,473)	\$ 1,832,469
Reimbursable salaries under APG contract	1,473,818	1,473,818	-	-
Decrease in encumbrances	-	157,496	-	(157,496)
Proceeds from sale of capital assets	-	-	307,533	307,533
Increase in allowance for uncollectible receivables	-	33,226	-	(33,226)
Decrease in prepaid expenditures	-	409	-	(409)
Decrease in accrued interest payable	-	(18,071)	-	18,071
Modified accrual basis	\$ 17,390,430	\$ 14,440,548	\$ (982,940)	\$ 1,966,942
Capital Projects Fund				
Budgetary basis	\$ 528,748	\$ 1,015,561	\$ 788,111	\$ 301,298
Decrease in encumbrances	-	177,374	-	(177,374)
Proceeds from sale of capital assets	-	-	24,000	24,000
Modified accrual basis	\$ 528,748	\$ 1,192,935	\$ 812,111	\$ 147,924

G. Cash, Cash Equivalents and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, Maryland Local Government Investment Pool (MLGIP) accounts and short-term investments with original maturities of three months or less. Short-term investments are stated at fair value, and consist of certificates of deposit. Fair value generally approximates cost. Cash deposits of the City are made in accordance with the Annotated Code of Maryland (the Code), which requires depositories to give security in the form of collateral as provided for in the Code, for the safekeeping and forthcoming, when required, of these deposits.

Excess funds are also permitted to be invested in either bonds or other obligations for the payment of principal and interest of which the faith and credit of the United States of America are pledged, or in obligations of Federal government agencies issued pursuant to acts of Congress, or in the local government investment pool created by the State of Maryland. The Pension Trusts and OPEB Trust are also authorized to invest in corporate bonds and notes, preferred stocks, common stocks, real estate and call option contracts. Investments are reported at fair value, except for the unallocated investment contract, an investment of the Defined Benefit Plan, which is recorded at contract value (a cost-based measure).

For purposes of the statement of cash flows, the City considers all highly-liquid instruments purchased with an original maturity of three months or less to be cash equivalents. Cash resources of each of the individual funds, except the pension and OPEB funds and cash held by fiscal agents or required to be segregated by law or policy, are combined to form a pool of cash and investments to maximize interest earnings. Income from pooled investments is allocated to participating funds on the basis of their equity in pooled cash.

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

H. Receivables

Receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history, and current economic conditions. As of June 30, 2016, management has provided an allowance for uncollectible delinquent personnel property taxes in the amount of \$51,831. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received.

A receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 30 days. Interest is charged on receivables that are outstanding for more than 30 days and are recognized as charged.

I. Notes Receivable

Notes receivable recorded in the Stadium Fund represent a land contract and ground lease for two land lots. Since the City's receivables are subject to future subordination, the profit on Lots 3 and 6 are being recognized under the cost recovery method. Under the cost recovery method, no profit is recognized until cash payments by Ripken Baseball and affiliated entities, including principal and interest, exceed the City's cost of the property. Gross profit not yet recognized is offset against the related receivable on the balance sheet. Considering cash payments have now exceeded the City's cost of the property, principal collections reduce the related receivable and result in a corresponding amount of profit recognition. The profit earned has been recorded as gain on sale of property in the Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds.

J. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2016, are reported as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which services are consumed.

K. Deferred Outflows of Resources

In addition to assets, the statement of net position or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City's deferred outflows consist of net charge on refunding of debt, and changes to pension expense. Deferred outflow of resources relating to pensions are described in Note 9. Net charge on refunding is being amortized over the term of the respective bond using the straight-line method. Contributions to the City's pensions plans made subsequent to the measurement date will be recognized as a decrease of the net pension liability in the City's subsequent year. Other pension related deferred outflows are amortized into pension expense over a period of approximately five years.

L. Inventory

Inventory is valued at the lower of cost, on the first-in, first-out basis, or market. Inventory consists of chemicals and repair parts used in the operation of the municipal water system and sewer system. Inventory in the General Fund is recorded under the consumption method, an expenditure when used, and is equally offset by a fund balance reserve in the fund financial statements which indicates that inventory does not constitute "available spendable resources" even though it is a component of net current assets.

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

M. Capital Assets

Capital assets, including land, buildings, improvements, equipment, and infrastructure (roads, storm drains, and pipe systems) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary funds financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$1,000 for land, buildings, improvements, and equipment, and \$5,000 for infrastructure and an initial useful life in excess of three years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

GASB Statement No. 34 requires the City to prospectively report all governmental activities' infrastructure assets acquired after June 30, 2003, and encourages, but does not require, the City to retroactively report infrastructure assets acquired after June 30, 1980. The City has elected not to retroactively report infrastructure assets and the accompanying basic financial statements only include infrastructure assets acquired after June 30, 2003.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Interest on debt during the construction period is capitalized. The amount of interest to be capitalized is offset by interest income earned on invested proceeds over the same period.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Equipment, equipment and vehicles	3 – 10 years
Recreational facilities	5 – 10 years
Improvements other than buildings	5 – 15 years
Buildings	40 – 50 years
Infrastructure	40 – 50 years
Water and sewer systems	40 – 50 years

In the governmental fund financial statements, capital outlays are accounted for as expenditures in the current period.

N. Unearned Revenue

Governmental funds, along with proprietary funds, also defer revenue recognition in connection with resources that have been received, but not yet earned.

O. Inter-Fund Transactions

Activity between funds that are representative of lending/borrowing arrangements at the end of the fiscal year are referred to as "due 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."

Interfund balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Interfund receivables and payables are non-interest-bearing and are normally settled in the subsequent period.

Transactions, which constitute the transfer of resources from a fund receiving revenues to a fund through which the revenues are to be expended, are separately reported in the respective funds' operating statements as either transfers in or out.

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

P. Long-Term Obligations

In the government-wide financial statements and proprietary 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 position. Bond premiums and discounts are deferred and amortized over the term of the bonds using the bond-outstanding method which approximates the effective interest method. Bonds payable are reported net of the applicable unamortized bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid bond insurance costs are reported as prepaid items and amortized over the term of the related debt using the straight-line method. In the governmental fund financial statements, bond premiums and discounts, as well as all bond issuance costs are recognized during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Q. Compensated Absences

It is the City's policy to permit employees to be paid for accumulated earned but unused vacation leave up to 480 hours upon separation of service. Vacation leave is accrued when earned in the government-wide statements, as well as the proprietary fund statements.

For governmental fund types, the amount of accumulated unpaid vested leave which is payable from available resources is recorded as a liability of the respective fund only if they have matured, for example, as a result of employee retirements and resignations.

R. Deferred Inflows of Resources

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. One item which qualifies for reporting in this category, which arises only under the modified accrual basis of accounting, is unavailable revenue. Accordingly, it is only reported in the governmental funds balance sheet. The City reports unavailable revenues from property taxes, grants and other revenue. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Additionally, net difference between projected and actual investment earnings and the difference between expected and actual investment experience on pension plan assets are reported as deferred inflows of resources. Deferred inflows of resources relating to pensions are described in Note 9. Other pension related deferred inflows are amortized into pension expense over a period of approximately five years.

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

S. Fund Balance

In the fund financial statements, governmental funds report fund balances in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Restricted fund balance are amounts that are restricted to specific purposes when the constraints are externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provision or enabling legislation. Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action such as City charter, ordinance, and resolution, of the City's highest level of decision-making authority, the Mayor and City Council, are to be reported as committed fund balance. The same type of action would be required to modify or rescind the commitments. Amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed, are to be reported as assigned fund balance. The authority for assigning fund balance rests with the City Manager or his or her designee as specified in the City's Fund Balance Policy. City policy requires a minimum unassigned fund balance in the general fund of 15% and a maximum of 50% of general fund revenue measured on a GAAP basis. Unassigned fund balance is the residual classification for the General Fund.

The City first considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. When unrestricted amounts are considered to have been spent, the City considers committed amounts first, then assigned, and finally unassigned when an expenditure is incurred for which amounts in any of those unrestricted fund balance classifications could be used.

T. Net Position

Net position equals assets plus deferred outflows of resources less liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets, excluding unspent debt proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The City first applies restricted resources when an expense is incurred, for purposes for which both restricted and unrestricted net position is available.

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 2. Cash, Cash Equivalents and Investments

The City may invest in U.S. Treasury obligations, U.S. Government Agency Securities, repurchase agreements secured by U.S. Treasury obligations or U.S. Government Agency Securities, the Maryland Local Government Investment Pool, interest bearing accounts in any bank as provided by Article 95, Section 22 of the Annotated Code of Maryland or shares in an investment company or investment trust as provided by Article 95, Section 22N of the Annotated Code of Maryland.

The City invests primarily in the MLGIP. The MLGIP was established in 1982 under Article 95 Section 22G of the Annotated Code of Maryland and is under the administrative control of the State Treasurer. The MLGIP seeks to maintain a constant unit value of \$1.00 per unit. Unit value is computed using the amortized cost method. In addition, the net asset value (NAV) of the pool, marked to market, is calculated and maintained on a weekly basis to ensure an amortized cost pursuant to Rule 2(a)-7 under the Investment Company Act of 1940. Investment types within the pension and OPEB trusts' investment portfolios are not limited by statute.

As of June 30, 2016, the City had the following:

	Cash and Cash Equivalents	Investments
Cash	\$ 8,309,062	\$ -
Maryland Local Government Investment Pool	9,068,954	-
Pooled separate accounts	-	9,454,665
Mutual funds	-	764,790
Insurance contract, at cost	-	1,339,137
	<u>\$ 17,378,016</u>	<u>\$ 11,558,592</u>

Credit risk – The City does not have a formal policy that specifically addresses credit risk. As of June 30, 2016, the MLGIP was rated “AAAm” by Standard and Poor’s (their highest rating). Regulatory oversight for the local government investment pool rests with the Maryland State Treasurer’s Office and the fair value of the pool is the same as the value of the pool shares.

Interest rate and concentration of credit risk – fair value fluctuates with interest rates, and increasing interest rates could cause fair value to decline below the original cost. To limit the City’s exposure to fair value losses arising from increasing interest rates, the City’s investment policy limits the term of investment maturities. City management believes the liquidity in the portfolio is adequate to meet cash flow requirements and to preclude the City from having to sell investments below original costs for that purpose. The investments at June 30, 2016, met the City’s investment policy.

Custodial credit risk – In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. At June 30, 2016, all of the City’s deposits were either covered by federal depository insurance or were covered by collateral held by the bank’s agent in the City’s name. In the case of repurchase agreements, this is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City’s underlying securities are held by the investment’s counterparty, but not in the name of the City. U.S. Treasury obligations or U.S. Government Agency Securities, which carry the explicit guarantee of the U.S. Government, underlie the repurchase agreements.

Notes to Basic Financial Statements

Note 2. Cash, Cash Equivalents and Investments (Continued)

The Pension Trusts' and the OPEB Trust's investments include separate and guaranteed accounts held by Principal Financial Group, an agent of the plans. Plan investments include various types of pooled separate accounts, mutual funds and investment contracts which are not rated. Such investments are exposed to various risks such as market and credit. Due to the level of risk associated with such investments, and the level of uncertainty related to change in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements. Dividends earned and realized and unrealized gains and losses attributable to the mutual funds are included in investment income.

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The investment's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The three levels of the fair value hierarchy are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical investments in active markets that the Plan has the ability to access.

Level 2: Inputs to the valuation methodology include (a) quoted prices for similar investments in active markets; (b) quoted prices for identical or similar investments in inactive markets; (c) inputs other than quoted prices that are observable for the investment; (d) inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the investment has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the investment.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The Plan's investments in pooled separate accounts are stated at fair value based on quoted market prices of the investments held in each account as determined by Principal Life Insurance Company. Pooled separate accounts are valued using the NAV of the fund. The NAV is based on the fair value of the underlying assets owned by the fund, minus the liabilities, and then divided by the number of shares outstanding. The NAV of a pooled separate account is calculated based on a compilation of primarily observable market information. The number of units of the fund that are outstanding on the calculation date is derived from observable purchase and redemption activity in the fund. Accordingly, the pooled separate accounts of \$9,454,665 are classified within Level 2 of the valuation hierarchy. The mutual funds are valued at fair value based upon quoted prices in active markets and accordingly, the value of \$764,790 are classified within level 1 of the valuation hierarchy. The unallocated investment contract is recorded at contract value, \$1,339,137 (a cost-based measure).

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 3. Notes Receivable

In September 2006, the City entered into a land contract with Ripken Baseball Academy, LLC (Ripken Baseball) whereby the City will sell to Ripken Baseball Lot 3 within the stadium complex. This contract supersedes two ground leases previously entered into by the City and Ripken Baseball, but leaves the repayment terms of the original leases unchanged. Under the contract, Ripken Baseball received credit for all payments made under the respective ground leases and made the effective date of the contract that of which the ground leases were entered into. Ripken Baseball exercised an option to reduce payments on Lot 3 by real estate taxes paid on the property annually. The City estimates total future real estate taxes to reduce future principal payment of approximately \$167,000

Additionally, the City previously entered into a ground lease with Cal Ripken Sr. Foundation for the lease of Lot 6.

A summary of notes receivable and corresponding deferred profit at June 30, 2016, is as follows:

	Notes Receivable	Less Deferred Profit and Unearned Interest	Notes Receivable, Net
Lot 3; original receivable amount \$1,507,118 and an original deferred profit of \$(522,020) amortized over 20 years plus interest ranging from 4.77% to 6.81%; combined monthly installments of principal and interest of \$10,977; due May 2023	\$ 738,696	\$ (738,696)	\$ -
Lot 6; original receivable amount \$393,996 and an original deferred profit of \$(136,104) amortized over 20 years plus interest ranging from 4.77% to 6.81%; combined monthly installments of principal and interest of \$2,870; due March 2023	193,079	(193,079)	-
	<u>\$ 931,775</u>	<u>\$ (931,775)</u>	<u>\$ -</u>

Notes receivable principal payments to be received in future years, are as follows:

Years Ending June 30,

2017	\$ 111,288
2018	118,396
2019	125,966
2020	134,029
2021	142,618
2022-2023	299,478
	<u>\$ 931,775</u>

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 4. Receivables and Payables

Receivables by fund at June 30, 2016, consist of the following:

	General	Special Revenue	Capital Projects	Water Utility	Sewer Utility	Stadium	Total
Receivables							
Taxes	\$ 172,969	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 172,969
Intergovernmental	745,072	-	303,620	-	-	604	1,049,296
Charges for services	-	-	-	273,426	374,853	-	648,279
Assessments/improvements	-	66,563	-	-	208,691	-	275,254
Other	308,847	-	55	145,253	304,446	-	758,601
Gross receivables	1,226,888	66,563	303,675	418,679	887,990	604	2,904,399
Allowance for uncollectibles	(51,831)	-	-	-	-	-	(51,831)
	<u>\$ 1,175,057</u>	<u>\$ 66,563</u>	<u>\$ 303,675</u>	<u>\$ 418,679</u>	<u>\$ 887,990</u>	<u>\$ 604</u>	<u>\$ 2,852,568</u>

Accrued and other liabilities by fund at June 30, 2016, consist of the following:

	General	Special Revenue	Capital Projects	Water Utility	Sewer Utility	Stadium	Total
Accrued liabilities							
Interest	\$ -	\$ -	\$ -	\$ 25,439	\$ 47,037	\$ 11,112	\$ 83,588
Payroll	102,068	-	-	8,220	16,365	-	126,653
	<u>\$ 102,068</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,659</u>	<u>\$ 63,402</u>	<u>\$ 11,112</u>	<u>\$ 210,241</u>
Other liabilities							
Payroll withholdings	\$ 21,027	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,027
Performance bonds	128,794	-	-	-	-	-	128,794
Seized property	182,668	-	-	-	-	-	182,668
Other	10,282	-	-	-	-	-	10,282
	<u>\$ 342,771</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 342,771</u>

Note 5. Interfund Receivables, Payables and Transfers

Interfund receivable and payable balances at June 30, 2016, are as follows:

	Due to Fund			
	Water Utility	Sewer Utility	Stadium	Total
Due from Fund				
General	<u>\$ 13,535</u>	<u>\$ 33,690</u>	<u>\$ 124,566</u>	<u>\$ 171,791</u>

The \$124,566 balance due to the General Fund from the Stadium Fund resulted from accumulated net losses within the stadium operations. It is not anticipated that this balance will be repaid from results of operations within the subsequent fiscal year.

Transfers from the General Fund to the Capital Projects Fund were made for capital projects and the Stadium Fund for debt service and stadium improvements. Interfund transfers for the year ended June 30, 2016, consisted of the following:

	Transfers In		
	Capital Projects Fund	Stadium Fund	Total
Transfers out			
General fund	<u>\$ 788,111</u>	<u>\$ 525,206</u>	<u>\$ 1,313,317</u>

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 6. Capital Assets

Capital assets activity for the year ended June 30, 2016, is as follows:

	Balance, July 1, 2015	Additions	Deletions	Transfers	Balance, June 30, 2016
Governmental activities					
Capital assets not being depreciated					
Land	\$ 5,513,058	\$ 205,141	\$ (3,111)	\$ -	\$ 5,715,088
Capital assets being depreciated					
Buildings	11,223,079	179,404	-	-	11,402,483
Improvements other than buildings	197,994	8,407	-	-	206,401
Machinery and equipment, including equipment under financing agreement	5,074,140	272,376	(11,443)	-	5,335,073
Vehicles	2,833,903	453,506	(250,286)	-	3,037,123
Recreational facilities	693,997	15,097	-	-	709,094
Infrastructure	18,964,200	734,352	-	-	19,698,552
	<u>38,987,313</u>	<u>1,663,142</u>	<u>(261,729)</u>	<u>-</u>	<u>40,388,726</u>
Accumulated depreciation for					
Buildings	(6,288,652)	(182,421)	-	-	(6,471,073)
Improvements other than buildings	(42,493)	(8,820)	-	-	(51,313)
Machinery and equipment, including equipment under financing agreement	(3,975,654)	(248,413)	9,749	-	(4,214,318)
Vehicles	(1,888,058)	(253,865)	248,105	-	(1,893,818)
Recreational facilities	(434,126)	(39,112)	-	-	(473,238)
Infrastructure	(7,307,067)	(381,670)	-	-	(7,688,737)
	<u>(19,936,050)</u>	<u>(1,114,301)</u>	<u>257,854</u>	<u>-</u>	<u>(20,792,497)</u>
Total depreciable assets, net	<u>19,051,263</u>	<u>548,841</u>	<u>(3,875)</u>	<u>-</u>	<u>19,596,229</u>
Governmental activities capital assets, net	<u>\$ 24,564,321</u>	<u>\$ 753,982</u>	<u>\$ (6,986)</u>	<u>\$ -</u>	<u>\$ 25,311,317</u>

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 6. Capital Assets (Continued)

	Balance, July 1, 2015	Additions	Deletions	Transfers	Balance, June 30, 2016
Business-type activities					
Capital assets not being depreciated					
Land	\$ 1,963,416	\$ -	\$ -	\$ -	\$ 1,963,416
Construction in process	478,300	172,042	-	(478,297)	172,045
	<u>2,441,716</u>	<u>172,042</u>	<u>-</u>	<u>(478,297)</u>	<u>2,135,461</u>
Capital assets being depreciated					
Buildings	24,419,411	3,715	-	50,183	24,473,309
Improvements other than buildings	673,867	-	-	-	673,867
Machinery and equipment	11,388,591	239,642	(18,428)	-	11,609,805
Water systems	15,608,081	304,599	-	386,165	16,298,845
Sewer system	32,569,479	644,829	-	41,949	33,256,257
	<u>84,659,429</u>	<u>1,192,785</u>	<u>(18,428)</u>	<u>478,297</u>	<u>86,312,083</u>
Accumulated depreciation for					
Buildings	(10,312,738)	(511,301)	-	-	(10,824,039)
Improvements other than buildings	(55,031)	(39,696)	-	-	(94,727)
Machinery and equipment	(9,576,176)	(324,017)	18,428	-	(9,881,765)
Water systems	(6,002,758)	(473,444)	-	-	(6,476,202)
Sewer system	(3,385,361)	(697,608)	-	-	(4,082,969)
	<u>(29,332,064)</u>	<u>(2,046,066)</u>	<u>18,428</u>	<u>-</u>	<u>(31,359,702)</u>
Total depreciable assets, net	<u>55,327,365</u>	<u>(853,281)</u>	<u>-</u>	<u>478,297</u>	<u>54,952,381</u>
Business-type activities capital assets, net	<u>\$ 57,769,081</u>	<u>\$ (681,239)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,087,842</u>

Depreciation expense was charged in the statement of activities for the year ended June 30, 2016, as follows:

Governmental activities	
General government	\$ 555,342
Public safety	272,565
Public works	239,209
Recreation	47,185
	<u>\$ 1,114,301</u>
Business-type activities	
Water utility	\$ 589,844
Sewer utility	1,122,202
Stadium	334,020
	<u>\$ 2,046,066</u>

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 7. Restatement of Fiduciary Net Position of a Change in the Reporting Entity

Previously, the City reported the activity of its defined contribution plan as a pension trust fund included in fiduciary funds as the City had concluded it had a fiduciary responsibility for the financial accountability over the plan. During fiscal year 2016, management determined that financial accountability criteria were no longer met and removed the defined contribution plan from the pension trust funds and restated the beginning net position of the fiduciary funds. The total fiduciary net position as previously reported for the defined contribution plan of \$7,007,603 has been removed from the beginning net position in the pension trust funds.

Note 8. Long-Term Liabilities

Long-term liabilities activity as of and for the year ended June 30, 2016, is as follows:

	Balance, July 1, 2015	Additions	Deductions	Balance, June 30, 2016	Amounts Due Within One Year
Governmental activities					
General obligation bonds payable	\$ 3,815,000	\$ 809,800	\$ (630,000)	\$ 3,994,800	\$ 327,900
Notes payable	507,062	-	(501,128)	5,934	1,206
Other obligations					
Compensated absences	544,422	113,314	(101,103)	556,633	295,441
Net pension liability	845,063	367,758	-	1,212,821	-
Net OPEB obligation	1,938,568	354,539	(517,363)	1,775,744	-
Add bond premiums	19,974	-	(2,229)	17,745	2,229
Less bond discounts	(19,685)	-	19,685	-	-
	<u>\$ 7,650,404</u>	<u>\$ 1,645,411</u>	<u>\$ (1,732,138)</u>	<u>\$ 7,563,677</u>	<u>\$ 626,776</u>
Business-type activities					
General obligation bonds payable	\$ 9,584,500	\$ 1,968,200	\$ (2,718,400)	\$ 8,834,300	\$ 900,700
Notes payable	8,849,273	-	(466,784)	8,382,489	459,979
Other obligations					
Compensated absences	110,125	41,376	(12,439)	139,062	65,766
Net OPEB obligation	386,915	49,569	(47,224)	389,260	-
Add bond premiums	72,079	-	(9,899)	62,180	9,899
Less bond discounts	(29,012)	-	29,012	-	-
	<u>\$ 18,973,880</u>	<u>\$ 2,059,145</u>	<u>\$ (3,225,734)</u>	<u>\$ 17,807,291</u>	<u>\$ 1,436,344</u>

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 8. Long-Term Liabilities (Continued)

General obligation bonds payable relating to governmental activities at June 30, 2016, consist of the following:

Refunding Bonds of 2011; authorized amount \$4,515,000; interest at rates ranging from 2.0% to 3.25%; payable in annual payments of principal ranging from \$145,000 to \$355,000 and semiannual payments of interest through May 2030

\$ 3,185,000

Series A Refunding Bonds of 2016; authorized amount \$350,100; interest at a rate of 1.84%; payable in annual payments of principal ranging from \$20,900 to \$51,600 and semiannual payments of interest through November 2023

350,100

Series B Refunding Bonds of 2016; authorized amount \$459,700; interest at a rate of 2.57%; payable in annual payments of principal ranging from \$42,000 to \$53,900 and semiannual payments of interest through November 2024

459,700

\$ 3,994,800

A schedule of maturities of the general obligation bonds payable relating to governmental activities as of June 30, 2016, is as follows:

Years Ending June 30,	Principal	Interest	Total
2017	\$ 327,900	\$ 94,608	\$ 422,508
2018	380,200	89,436	469,636
2019	379,100	81,610	460,710
2020	388,100	73,808	461,908
2021	396,800	65,470	462,270
2022-2026	1,342,700	208,778	1,551,478
2027-2030	780,000	62,349	842,349
	<u>\$ 3,994,800</u>	<u>\$ 676,059</u>	<u>\$ 4,670,859</u>

Notes payable relating to governmental activities at June 30, 2016, consists of the following:

Liquidation liability, Harford County Liquor Control Board; unsecured original amount \$20,920; annual principal and interest payments of \$1,529, interest at 7.0%, maturing June 2020

\$ 5,934

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 8. Long-Term Liabilities (Continued)

A schedule of maturities of the notes payable relating to governmental activities as of June 30, 2016, is as follows:

Years Ending June 30,	Principal	Interest	Total
2017	\$ 1,206	\$ 322	\$ 1,528
2018	1,291	238	1,529
2019	1,381	148	1,529
2020	1,478	51	1,529
2021	578	-	578
	<u>\$ 5,934</u>	<u>\$ 759</u>	<u>\$ 6,693</u>

The entire accumulated unused compensated absences liability and the pension and OPEB obligations for governmental activities will be liquidated by the General Fund, as in prior years.

General obligation bonds payable relating to business-type activities at June 30, 2016, consist of the following:

Series A Infrastructure Bond of 2010; authorized amount \$5,093,428; interest at rates ranging from 0.75% to 4.31%; payable in annual payments of principal ranging from \$198,000 to \$350,500 and semiannual payments of interest through May 2030

\$ 3,865,400

Series B Infrastructure Bonds of 2007; authorized amount \$3,084,500; interest at rates ranging from 3.5% to 4.25%; partially refunded May 2016; remaining payment of principal and interest due in full May 2017

145,700

Refunding Bonds of 2011; authorized amount \$4,010,000; interest at rates ranging from 2.0% to 3.25%; payable in annual payments of principal ranging from \$365,000 to \$425,000 and semiannual payments of interest through June 2022

2,115,000

Refunding Bonds of 2011; authorized amount \$1,415,000; interest at rates ranging from 2.0% to 3.25%; payable in annual payments of principal ranging from \$125,000 to \$155,000 and semiannual payments of interest through June 2021

740,000

Series A Refunding Bonds of 2016; authorized amount \$1,968,200; interest at a rate of 1.84%; payable in annual payments of principal ranging from \$67,000 to \$228,200 and semiannual payments of interest through November 2026

1,968,200

\$ 8,834,300

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 8. Long-Term Liabilities (Continued)

A schedule of maturities of the general obligation bonds payable relating to the business-type activities as of June 30, 2016, is as follows:

Years Ending June 30,	Principal	Interest	Total
2017	\$ 900,700	\$ 245,663	\$ 1,146,363
2018	827,700	230,026	1,057,726
2019	988,000	208,365	1,196,365
2020	1,009,800	185,118	1,194,918
2021	1,031,000	159,167	1,190,167
2022-2026	2,530,900	521,030	3,051,930
2027-2030	1,546,200	147,109	1,693,309
	<u>\$ 8,834,300</u>	<u>\$ 1,696,478</u>	<u>\$ 10,530,778</u>

Notes payable relating to business-type activities at June 30, 2016, consists of the following:

Loan payable, Maryland Water Quality Financing Administration,
unsecured, accruing interest at a rate of 0.90%; payable in annual
principal payments at varying amounts and semiannual
payments of interest; due 2032

\$ 6,399,850

Loan payable, Maryland Water Quality Financing Administration,
non-interest bearing, unsecured, no payments due through 2020 at
which time loan is subject to forgiveness

1,500,000

Loan payable, Maryland Water Quality Financing Administration,
unsecured, accruing interest at a rate of 1.00%; payable
in annual principal payments at varying amounts and semiannual
payments of interest; due dates through 2030

382,661

Loan payable, Maryland Water Quality Financing Administration,
unsecured, accruing interest at 3.38%; payable in annual principal
payment at varying amounts and semiannual payment of interest;
due 2018

99,978
\$ 8,382,489

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 8. Long-Term Liabilities (Continued)

A schedule of maturities of the notes payable relating to the business-type activities as of June 30, 2016, is as follows:

Years Ending June 30,	Principal	Interest	Total
2017	\$ 459,979	\$ 64,804	\$ 524,783
2018	455,630	59,293	514,923
2019	413,378	54,020	467,398
2020	417,132	50,266	467,398
2021	420,919	46,480	467,399
2022-2026	3,662,624	174,367	3,836,991
2027-2031	2,125,401	76,286	2,201,687
2032	427,426	3,847	431,273
	<u>\$ 8,382,489</u>	<u>\$ 529,363</u>	<u>\$ 8,911,852</u>

Current Refundings:

During fiscal year 2016, the City refunded \$335,000 of general obligation bonds, Series B Infrastructure Bonds of 2004 by issuing \$350,100 of general obligation bonds, Series 2016A. This refunding was undertaken to reduce total debt service payments and resulted in a reduced cash flow of \$22,036. This savings discounted at a rate of 1.84% resulted in an economic gain of \$18,307.

During fiscal year 2016, the City refunded \$450,000 of a note, Series 2005 by issuing \$459,700 of general obligation bonds, Series 2016B. This refunding was undertaken to reduce total debt service payments and resulted in a reduced cash flow of \$14,281. This savings discounted at a rate of 2.57% resulted in an economic gain of \$12,589.

Partial Advance Refunding:

During fiscal year 2016, the City partially advance refunded \$1,844,400 of general obligation bonds, Series B Infrastructure Bonds of 2007 by issuing \$1,968,200 of general obligation bonds, Series 2016A. The net proceeds of \$1,908,645, after payment of \$59,555 in issuance costs and prepayment fees, were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the Series 2007 bonds. As a result, \$1,844,400 of the Series 2007 bonds are considered to be defeased and the liability for this portion of bonds refunded has been removed from the balance sheet and statement of net position. The balance remaining outstanding after the refunding was \$145,700 at June 30, 2016. This refunding was undertaken to reduce total debt service payments and resulted in a reduced cash flow of \$169,548. This savings discounted at a rate of 1.84% resulted in an economic gain of \$146,505. This refunding resulted in a net charge of \$64,245 and is included in deferred outflows of resources in the accompanying balance sheets and statements of net position.

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 9. Pension Plans – City Reporting

Under authority granted by the charter of the City, the City provides pension and retirement benefits for substantially all full-time City employees through three single-employer plans: Defined Benefit Pension Plan, Police Department (defined benefit) Pension Plan and Defined Contribution Plan.

Separate, audited GAAP basis pension plan reports are not available for the plans.

The net pension liability for the City's year ended June 30, 2016 was measured as of June 30, 2015, using the total pension liabilities that were determined by actuarial valuation as of June 30, 2015.

Defined Benefit Pension Plan

Plan Description and Provisions:

The City's Defined Benefit Pension Plan (DB Plan) is a single-employer, noncontributory defined benefit pension plan controlled by City ordinance. The DB Plan is governed by the City which is responsible for the management of plan assets. The City has delegated the authority to manage plan assets to Principal Financial Group. This plan was closed to new entrants after June 30, 1997.

The City's DB Plan provides retirement, termination, and death benefits. Normal retirement benefits for all plan members are calculated as 1% of average compensation multiplied by accrual service (accrued benefit) and in the form of a monthly annuity payable for life. General plan members age 65 and older and public safety plan members age 60 and older are eligible for normal retirement. Early retirement benefits for all plan members are calculated as the accrued benefit, as defined above, reduced by 6 $\frac{2}{3}$ % for each year up to five, 3 $\frac{1}{3}$ % for each of the next five years, and 2.5% for each additional year that the Early Retirement Date precedes Normal Retirement Date and in the form of a monthly annuity payable for life. General plan members age 55 and older and public safety plan members age 50 and older are eligible for normal retirement. Termination benefits for all plan members are vested at 100% after eight years of vesting service. Death benefits for all plan members require that the participant completed 25 years of service payable in a monthly annuity to spouse. The amount of the benefit equates to the amount that would have been received had the participant elected a joint and 50% survivorship benefits option and early retired the day before death.

Benefit terms provide for annual cost-of-living adjustments to each retired plan members at the discretion of the plan sponsor.

The DB Plan's membership consisted of the following as of June 30, 2015, the measurement date:

Inactive plan members or beneficiaries currently receiving benefits	18
Inactive plan members entitled to but not yet receiving benefits	<u>2</u>
Total	<u>20</u>

Contribution Information and Funding Policy:

The DB Plan covers all employees of the City with 1,000 hours of annual eligible service who are not participants in the defined contribution plan or the police defined benefit plan. Provisions of the DB Plan include retirement and death benefits to plan members and their beneficiaries. Cost of living adjustments are provided at the discretion of the City legislature. Benefits and refunds of the postemployment defined benefit plan are recognized when due and payable in accordance with the terms of the plan.

The contribution requirements of the City are established and may be amended by the City legislature. The City is required to contribute at an actuarially determined rate. The actuarially required contribution rate and the amount paid into the DB Plan during the year ended June 30, 2016, was \$57,934. The DB Plan does not provide for a maximum employer contribution. No contributions are required of employees. Administrative costs are financed through investment earnings.

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 9. Pension Plans – City Reporting (Continued)

Assumptions:

The total pension liability at June 30, 2016, was determined by an actuarial valuation using the following assumptions:

Inflation	2.25%
Salary increases	Ranging from 5.77% to 7.30% based on age, plus 2.2%
Investment rate of return	4.50%, net of investment expense and including inflation

Mortality rates were based on the 2015 IRS Prescribed Mortality-Options Combined Table for Small Plans, for Males and Females. Disability rates were based on the 1987 Commissioner's Group Disability Table, six month elimination period, for Males and Females. A withdrawal assumption was not utilized due to the size of the plan and limited experience.

The total pension liability as of June 30, 2016, was calculated based on the Entry Age actuarial cost method. Under this method, the present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the earnings between entry age and assumed exit age(s). The portion of the present value allocated to a year is the service costs. Projected benefits are based on project salary and projected service.

The long-term interest rate assumption was developed as a weighted average rate based on the target asset allocation of the plan and the long-term capital market assumptions. The overall return for each asset class was developed by combining a long-term inflation component and the associated expected real rates. The development of the capital market assumptions utilized a variety of methodologies, including, but not limited to, historical analysis, stock valuation models such as dividend discount models and earning yields' models, expected economic growth outlook, and market yields analysis. Best estimates of real rates of return (geometric means) for each major asset class included in the pension plan's target asset allocation as of the measurement date, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	100%	4.15%

A formal actuarial experience study has not been performed for the plan.

The mortality table has been updated to reflect the annual changes to the IRS Prescribed Mortality Tables in the actuarial valuation as of June 30, 2015. Salary increases were updated utilizing Table S-5 from the annual Actuary's Pension Handbook. The interest rates before and during benefit payment period have decreased from 5.25% to 4.50%. The rate is used in the calculation of the plan's benefit liability. The inflation assumption has decreased from 3.00% to 2.25%. There were no other significant changes to assumptions when compared to the prior actuarial valuation.

Based on those assumptions, the pension plan's fiduciary net position and benefit payments were projected to determine if the plan's fiduciary net position was greater than or equal to the expected benefit payments for each period from 2015 to 2072. The long-term rate of return of 4.50% is used to calculate the actuarial present value of the projected payments for each future period when the projected fiduciary net position is greater than the projected expected benefit payments. Otherwise, a municipal bond rate of 4.18% is used. The municipal bond rate is from Barclays Municipal GO Long Term (17+Y) Index, which includes 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher securities, as of the June 30, 2015, measurement date. The discount rate is a single rate that incorporates the long-term rate of return and the municipal bond rate as described. The discount rate used to measure the total pension liability was 4.50%.

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 9. Pension Plans – City Reporting (Continued)

Investments:

The DB Plan does not have a formal investment policy.

Investments are valued as of the measurement date. The plan's unallocated investment contract is valued at contract value (a cost-based measure). Contract value represents contributions made under the contract, plus interest and contract rate, less funds used to purchase annuities or pay administrative expenses charged by Principal Financial Group. As of the measurement date, all of the Plan's investments were held in one organization, Principal Financial Group.

The money-weighted rate of return is calculated as a rate of return on pension plan investments incorporating the actual timing and amount of cash flows. This return is calculated net of investment expense. The annual money-weighted rate of return on plan investments for the measurement period of July 1, 2014 to June 30, 2015, was 4.26%.

Net Pension Liability of the City:

The components of the net pension liability of the City at June 30, 2016, using a measurement date of June 30, 2015, were as follows:

Total pension liability	\$ 1,586,831
Plan fiduciary net position	1,399,552
City's net pension liability	<u>\$ 187,279</u>
Plan fiduciary net position as a percentage of total pension liability	88.20%

Sensitivity of the net pension liability to changes in the discount rate:

The following presents the net pension liability of the City, calculated using the discount rate of 4.50%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	1% Decrease (3.50%)	Current Discount Rate (4.50%)	1% Increase (5.50%)
City's net pension liability	\$ 314,542	\$ 187,279	\$ 76,238

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 9. Pension Plans – City Reporting (Continued)

Changes in the net pension liability were as follows:

Total pension liability, July 1, 2015	\$ 1,573,653
Interest	78,181
Difference between expected and actual experience	5,043
Changes in assumptions	88,239
Benefit payments	(158,285)
Total pension liability, June 30, 2016	<u>\$ 1,586,831</u>
Plan fiduciary net position, beginning measurement period	\$ 1,449,945
Contributions – City	62,665
Net investment income	59,641
Benefit payments	(158,285)
Administrative expenses	(14,414)
Plan fiduciary net position, ending measurement period	<u>\$ 1,399,552</u>
Net pension liability, July 1, 2015	<u>\$ 123,708</u>
Net pension liability, June 30, 2016	<u>\$ 187,279</u>

The information presented in the required supplementary schedules immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Police Department Pension Plan

Plan Description and Provision:

The Police Department Pension Plan (PD Pension Plan) is a single-employer, contributory defined benefit pension plan established by the City ordinance. The PD Pension Plan is governed by the City and the retirement plan committee which is responsible for the management of plan assets. The retirement plan committee has delegated the authority to manage plan assets to Principal Financial Group.

The City's PD Pension Plan provides retirement, termination, disability, and death benefits. Normal retirement benefits for all plan members are calculated as 2% of average compensation times service (maximum 25 years), plus any additional years of service credited for unused sick leave and military service. General plan members age 62 with five years of eligibility or the date on which the participant has completed 25 years of eligibility services. Termination benefits are equal to the sum of the amount of retirement annuity which could be provided on normal retirement date by the participant's contribution account and vesting percentage times the excess of the accrued benefit as of the termination date over the preceding amount. Termination benefits for all plan members are vested at 100% after five years of vesting service. Disability benefits for all plan members are payable as monthly income until normal retirement, death, or recovery and a deferred annuity payable at the normal retirement date. Ordinary disability (with five years of service) amounts to the accrued benefit on the date of disability. Line of duty disability (catastrophic disability) provides 66⅔% of compensation, but not less than the employee contribution benefit or the ordinary disability benefit. Line of duty disability (non-catastrophic disability) provides 33⅓% of compensation, but not less than the employee contribution benefit or the ordinary disability benefit. Lump-sum death benefits are calculated as the sum of the employee contribution benefit and the annual compensation as of the date of death.

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 9. Pension Plans – City Reporting (Continued)

Benefit terms provide for annual cost-of-living adjustments to each retired plan members at the discretion of the plan sponsor.

The PD Pension Plan's membership consisted of the following as of June 30, 2015, the measurement date:

Active plan members	36
Inactive plan members entitled to but not yet receiving benefits	8
Disabled plan members entitled to and receiving benefits	1
Retired plan members or beneficiaries currently receiving benefits	<u>8</u>
Total	<u>53</u>

Contribution Information and Funding Policy:

The PD Pension Plan covers sworn police officers who are employed on a regular full-time basis who are not participants in either the defined contribution plan or the defined benefit plan. Provisions of the PD Pension Plan include retirement and death benefits to members and their beneficiaries. Cost of living adjustments are provided at the discretion of the City legislature. Benefits and refunds of the postemployment defined benefit plan are recognized when due and payable in accordance with the terms of the plan.

The contribution requirements of the City are established and may be amended by the City legislature. The City is required to contribute at an actuarially determined rate; the current rate is 23.95% of annual covered payroll. The PD Pension Plan does not provide for a maximum employer contribution. The actuarially required contribution rate and the amount paid into the PD Pension Plan for the year ended June 30, 2016, was \$521,120. Administrative costs are financed through investment earnings. The police officers contribute to the PD Pension Plan based on 7% of salaries. Participants' actual contributions were \$213,041 for the year ended June 30, 2016.

Assumptions:

The total pension liability at June 30, 2016, was determined by an actuarial valuation using the following assumptions:

Inflation	2.25%
Salary increases	Ranging from 4.88% to 7.18% based on age, plus 3.0%
Investment rate of return	7.00%, net of investment expense and including inflation

Mortality rates were based on the 2015 IRS Prescribed Mortality-Generational Annuitant, for Males and Females. Disability rates were based on the 1987 Commissioner's Group Disability Table, six-month elimination period, for Males and Females. A withdrawal assumption was based on the 2003 Society of Actuaries Small Plan Age Table, ranging from 1.47% to 8.51%, based on age, multiplied by 0.35.

The total pension liability as of June 30, 2016, was calculated based on the Entry Age actuarial cost method. Under this method, the present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the earnings between entry age and assumed exit age(s). The portion of the present value allocated to a year is the service costs. Projected benefits are based on project salary and projected service.

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 9. Pension Plans – City Reporting (Continued)

The long-term interest rate assumption was developed as a weighted average rate based on the target asset allocation of the plan and the long-term capital market assumptions. The overall return for each asset class was developed by combining a long-term inflation component and the associated expected real rates. The development of the capital market assumptions utilized a variety of methodologies, including, but not limited to, historical analysis, stock valuation models such as dividend discount models and earning yields' models, expected economic growth outlook, and market yields analysis. Best estimates of real rates of return (geometric means) for each major asset class included in the pension plan's target asset allocation as of the measurement date, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	41.07%	7.45%
International equity	12.45%	7.45%
Fixed income	40.27%	4.65%
Real estate	6.21%	6.25%
Total	100.00%	

A formal actuarial experience study has not been performed for the plan.

The following assumption changes were made: The interest rates before and during benefit payment period have decreased from 7.25% to 7.00%. The assumed asset return for the current year has decreased from 7.25% to 7.00%. Turnover has been updated from the 2003 Society of Actuaries Small Plan Age Table, multiplied by 0.25 to 0.35. Salary projection has been updated from the S-5 Table increased by 3.50% to an increase of 3.00%. There were no other significant changes to assumptions when compared to the prior actuarial evaluation.

Based on those assumptions, the pension plan's fiduciary net position and benefit payments were projected to determine if the plan's fiduciary net position was greater than or equal to the expected benefit payments for each period from 2015 to 2109. The long-term rate of return of 7.00% is used to calculate the actuarial present value of the projected payments for each future period when the projected fiduciary net position is greater than the projected expected benefit payments. Otherwise, a municipal bond rate of 4.18% is used. The municipal bond rate is from Barclays Municipal GO Long Term (17+Y) Index, which includes 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher securities, as of the June 30, 2015, measurement date. The discount rate is a single rate that incorporates the long-term rate of return and the municipal bond rate as described. The discount rate used to measure the total pension liability was 7.00%.

Investments:

The PD Pension Plan does not have a formal investment policy.

Investments are valued as of the measurement date at fair value. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period. The unfunded actuarial accrued liability is amortized as a level dollar of projected payroll on an open basis. The remaining amortization period at June 30, 2016, was ten years, which is re-established each year. As of the measurement date, all of the plan's investments were held in one organization, Principal Financial Group.

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 9. Pension Plans – City Reporting (Continued)

The money-weighted rate of return is calculated as a rate of return on pension plan investments incorporating the actual timing and amount of cash flows. This return is calculated net of investment expense. The annual money-weighted rate of return on plan investments for the measurement period of July 1, 2014, to June 30, 2015, was 2.63%.

Net Pension Liability of the City:

The components of the net pension liability of the City at June 30, 2016, using a measurement date of June 30, 2015, were as follows:

Total pension liability	\$ 10,257,086
Plan fiduciary net position	9,231,544
City's net pension liability	<u>\$ 1,025,542</u>
Plan fiduciary net position as a percentage of total pension liability	<u>90.00%</u>

Sensitivity of the net pension liability to changes in the discount rate:

The following presents the net pension liability of the City, calculated using the discount rate of 7.00%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
City's net pension liability	\$ 2,345,280	\$ 1,025,542	\$ (70,217)

Changes in the net pension liability, were as follows:

Total pension liability, July 1, 2015	\$ 9,455,418
Service costs	323,625
Interest	697,737
Difference between expected and actual experience	(87,169)
Changes in assumptions	160,404
Benefit payments	(292,929)
Total pension liability, June 30, 2016	<u>\$ 10,257,086</u>
Plan fiduciary net position, beginning measurement period	\$ 8,734,063
Contributions – City	424,102
Contributions – employees	161,734
Net investment income	234,745
Benefit payments	(292,929)
Administrative expenses	(30,171)
Plan fiduciary net position, ending measurement period	<u>\$ 9,231,544</u>
Net pension liability, July 1, 2015	<u>\$ 721,355</u>
Net pension liability, June 30, 2016	<u>\$ 1,025,542</u>

The information presented in the required supplementary schedules immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 9. Pension Plans – City Reporting (Continued)

Deferred Outflows of Resources, Deferred Inflows of Resources and Expense Related to Pensions

The City recognized deferred outflows of resources, deferred inflows of resources, and expense related to pensions as of and for the year ended June 30, 2016, as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
Prior year plan contributions reversed out of deferred outflows	\$ -	\$ -	\$ 486,767
Current year plan contributions (fiscal year 2016)	579,054	-	-
Differences between expected and actual experience	-	154,257	54,997
Net difference between expected and net investment income	18,133	43,732	(463,276)
Assumption changes	133,935	-	(133,935)
Net increase in net pension liability from prior year to current year	-	-	367,758
	<u>\$ 731,122</u>	<u>\$ 197,989</u>	<u>\$ 312,311</u>

\$579,054 reported as deferred outflows of resources related to pensions resulting from City contributions to the pension plans subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Years Ending June 30,

2017	\$ (42,658)
2018	(42,658)
2019	(42,659)
2020	79,562
2021	1,765
Thereafter	727
	<u>\$ (45,921)</u>

Defined Contribution Plan

Plan Description:

The City of Aberdeen has a defined contribution pension plan established by the City to provide benefits at retirement to employees of the City who are not participants in the DB plan or the PD Pension Plan. The City has delegated the authority to manage plan assets to ICMA. At June 30, 2016, there were 111 plan members. Defined Contribution Plan participants are required to contribute 2% of annual base pay. The City is required to contribute 7% of annual base pay. Defined Contribution Plan provisions and contribution requirements are established and may be amended by the Aberdeen City Council. Participants' and the City's actual contributions were \$105,902 and \$127,164, respectively.

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 10. Pension Plans – Plan Reporting

GASB Statement No. 67, *Financial Reporting for Pension Plans*, became effective for the City's fiscal year 2014. The objective of this Statement is to improve financial reporting by state and local government pension plans. As a result, additional pension plan disclosures are required and are included in this note. However, plan information included in Note 9 is not repeated within this disclosure.

A measurement date of June 30, 2016, is being used for the Plans' June 30, 2016, financial reporting and will be used for the City's future June 30, 2017, financial reporting.

Defined Benefit Pension Plan

Plan Description and Provision:

There were no changes in the DB Plan descriptions and provisions between the June 30, 2015 and June 30, 2016, measurement dates.

The DB Plan's membership consisted of the following as of June 30, 2016, the plan's measurement date:

Inactive plan members or beneficiaries currently receiving benefits	18
Inactive plan members entitled to but not yet receiving benefits	<u>1</u>
Total	<u>19</u>

Contribution Information and Funding Policy:

There were no changes in the plan contribution information and funding policy between the June 30, 2015 and June 30, 2016, measurement dates.

Assumptions:

The total pension liability, as measured at June 30, 2016, was determined by an actuarial valuation using the following assumptions:

Inflation	2.25%
Salary increases	Ranging from 5.77% to 7.30% based on age, plus 2.2%
Investment rate of return	4.25%, net of investment expense and including inflation

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 10. Pension Plans – Plan Reporting (Continued)

Mortality rates were based on the 2016 IRS Prescribed Mortality-Options Combined Table for Small Plans, for Males and Females. Disability rates were based on the 1987 Commissioner's Group Disability Table, six month elimination period, for Males and Females. A withdrawal assumption was not utilized due to the size of the plan and limited experience.

The total pension liability, as measured at June 30, 2016, was calculated based on the Entry Age actuarial cost method. Under this method, the present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the earnings between entry age and assumed exit age(s). The portion of the present value allocated to a year is the service costs. Projected benefits are based on project salary and projected service.

The long-term interest rate assumption was developed as a weighted average rate based on the target asset allocation of the plan and the long-term capital market assumptions. The overall return for each asset class was developed by combining a long-term inflation component and the associated expected real rates. The development of the capital market assumptions utilized a variety of methodologies, including, but not limited to, historical analysis, stock valuation models such as dividend discount models and earning yields' models, expected economic growth outlook, and market yields analysis. Best estimates of real rates of return (geometric means) for each major asset class included in the pension plan's target asset allocation as of the measurement date, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	100%	4.15%

A formal actuarial experience study has not been performed for the plan.

The mortality table has been updated to reflect the annual changes to the IRS Prescribed Mortality Tables in the actuarial valuation as of June 30, 2016. The long-term rate of return on investments was changed from 4.50% to 4.25% to reflect the current expectations of the plan's long term investment performance. There were no other significant changes to assumptions when compared to the prior actuarial valuation.

Based on those assumptions, the pension plan's fiduciary net position and benefit payments were projected to determine if the plan's fiduciary net position was greater than or equal to the expected benefit payments for each period from 2016 to 2072. The long-term rate of return of 4.25% is used to calculate the actuarial present value of the projected payments for each future period when the projected fiduciary net position is greater than the projected expected benefit payments. Otherwise, a municipal bond rate of 3.58% is used. The municipal bond rate is from Barclays Municipal GO Long Term (17+Y) Index, which includes 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher securities, as of the June 30, 2016, measurement date. The discount rate is a single rate that incorporates the long-term rate of return and the municipal bond rate as described. The discount rate which will be used to measure the total pension liability, as measured at June 30, 2016, is 4.25%.

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 10. Pension Plans – Plan Reporting (Continued)

Investments:

There were no changes in the investment policy or the investment contract utilized between the June 30, 2015, and June 30, 2016, measurement dates. Additionally, all of the Plan's investments continue to be held in one organization, Principal Financial Group.

The money-weighted rate of return is calculated as a rate of return on pension plan investments incorporating the timing and amount of cash flows. This return is calculated net of investment expenses. The annual money-weighted rate of return on plan investments for the measurement period ended June 30, 2016, is 4.05%.

Net Pension Liability of the City:

The components of the net pension liability of the City, using a measurement date of June 30, 2016, were as follows:

Total pension liability	\$ 1,537,783
Plan fiduciary net position	1,339,137
City's net pension liability	<u>\$ 198,646</u>
Plan fiduciary net position as a percentage of the total pension liability	87.08%

Sensitivity of the net pension liability to changes in the discount rate:

The following presents the net pension liability of the City, calculated using the discount rate of 4.25%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	1% Decrease (3.25%)	Current Discount Rate (4.25%)	1% Increase (5.25%)
City's net pension liability	\$ 318,818	\$ 198,646	\$ 93,538

Police Department Pension Plan

Plan Description and Provision:

There were no changes in the PD Pension Plan descriptions and provisions between the June 30, 2015, and June 30, 2016, measurement dates.

The PD Pension Plan's membership consisted of the following as of June 30, 2016, the plan's measurement date:

Active plan members	37
Inactive plan members entitled to but not yet receiving benefits	8
Disabled plan members entitled to and receiving benefits	1
Retired plan members or beneficiaries currently receiving benefits	<u>10</u>
Total	<u>56</u>

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 10. Pension Plans – Plan Reporting (Continued)

Contribution Information and Funding Policy:

There were no changes in the plan contribution information and funding policy between the June 30, 2015 and June 30, 2016, measurement dates.

Assumptions:

The total pension liability, as measured at June 30, 2016, will be determined by an actuarial valuation using the following assumptions:

Inflation	2.25%
Salary increases	Ranging from 4.88% to 7.18% based on age, plus 3.0%
Investment rate of return	7.00%, net of investment expense and including inflation

Mortality rates were based on the 2016 IRS Prescribed Mortality-Generational Annuitant, for Males and Females. Disability rates were based on the 1987 Commissioner's Group Disability Table, six month elimination period, for Males and Females. A withdrawal assumption was based on the 2003 Society of Actuaries Small Plan Age Table, ranging from 1.47% to 8.51%, based on age, multiplied by 0.35.

The total pension liability, as measured at June 30, 2016, will be calculated based on the Entry Age actuarial cost method. Under this method, the present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the earnings between entry age and assumed exit age(s). The portion of the present value allocated to a year is the service costs. Projected benefits are based on project salary and projected service.

The long-term interest rate assumption was developed as a weighted average rate based on the target asset allocation of the plan and the long-term capital market assumptions. The overall return for each asset class was developed by combining a long-term inflation component and the associated expected real rates. The development of the capital market assumptions utilized a variety of methodologies, including, but not limited to, historical analysis, stock valuation models such as dividend discount models and earning yields' models, expected economic growth outlook, and market yields analysis. Best estimates of real rates of return (geometric means) for each major asset class included in the pension plan's target asset allocation as of the measurement date, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	41.22%	7.45%
International equity	12.44%	7.45%
Fixed income	39.64%	4.65%
Real estate	6.70%	6.25%
Total	100.00%	

A formal actuarial experience study has not been performed for the plan.

There were no significant changes to assumptions when compared to the prior actuarial valuation.

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 10. Pension Plans – Plan Reporting (Continued)

Based on those assumptions, the pension plan's fiduciary net position and benefit payments were projected to determine if the plan's fiduciary net position was greater than or equal to the expected benefit payments for each period from 2016 to 2062. Benefit payments after 2110 are projected to be \$0. The long-term rate of return of 7.00% is used to calculate the actuarial present value of the projected payments for each future period when the projected fiduciary net position is greater than the projected expected benefit payments. Otherwise, a municipal bond rate of 2.85% is used. The municipal bond rate is from The Bond Buyer Index, which consists of 20 general obligation bonds that mature in 20 years. The average rating of the 20 bonds is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA, as of the June 30, 2016, measurement date. The discount rate is a single rate that incorporates the long-term rate of return and the municipal bond rate as described. The discount rate used to measure the total pension liability, as measured at June 30, 2016, was 6.29%.

Investments:

There were no changes in the investment policy between the June 30, 2015 and June 30, 2016, measurement dates. Additionally, all of the plan's investments continue to be held in one organization, Principal Financial Group.

The money-weighted rate of return is calculated as a rate of return on pension plan investments incorporating the timing and amount of cash flows. This return is calculated net of investment expenses. The annual money-weighted rate of return on plan investments for the measurement period ended June 30, 2016, is (0.03)%.

Net Pension Liability of the City:

The components of the net pension liability of the City, using a measurement date of June 30, 2016, were as follows:

Total pension liability	\$ 11,930,689
Plan fiduciary net position	9,454,665
City's net pension liability	<u>\$ 2,476,024</u>
Plan fiduciary net position as a percentage of the total pension liability	79.25%

Sensitivity of the net pension liability to changes in the discount rate:

The following presents the net pension liability of the City, calculated using the discount rate of 6.29%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	1% Decrease (5.29%)	Current Discount Rate (6.29%)	1% Increase (7.29%)
City's net pension liability	\$ 4,071,800	\$ 2,476,024	\$ 1,156,572

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 11. Post-Employment Health Care Benefits

The City provides OPEBs to employees who qualify as a retiree and meet specific service requirements. At June 30, 2016, 22 retirees and dependents are eligible for health benefits and 18 of those are also eligible for life insurance coverage. The cost of retiree health care and life insurance benefits is recognized as expenditure when claims are accrued.

General Plan Description and Provisions:

Healthcare and prescription drug insurance benefits are provided to eligible retirees and their eligible dependents until Medicare eligibility. Effective July 1, 2011, the City reimburses retirees over age 65 in full for a Medicare Supplement plan that retirees obtain. Retirees over age 65 are no longer members of the City's vision and dental plans. Only police retirees over age 65 can have a spouse's Medicare Supplement plan reimbursed by the City.

The City pays 80% to 90% of the monthly premium, depending upon election, including spousal and dependent coverage for participants in both Defined Benefit Plans and the Defined Contribution Plan. All full-time, active employees who retire or are disabled from the City directly (if they would otherwise meet retirement criteria) and meet eligible criteria may participate.

The City employees are eligible to continue group insurance coverage after retirement provided that:

1. Retiring employees have coverage in effect when they stop working.
2. Retire with an immediate benefit and:
 - a. Defined contribution plan members must have at least 20 years of service and be at least age 50 for law enforcement or at least 55 for all others.
 - b. Defined benefit plan members (police plan) must have 25 years of service.
 - c. Defined benefit plan members (original plan) have a normal retirement age of 60 for police officers; age of 65 for all other members (healthcare benefits eligibility is limited to current recipients only).
3. An employee must have been a full-time active employee.

Underlying Plan Description:

Pre-Medicare retirees may choose between several medical plans, a PPO, HMO or Hybrid HMO/POS plan. The PPO plan has out of network options.

Pre-Medicare retirees may choose between Preferred, Traditional, or Dental HMO dental plans and vision coverage. The City will continue the same sharing amounts as for active employees, which is currently 10% for dental and 50% for vision. Once retirees are eligible for Medicare, dental and vision coverage is available only through COBRA.

Retirees are eligible for \$13,500 life insurance coverage at retirement. The same service requirements for health care coverage are applicable for life insurance coverage. The City pays the entire cost of the coverage.

Funding Policy:

The City is required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The ARC consisted of the normal cost of \$154,673 and the amortization of unfunded accrued liability of \$265,718. The City's implicit subsidy contributed to the plan for the year ended June 30, 2016, amounted to \$38,385. During the year ended June 30, 2016, the City contributed \$141,203 for current health care and life insurance premiums and \$385,000 to the OPEB Trust to pre-fund future benefits.

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 11. Post-Employment Health Care Benefits (Continued)

Annual OPEB Cost and Net OPEB Obligation:

The City had an actuarial valuation performed as of June 30, 2015, to determine the funded status of the plan as of that date as well as the City's ARC for the fiscal year ended June 30, 2016. The City's annual OPEB cost and net OPEB obligation for the current year, were as follows:

Annual required contribution	\$ 420,391
Interest on net OPEB obligation	162,784
Adjustment to annual required contribution	(179,067)
Annual OPEB cost	<u>404,108</u>
Contributions made	<u>564,588</u>
Change in net OPEB obligation	(160,480)
Net OPEB obligation beginning of year	2,325,483
Net OPEB obligation end of year	<u><u>\$ 2,165,003</u></u>

Three year trend information:

Fiscal Years Ended June 30,	Annual OPEB Cost (AOC)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2016	\$ 404,108	139.7%	\$ 2,165,003
2015	412,327	128.7%	2,325,483
2014	284,836	37.8%	2,443,658

Funding Status and Progress:

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the City are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The actuarial accrued liability for benefits was \$3,958,749 and the unfunded actuarial accrual liability (UAAL) was \$3,581,312. The covered payroll (annual payroll of active employees covered by the plan) was \$7,679,576, and the ratio of the UAAL to the covered payroll was 46.63%.

The City established an OPEB trust in fiscal year 2015 to pre-fund future benefits.

Actuarial Methods and Assumptions:

Projections of benefits for financial reporting purposes are based on substantive plan (the plan as understood to be the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 11. Post-Employment Health Care Benefits (Continued)

The projected unit credit method with linear pro-ratio to assumed benefit commencement was used in this valuation.

The unfunded liability was amortized over a period of 30 years as a level percentage of pay, on an open basis.

Life insurance costs are nominal and excluded from the calculation.

Normal cost is determined for each active employee as the Actuarial Present Value of benefits allocated to the valuation year. The benefit attributed to the valuation year is that incremental portion of the total projected benefit earned during the year in accordance with the plan's benefit formula. This allocation is based on each individual's service between date of hire and date of full benefit eligibility.

For current retirees and actives, actual family status and ages were used if available. Males are assumed to be three years older than females. All employees and retirees are assumed to keep their current coverage level into the future.

100% of police officers are assumed to retire at the earlier of age 62 with five years of service or with 25 years of service.

Actuarial assumptions –

Discount rate 7.0% per year
Vision trend 3.5% for all years
Dental trend 4.5% for all years

Mortality – RP 2000 Combined Healthy Table and RP 2000 Disability Table

Healthcare cost trend assumptions –

Year	Annual Rate of Increase-HRA	Annual Rate of Increase-OAP
2016	6.00%	6.50%
2017	5.25%	5.75%
2018	5.00%	5.50%
2019	4.75%	5.25%
2020	4.50%	4.75%
2021 and Later	4.25%	4.25%

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 11. Post-Employment Health Care Benefits (Continued)

Retirement rate assumptions –
General:

	Age					
	45	50	55	60	65	70
First year eligibility:						
Male	.150	.150	.250	.250	.250	1.000
Female	.150	.150	.250	.300	.300	1.000
Subsequent years:						
Male	.050	.050	.070	.120	.250	1.000
Female	.050	.050	.070	.100	.250	1.000

Police: 100% are assumed to retire at the earlier of age 62 with five years of service or with 25 years of service.

Turnover assumptions –
General:

Years of Service	Prior to Ten Years of Service	
	Male	Female
1	.161	.150
2	.111	.106
3	.099	.100
4	.092	.078
5	.076	.078
6	.076	.064
7	.060	.060
8	.060	.051
9	.053	.045
Age	After Ten Years of Service	
	Male	Female
30	.052	.044
35	.046	.034
40	.034	.025
45	.027	.022
50	.028	.021
55	.033	.028

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 11. Post-Employment Health Care Benefits (Continued)

Police:

Age	Rate of Termination
20	.0608
25	.0488
30	.0388
35	.0303
40	.0235
45	.0183
50	.0140
55	.0105

Disability:

Age	Police		General	
	Male	Female	Male	Female
25	.00085	.00109	.0015	.0011
30	.00099	.00140	.0015	.0011
35	.00124	.00201	.0025	.0018
40	.00176	.00276	.0046	.0031
45	.00294	.00400	.0056	.0045
50	.00540	.00622	.0065	.0062
55	.00977	.00932	.0086	.0085

Note 12. Other Information

Risk Management:

The City is exposed to various risks of loss related to torts; damages to, and destruction of assets; errors and omissions; employee's health and accident; and natural disasters. The City purchases commercial insurance to protect its interest in its property and equipment, insurance against employee dishonesty and liability protection. Settled claims have not exceeded these coverage amounts for the past three fiscal years.

Commitments and Contingencies:

Most grants and cost-reimbursable contracts specify the types of expenditures for which the grant or contracts funds may be used. The expenditures made by the City under some of these grants and contracts are subject to audit. To date, the City has not been notified of any significant unallowable costs relating to its grants or contracts. In the opinion of management, adjustments for unallowable costs, if any, resulting from such audits will not have a material effect on the accompanying financial statements.

The City entered into a contract with the U.S. Government, Department of Army to provide administrative and operational services to support water and sewer services to Aberdeen Proving Ground. Under the contract, the City is reimbursed for salary and fringe costs and indirect overhead costs (referred to as a management fee). The contract can be terminated by either party with three years' written notice.

The City entered into a contract for water distribution system evaluation and improvement. The project is being funded by current revenue and accumulated net position. The value of the City's remaining commitment under this contract at June 30, 2016, is \$238,392.

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 13. New Governmental Accounting Standards Board (GASB) Standards

The GASB has issued several pronouncements prior to the year ended June 30, 2016, that have effective dates that may impact future financial presentations.

Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statement of the City:

- GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, replaces GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and will be effective for the City beginning with its year ending June 30, 2017. This Statement addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The Statement follows the framework for financial reporting of defined benefit OPEB plans in Statement 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The Statement requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. Statement 74 also sets forth note disclosure requirements for defined contribution OPEB plans.
- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and will be effective for the City beginning with its year ending June 30, 2018. Statement 75 requires governments to report a liability on the face of the financial statements for the OPEB that they provide and requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information about their OPEB liabilities.
- GASB Statement No. 77, *Tax Abatement Disclosures*, is effective for the City beginning with its year ending June 30, 2017, and requires state and local governments, for the first time, to disclose information about tax abatement agreements. The Statement requires governments to disclose information about their own tax abatements separately from information about tax abatements that are entered into by other governments and reduce the reporting government's tax revenues.
- GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, is effective for the City beginning with its year ending June 30, 2017. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

Notes to Basic Financial Statements

Note 13. New Governmental Accounting Standards Board (GASB) Standards (Continued)

- GASB Statement No. 80, *Blending Requirements for Certain Component Units*—an amendment of GASB Statement No. 14, is effective for the City beginning with its year ending June 30, 2017. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, is effective for the City beginning with its year ending June 30, 2018, and should be applied retroactively. Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts—or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements—in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.
- GASB Statement No. 82, *Pension Issues*—an amendment of GASB Statements No. 67, No. 68, and No. 73, is effective for the City beginning with its year ending June 30, 2018. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

Required Supplementary Information

City of Aberdeen, Maryland

Required Supplementary Information (Unaudited)

Schedule of Changes in the City's Net Pension Liability and Related Ratios – Pension

Defined Benefit Pension Plan

	Measurement Date		
	June 30, 2016	June 30, 2015	June 30, 2014
Total pension liability, beginning	\$ 1,586,831	\$ 1,573,653	\$ 1,661,697
Interest	67,615	78,181	82,568
Difference between expected and actual experience	9,873	5,043	(9,240)
Changes in assumptions	31,340	88,239	3,713
Benefit payments	(157,876)	(158,285)	(165,085)
Total pension liability, ending	<u>\$ 1,537,783</u>	<u>\$ 1,586,831</u>	<u>\$ 1,573,653</u>
Plan fiduciary net position, beginning	\$ 1,399,552	\$ 1,449,945	\$ 1,501,553
Contributions – City	57,934	62,665	65,314
Net investment income	53,869	59,641	64,166
Benefit payments	(157,876)	(158,285)	(165,085)
Administrative expenses	(14,342)	(14,414)	(16,003)
Plan fiduciary net position, ending	<u>\$ 1,339,137</u>	<u>\$ 1,399,552</u>	<u>\$ 1,449,945</u>
Net pension liability, beginning	<u>\$ 187,279</u>	<u>\$ 123,708</u>	<u>\$ 160,144</u>
Net pension liability, ending	<u>\$ 198,646</u>	<u>\$ 187,279</u>	<u>\$ 123,708</u>
Plan fiduciary net position as a percentage of total pension liability	87.1%	88.2%	92.1%
Covered payroll	0	0	0
City's net pension liability as a percentage of covered payroll	N/A	N/A	N/A

Police Department Pension Plan

	Measurement Date		
	June 30, 2016	June 30, 2015	June 30, 2014
Total pension liability, beginning	\$ 10,257,086	\$ 9,455,418	\$ 8,947,650
Service costs	306,236	323,625	298,295
Interest	720,047	697,737	656,293
Difference between expected and actual experience	42,306	(87,169)	(117,048)
Changes in assumptions	946,333	160,404	-
Changes in benefit terms	142,070	-	-
Benefit payments	(483,389)	(292,929)	(329,772)
Total pension liability, ending	<u>\$ 11,930,689</u>	<u>\$ 10,257,086</u>	<u>\$ 9,455,418</u>
Plan fiduciary net position, beginning	\$ 9,231,544	\$ 8,734,063	\$ 7,266,437
Contributions – City	521,120	424,102	506,000
Contributions – employees	213,041	161,734	162,876
Net investment income (loss)	(2,904)	234,745	1,162,779
Benefit payments	(483,389)	(292,929)	(329,772)
Administrative expenses	(24,747)	(30,171)	(34,257)
Plan fiduciary net position, ending	<u>\$ 9,454,665</u>	<u>\$ 9,231,544</u>	<u>\$ 8,734,063</u>
Net pension liability, beginning	<u>\$ 1,025,542</u>	<u>\$ 721,355</u>	<u>\$ 1,681,213</u>
Net pension liability, ending	<u>\$ 2,476,024</u>	<u>\$ 1,025,542</u>	<u>\$ 721,355</u>
Plan fiduciary net position as a percentage of total pension liability	79.2%	90.0%	92.4%
Covered payroll	\$ 2,303,500	\$ 2,175,531	\$ 2,269,920
City's net pension liability as a percentage of covered payroll	107.5%	47.1%	31.8%

Information prior to the June 30, 2014, measurement date is not readily available.

The measurement dates are used to record the City's net pension liability for the next yearend.

City of Aberdeen, Maryland

Required Supplementary Information (Unaudited)

Schedule of City Contributions – Pension

Last 10 Fiscal Years – City Reporting

Defined Benefit Pension Plan

Years Ended June 30,	Actuarially Determined Contribution	Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2016	\$ 57,934	\$ 57,934	\$ -	\$ -	100%
2015	62,665	62,665	-	-	100%
2014	65,314	65,314	-	-	100%
2013	70,452	70,452	-	-	100%
2012	40,133	40,133	-	-	100%
2011	64,215	64,215	-	-	100%
2010	114,001	114,001	-	-	100%
2009	117,321	117,321	-	-	100%
2008	115,053	115,053	-	-	100%
2007	103,598	103,598	-	-	100%

Police Department Pension Plan

Years Ended June 30,	Actuarially Determined Contribution	Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2016	\$ 521,120	\$ 521,120	\$ -	\$ 2,175,531	24%
2015	424,102	424,102	-	2,269,928	19%
2014	462,805	506,000	(43,195)	1,905,358	27%
2013	505,772	517,000	(11,228)	1,765,006	29%
2012	516,888	516,888	-	1,742,242	30%
2011	506,099	506,099	-	1,672,736	30%
2010	434,789	434,789	-	1,882,921	23%
2009	304,632	304,632	-	1,782,548	17%
2008	289,102	289,102	-	1,546,417	19%
2007	228,903	228,903	-	1,547,471	15%

City of Aberdeen, Maryland

Required Supplementary Information (Unaudited)

Schedule of Investment Returns – Pension

	Measurement Date - Year Ended		
	June 30, 2016	June 30, 2015	June 30, 2014
Defined Benefit Pension Plan			
Annual money weighted rate of return, net of investment expense	4.05%	4.26%	4.44%
Police Department Pension Plan			
Annual money weighted rate of return, net of investment expense	-0.03%	2.63%	15.73%

Information prior to the June 30, 2014, measurement date is not readily available.

City of Aberdeen, Maryland

Required Supplementary Information (Unaudited)

Other Post-Employment Benefits (OPEB)

Schedule of Employer Contributions

Years Ended June 30,	Annual Required Contribution	Actual Contribution	Percentage Contributed
2016	\$ 420,391	\$ 564,588	134.30%
2015	427,283	517,002	121.00%
2014	364,871	107,595	29.49%
2013	342,794	135,840	39.63%
2012	527,551	84,624	16.04%
2011	904,253	140,801	15.57%
2010	925,000	80,702	8.72%

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age Normal (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b)-(a)/(c)]
June 30, 2015	\$ 377,437	\$ 3,958,749	3,581,312	9.53%	\$ 7,679,576	46.63%
July 1, 2014	-	3,007,175	3,007,175	0.00%	7,903,392	38.05%
July 1, 2013	-	3,847,398	3,847,398	0.00%	7,451,184	51.63%
July 1, 2011	-	6,377,779	6,377,779	0.00%	6,467,790	98.61%

Supplementary Information

City of Aberdeen, Maryland

Schedule of Revenues and Other Financing Sources – Budget and Actual – General Fund
Year Ended June 30, 2016

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Taxes				
Property taxes				
Real estate taxes	\$ 8,390,603	\$ 8,390,603	\$ 8,966,847	\$ 576,244
Corporation personal property taxes	630,767	630,767	810,936	180,169
Utilities personal property tax	388,235	388,235	438,647	50,412
Penalties and interest	56,000	56,000	22,745	(33,255)
Semi-annual service charge	-	-	8	8
Additions and abatements	(12,000)	(12,000)	1,477	13,477
Discount on taxes	(58,734)	(58,734)	(65,352)	(6,618)
Tax credit – firemen exemptions	(13,365)	(13,365)	(12,474)	891
Tax credit – no water or sewer	-	-	(5,054)	(5,054)
Enterprise Zone tax credits	(93,860)	(93,860)	(107,243)	(13,383)
	<u>9,287,646</u>	<u>9,287,646</u>	<u>10,050,537</u>	<u>762,891</u>
Local taxes				
Franchise tax	176,860	176,860	187,577	10,717
Mobile home excise tax	28,200	28,200	26,093	(2,107)
Utilities pole tax	59,313	59,313	64,200	4,887
	<u>264,373</u>	<u>264,373</u>	<u>277,870</u>	<u>13,497</u>
State shared taxes				
Income tax	1,150,000	1,150,000	1,419,567	269,567
Admission and amusements	85,000	85,000	66,630	(18,370)
	<u>1,235,000</u>	<u>1,235,000</u>	<u>1,486,197</u>	<u>251,197</u>
Total taxes	<u>10,787,019</u>	<u>10,787,019</u>	<u>11,814,604</u>	<u>1,027,585</u>
Licenses and Permits				
Traders' licenses	32,000	32,000	35,797	3,797
Liquor licenses	2,500	2,500	6,556	4,056
Mobile home park licenses	600	600	600	-
Peddlers permits	-	-	190	190
Grading permits	17,000	17,000	19,768	2,768
Building permits	25,000	25,000	37,040	12,040
Site plan review	12,000	12,000	3,445	(8,555)
Public works agreement revenue	1,000	1,000	-	(1,000)
Deed stamps and tax certificates	3,000	3,000	6,790	3,790
Total licenses and permits	<u>93,100</u>	<u>93,100</u>	<u>110,186</u>	<u>17,086</u>

(Continued)

City of Aberdeen, Maryland

Schedule of Revenues and Other Financing Sources – Budget and Actual – General Fund
(Continued)

Year Ended June 30, 2016

	Budget Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget Positive (Negative)
Intergovernmental				
Grants from state government				
Police state aid	\$ 262,000	\$ 262,000	\$ 267,345	\$ 5,345
Highway user	479,689	479,689	511,845	32,156
	<u>741,689</u>	<u>741,689</u>	<u>779,190</u>	<u>37,501</u>
Grants from county government				
In lieu of financial corporation	7,142	7,142	7,142	-
Tax differential - Harford County	1,128,512	1,128,512	1,093,857	(34,655)
Hotel and motel	445,000	445,000	645,014	200,014
Senior Center reimbursement	55,269	55,269	55,275	6
	<u>1,635,923</u>	<u>1,635,923</u>	<u>1,801,288</u>	<u>165,365</u>
Grants from local government				
Residential special patrol	130,000	130,000	94,324	(35,676)
Total intergovernmental	<u>2,507,612</u>	<u>2,507,612</u>	<u>2,674,802</u>	<u>167,190</u>
APG Management Fees	<u>650,000</u>	<u>650,000</u>	<u>928,326</u>	<u>278,326</u>
Miscellaneous Revenues				
Trash collection stickers fees	183,000	183,000	176,021	(6,979)
Police seized money	-	10,000	11,500	1,500
Police miscellaneous income	20,400	20,400	12,322	(8,078)
Antenna leases	45,039	45,039	46,106	1,067
Annexation	-	-	10,534	10,534
Fines	20,000	20,000	70,489	50,489
DPW miscellaneous income	20,000	20,000	17,594	(2,406)
Interest	6,500	6,500	21,503	15,003
Other rents	3,000	3,000	5,580	2,580
Other	25,000	25,000	17,045	(7,955)
Total miscellaneous revenues	<u>322,939</u>	<u>332,939</u>	<u>388,694</u>	<u>55,755</u>
Total revenues	<u>14,360,670</u>	<u>14,370,670</u>	<u>15,916,612</u>	<u>1,545,942</u>
Other Financing Sources				
Issuance of refunding bonds	-	809,800	809,800	-
Appropriation of fund balance	-	508,193	-	(508,193)
Total other financing sources	<u>-</u>	<u>1,317,993</u>	<u>809,800</u>	<u>(508,193)</u>
Total revenues and other financing sources	<u>\$ 14,360,670</u>	<u>\$ 15,688,663</u>	<u>\$ 16,726,412</u>	<u>\$ 1,037,749</u>

City of Aberdeen, Maryland

Schedule of Expenditures and Other Financing Uses – Budget and Actual – General Fund
Year Ended June 30, 2016

	Budget Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget Positive (Negative)
General Government				
Legislative				
Elected officials	\$ 50,000	\$ 50,000	\$ 45,836	\$ 4,164
Operating expenditures	62,125	62,125	57,005	5,120
Maryland Municipal League	16,800	16,800	16,614	186
National League of Cities	2,000	2,000	-	2,000
	<u>130,925</u>	<u>130,925</u>	<u>119,455</u>	<u>11,470</u>
Executive				
Salaries	448,431	448,431	409,575	38,856
Operating expenditures	46,000	46,000	45,615	385
	<u>494,431</u>	<u>494,431</u>	<u>455,190</u>	<u>39,241</u>
Election:				
Operating costs	8,000	8,000	8,584	(584)
	<u>8,000</u>	<u>8,000</u>	<u>8,584</u>	<u>(584)</u>
Finance				
Salaries	321,227	321,227	321,362	(135)
Operating expenditures	15,500	15,500	8,705	6,795
Audit expenditures	41,000	41,000	30,461	10,539
Capital expenditures	1,000	1,000	2,762	(1,762)
	<u>378,727</u>	<u>378,727</u>	<u>363,290</u>	<u>15,437</u>
Legal				
Codification	6,000	6,000	5,227	773
Counsel	100,000	100,000	94,668	5,332
	<u>106,000</u>	<u>106,000</u>	<u>99,895</u>	<u>6,105</u>
Planning and community development				
Salaries	190,758	190,758	196,199	(5,441)
Operating expenditures	20,000	20,000	19,669	331
Capital expenditures	1,000	11,600	10,592	1,008
	<u>211,758</u>	<u>222,358</u>	<u>226,460</u>	<u>(4,102)</u>
Government buildings				
Salaries	18,424	18,424	18,066	358
Operating expenditures	602,500	901,193	924,549	(23,356)
Capital expenditures	1,000	1,000	500	500
	<u>621,924</u>	<u>920,617</u>	<u>943,115</u>	<u>(22,498)</u>
General government				
Operating expenditures	101,500	101,500	90,772	10,728
	<u>101,500</u>	<u>101,500</u>	<u>90,772</u>	<u>10,728</u>
Health and safety				
Operating expenditures	20,000	20,000	30,521	(10,521)
Capital expenditures	1,000	1,000	-	1,000
	<u>21,000</u>	<u>21,000</u>	<u>30,521</u>	<u>(9,521)</u>
Total general government	<u>2,074,265</u>	<u>2,383,558</u>	<u>2,337,282</u>	<u>46,276</u>

(Continued)

City of Aberdeen, Maryland

Schedule of Expenditures and Other Financing Uses – Budget and Actual – General Fund
(Continued)
Year Ended June 30, 2016

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amounts	
Public Safety				
Police Department				
Salaries	\$ 3,388,534	\$ 3,388,534	\$ 3,281,063	\$ 107,471
Operating expenditures	716,155	726,155	552,261	173,894
Capital expenditures	1,000	27,800	7,916	19,884
	<u>4,105,689</u>	<u>4,142,489</u>	<u>3,841,240</u>	<u>301,249</u>
Volunteer fire department				
Contribution	260,000	260,000	260,000	-
Total public safety	<u>4,365,689</u>	<u>4,402,489</u>	<u>4,101,240</u>	<u>301,249</u>
Public Works				
Public works administration				
Salaries	310,280	310,280	299,080	11,200
Operating expenditures	30,950	30,950	35,581	(4,631)
Capital expenditures	1,000	1,000	450	550
	<u>342,230</u>	<u>342,230</u>	<u>335,111</u>	<u>7,119</u>
Streets				
Salaries	690,178	690,178	592,301	97,877
Operating expenditures	476,700	596,700	595,666	1,034
Capital expenditures	1,000	1,000	13,720	(12,720)
	<u>1,167,878</u>	<u>1,287,878</u>	<u>1,201,687</u>	<u>86,191</u>
Street lighting				
Operating expenditures	315,000	315,000	295,381	19,619
Winter operation				
Operating expenditures	40,000	40,000	38,534	1,466
Solid waste				
Salaries	278,691	278,691	287,584	(8,893)
Operating expenditures	419,600	419,600	357,394	62,206
Capital expenditures	1,000	1,000	-	1,000
	<u>699,291</u>	<u>699,291</u>	<u>644,978</u>	<u>54,313</u>
Total public works	<u>2,564,399</u>	<u>2,684,399</u>	<u>2,515,691</u>	<u>168,708</u>
Parks and Recreation				
Operating expenditures	99,500	99,500	98,922	578
Miscellaneous				
Retirement plans	1,044,489	1,044,489	977,814	66,675
Payroll expenditures	2,382,580	2,231,580	2,059,960	171,620
Miscellaneous	209,519	256,619	217,268	39,351
	<u>3,636,588</u>	<u>3,532,688</u>	<u>3,255,042</u>	<u>277,646</u>
Debt Service				
Debt service principal	345,000	345,000	345,000	-
Debt service interest and fees	116,912	140,756	140,493	263
	<u>461,912</u>	<u>485,756</u>	<u>485,493</u>	<u>263</u>
Total expenditures	<u>13,202,353</u>	<u>13,588,390</u>	<u>12,793,670</u>	<u>794,720</u>
Other Financing Uses				
Transfers out	1,158,317	1,313,317	1,313,317	-
Payment to escrow agent for refunding	-	786,956	786,956	-
	<u>1,158,317</u>	<u>2,100,273</u>	<u>2,100,273</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 14,360,670</u>	<u>\$ 15,688,663</u>	<u>\$ 14,893,943</u>	<u>\$ 794,720</u>

City of Aberdeen, Maryland

Schedule of Revenues, Expenditures and Other Financing Sources
Budget and Actual – Capital Projects Fund
Year Ended June 30, 2016

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues				
Revenues from other agencies	\$ 86,994	\$ 505,212	\$ 528,748	\$ 23,536
Total revenues	<u>86,994</u>	<u>505,212</u>	<u>528,748</u>	<u>23,536</u>
Expenditures				
General government	86,994	505,212	480,383	24,829
Public safety	105,200	105,200	94,621	10,579
Public works	682,911	682,911	440,557	242,354
Total expenditures	<u>875,105</u>	<u>1,293,323</u>	<u>1,015,561</u>	<u>277,762</u>
Other Financing Sources				
Transfers from general fund	788,111	788,111	788,111	-
Total other financing sources	<u>788,111</u>	<u>788,111</u>	<u>788,111</u>	<u>-</u>
Net change in fund balance (budgetary basis)	<u>\$ -</u>	<u>\$ -</u>	301,298	<u>\$ 301,298</u>
Adjustments to Conform with Generally Accepted Accounting Principles (GAAP)			(153,374)	
Net Change in Fund Balance (GAAP Basis)			147,924	
Fund Balance				
Beginning			636,903	
Ending			<u>\$ 784,827</u>	

STATISTICAL SECTION

The Statistical Section of the City's Comprehensive Annual Financial Report presents detailed information to help with understanding the financial statements, note disclosures, and supplementary information.

Financial Trends

Tables 1 through 6 show financial trend data that may help the reader in assessing the City's current performance against historical performances.

Revenue Capacity

Tables 7 through 10 show information that may help the reader in assessing the viability of the City's most significant local revenue source -- Property Taxes.

Debt Capacity

Tables 11 through 14 contain information that may help the reader in assessing the affordability of the City's current levels of outstanding debt and its ability to issue additional debt in the future.

Economic and Demographic Information

Tables 15 and 16 contain economic and demographic indicators that may assist the reader in understanding the environment in which the City's financial activities take place.

Operating Information

Tables 17 through 19 present service and infrastructure indicators that may assist the reader in understanding how the information in the City's financial statements relates to the services the City provides and the activities it performs.

**Net Position By Component
Last Ten Years
(Accrual Basis of Accounting)**

Table 1

	Fiscal Year									
	2016	2015	2014 (1)	2013	2012	2011	2010 (1)	2009	2008	2007
Governmental Activities										
Net Investment in Capital Assets	\$ 21,292,838	\$ 20,241,970	\$ 16,364,349	\$ 13,508,406	\$ 13,404,341	\$ 13,080,163	\$ 13,244,196	\$ 12,421,169	\$ 10,795,988	\$ 9,595,925
Restricted	429,003	441,896	485,238	492,955	508,400	521,296	451,668	426,970	392,998	932,988
Unrestricted	9,557,127	7,115,395	7,756,146	9,248,917	6,989,228	4,854,395	2,550,077	2,586,480	2,660,726	1,643,724
Total Governmental Activities Net Position	31,278,968	27,799,261	24,605,733	23,250,278	20,901,969	18,455,854	16,245,941	15,434,619	13,849,712	12,172,637
Business-Type Activities										
Net Investment in Capital Assets	39,873,118	39,292,242	38,919,289	36,701,093	34,440,815	29,692,671	24,016,623	22,250,352	20,368,984	19,771,744
Restricted	3,578,396	3,600,207	3,609,705	3,644,074	763,330	331,641	-	-	-	-
Unrestricted	883,220	1,945,341	748,189	1,051,125	2,833,689	(1,094,387)	(1,166,635)	477,966	1,914,926	1,898,230
Total Business-Type Activities Net Position	44,334,734	44,837,790	43,277,183	41,396,292	38,037,834	28,929,925	22,849,988	22,728,318	22,283,910	21,669,974
Primary Government										
Net Investment in Capital Assets	61,165,956	59,534,212	55,283,638	50,209,499	47,845,156	42,772,834	37,260,819	34,671,521	31,164,972	29,367,669
Restricted	4,007,399	4,042,103	4,094,943	4,137,029	1,271,730	852,937	451,668	426,970	392,998	932,988
Unrestricted	10,440,347	9,060,736	8,504,335	10,300,042	9,822,917	3,760,008	1,383,442	3,064,446	4,575,652	3,541,954
Total Primary Government Net Position	\$ 75,613,702	\$ 72,637,051	\$ 67,882,916	\$ 64,646,570	\$ 58,939,803	\$ 47,385,779	\$ 39,095,929	\$ 38,162,937	\$ 36,133,622	\$ 33,842,611

(1) As restated

Source:
City financial records.

Changes in Net Position
Last Ten Years
(Accrual Basis of Accounting)

Table 2

	Fiscal Year									
	2016	2015	2014 (1)	2013	2012	2011	2010	2009	2008	2007
Expenses										
Governmental Activities:										
General Government	\$ 3,523,465	\$ 3,468,452	\$ 4,911,835	\$ 3,014,256	\$ 3,466,644	\$ 3,058,171	\$ 2,777,534	\$ 2,685,612	\$ 2,799,968	\$ 2,594,746
Public Safety	5,991,215	5,739,007	5,356,062	5,193,500	5,305,825	5,408,853	5,889,590	5,460,448	5,202,358	4,827,596
Public Works	4,387,453	4,135,899	4,336,712	4,587,658	3,974,061	3,877,699	4,270,376	3,797,298	3,725,529	3,645,846
Parks and Recreation	122,603	109,297	371,255	81,358	71,590	70,806	148,666	64,827	81,574	77,148
Interest on Long-Term Debt	142,235	123,875	132,416	139,764	255,227	301,412	323,712	340,908	358,733	377,165
Total Governmental Activities Expenses	14,166,971	13,576,530	15,108,280	13,016,536	13,073,347	12,716,941	13,409,878	12,349,093	12,168,162	11,522,501
Business-Type Activities:										
Water	3,094,184	2,982,943	2,814,456	2,784,946	2,578,348	2,191,486	1,780,578	1,817,802	1,976,315	1,579,997
Sewer	4,017,082	3,962,657	4,052,338	3,183,672	2,982,631	3,059,799	3,157,487	2,917,769	3,009,494	2,321,829
Stadium	527,575	460,981	423,981	415,268	594,530	598,721	621,708	840,062	676,822	688,757
Total Business-Type Activities Expenses	7,638,841	7,406,581	7,290,775	6,383,886	6,155,509	5,850,006	5,559,773	5,575,633	5,662,631	4,590,583
Total Primary Government Expenses	\$ 21,805,812	\$ 20,983,111	\$ 22,399,055	\$ 19,400,422	\$ 19,228,856	\$ 18,566,947	\$ 18,969,651	\$ 17,924,726	\$ 17,830,793	\$ 16,113,084
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	\$ 368,918	\$ 328,930	\$ 358,560	\$ 340,520	\$ 348,916	\$ 356,149	\$ 453,230	\$ 422,716	\$ 1,086,951	\$ 327,737
Public Safety	29,916	27,659	26,945	118,427	69,048	14,468	7,516	29,797	14,468	59,177
Public Works	2,469,187	2,399,067	2,229,890	2,097,915	2,074,107	2,334,406	1,788,128	1,409,014	1,424,643	1,590,460
Operating Grants and Contributions	2,655,066	1,982,361	2,107,137	1,510,237	1,393,877	1,237,436	1,176,308	1,928,185	1,877,862	1,750,903
Capital Grants and Contributions	494,342	633,393	478,932	108,359	419,823	20,474	942,226	513,477	156,294	37,000
Total Governmental Activities Program Revenues	6,017,429	5,371,410	5,201,464	4,175,458	4,305,771	3,962,933	4,367,408	4,303,189	4,560,218	3,765,277
Business-Type Activities:										
Charges for Services:										
Water	2,674,959	3,660,863	3,207,157	2,961,294	2,501,549	2,779,442	2,073,874	2,140,638	2,317,759	2,224,057
Sewer	3,169,699	3,831,922	3,553,453	3,158,243	2,861,174	3,250,654	2,639,041	2,528,610	2,294,824	2,196,583
Stadium	65,150	196,740	212,162	243,514	214,556	222,869	36,476	50,310	58,279	72,766
Operating Grants and Contributions	120,000	-	-	-	2,577,140	-	-	-	-	-
Capital Grants and Contributions	447,700	566,225	1,665,187	3,169,174	6,551,525	5,334,555	601,188	804,182	996,608	1,013,386
Total Business-Type Activities Program Revenues	6,477,508	8,255,750	8,637,959	9,532,225	14,705,944	11,587,520	5,350,579	5,523,740	5,667,470	5,506,792
Total Primary Government Program Revenues	\$ 12,494,937	\$ 13,627,160	\$ 13,839,423	\$ 13,707,683	\$ 19,011,715	\$ 15,550,453	\$ 9,717,987	\$ 9,826,929	\$ 10,227,688	\$ 9,272,069
Net (Expense)/Revenue										
Governmental Activities	\$ (8,149,542)	\$ (8,205,120)	\$ (9,906,816)	\$ (8,841,078)	\$ (8,767,576)	\$ (8,754,008)	\$ (9,042,470)	\$ (8,045,904)	\$ (7,607,944)	\$ (7,757,224)
Business-Type Activities	(1,161,333)	849,169	1,347,184	3,148,339	8,550,435	5,737,514	(209,194)	(51,893)	4,839	916,209
Total Primary Government Net Expense	\$ (9,310,875)	\$ (7,355,951)	\$ (8,559,632)	\$ (5,692,739)	\$ (217,141)	\$ (3,016,494)	\$ (9,251,664)	\$ (8,097,797)	\$ (7,603,105)	\$ (6,841,015)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes										
Property Taxes	\$ 10,053,492	\$ 10,043,124	\$ 9,936,228	\$ 10,041,666	\$ 10,145,968	\$ 9,652,855	\$ 9,090,293	\$ 8,719,008	\$ 8,195,655	\$ 7,419,615
Other Local Taxes	277,870	273,859	263,525	259,512	258,102	274,763	171,859	219,082	212,141	216,578
State Shared Taxes, Unrestricted	1,472,297	1,593,992	1,330,186	1,252,941	1,183,456	1,320,327	1,120,426	954,638	1,151,137	1,032,544
Investment Earnings	26,249	16,290	18,125	16,381	13,672	8,154	6,316	31,157	37,111	18,292
Gain on Sale of Capital Assets	324,547	10,189	69,598	-	-	-	-	-	-	-
Transfers	(525,206)	(538,806)	(355,391)	(279,841)	(387,507)	(292,178)	(535,102)	(293,074)	(311,025)	(373,338)
Total Governmental Activities	11,629,249	11,398,648	11,262,271	11,290,659	11,213,691	10,963,921	9,853,792	9,630,811	9,285,019	8,313,691
Business-Type Activities:										
Taxes										
Other Local Taxes	-	-	-	-	-	-	-	-	-	-
State Shared Taxes, Unrestricted	66,630	-	-	-	-	-	228,370	192,582	230,917	14,598
Investment Earnings	24,606	68,648	74,504	149,162	169,967	50,245	4,953	10,645	42,155	6,284
Gain (loss) on Sale of Capital Assets	41,835	103,984	103,812	-	-	-	11,852	-	25,000	(24,480)
Transfers	525,206	538,806	355,391	279,841	387,507	292,178	535,102	293,074	311,025	373,338
Total Business-Type Activities	658,277	711,438	533,707	429,003	557,474	342,423	780,277	496,301	609,097	369,740
Total Primary Government	\$ 12,287,526	\$ 12,110,086	\$ 11,795,978	\$ 11,719,662	\$ 11,771,165	\$ 11,306,344	\$ 10,634,069	\$ 10,127,112	\$ 9,894,116	\$ 8,683,431
Change in Net Position										
Governmental Activities	\$ 3,479,707	\$ 3,193,528	\$ 1,355,455	\$ 2,449,581	\$ 2,446,115	\$ 2,209,913	\$ 811,322	\$ 1,584,907	\$ 1,677,075	\$ 556,467
Business-Type Activities	(503,056)	1,560,607	1,880,891	3,577,342	9,107,909	6,079,937	571,083	444,408	613,936	1,285,949
Total Primary Government Change in Net Position	\$ 2,976,651	\$ 4,754,135	\$ 3,236,346	\$ 6,026,923	\$ 11,554,024	\$ 8,289,850	\$ 1,382,405	\$ 2,029,315	\$ 2,291,011	\$ 1,842,416

(1) As restated

Source:
City financial records.

Governmental Activities Tax Revenues by Source
Last Ten Years
(Accrual Basis of Accounting)

Table 3

Fiscal Year	Property Tax	Income Tax	Admissions Tax	Other Local Taxes	Total
2016	\$ 10,053,492	\$ 1,405,667	\$ 66,630	\$ 277,870	\$ 11,803,659
2015	10,043,124	1,593,992	-	273,859	11,910,975
2014	9,936,228	1,330,186	-	263,525	11,529,939
2013	10,041,666	1,252,941	-	259,512	11,554,119
2012	10,145,968	1,183,456	-	258,102	11,587,526
2011	9,652,855	1,320,327	-	274,763	11,247,945
2010	9,090,293	1,120,426	-	171,859	10,382,578
2009	8,719,008	954,638	-	219,082	9,892,728
2008	8,195,655	1,151,137	-	212,141	9,558,933
2007	7,419,615	1,007,088	25,456	216,578	8,668,737

Source:
City financial records.

**Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)**

Table 4

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General Fund										
Non-spendable	\$ 143,866	\$ 32,457	\$ 31,683	\$ 30,913	\$ 24,613	\$ 30,949	\$ 78,952	\$ 70,413	\$ 77,590	\$ 75,471
Restricted	-	-	-	-	-	-	-	-	-	-
Assigned	-	157,496	-	-	9,003	-	-	-	-	-
Unassigned	11,303,280	9,290,251	9,500,995	10,876,480	8,525,257	5,873,609	3,585,829	2,737,304	1,998,778	1,091,376
Total General Fund	\$ 11,447,146	\$ 9,480,204	\$ 9,532,678	\$ 10,907,393	\$ 8,558,873	\$ 5,904,558	\$ 3,664,781	\$ 2,807,717	\$ 2,076,368	\$ 1,166,847
Special Revenue Fund										
Non-spendable	-	-	-	-	-	-	-	-	-	-
Restricted	429,003	441,896	485,238	492,955	508,400	521,296	553,403	611,667	645,010	625,324
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Total Special Revenue Fund	\$ 429,003	\$ 441,896	\$ 485,238	\$ 492,955	\$ 508,400	\$ 521,296	\$ 553,403	\$ 611,667	\$ 645,010	\$ 625,324
Capital Projects Fund										
Non-spendable	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-	-
Assigned	784,827	636,903	1,793,661	534,726	407,948	340,645	305,671	286,424	140,113	404,302
Unassigned	-	-	-	-	-	-	-	-	-	-
Total Capital Projects Fund	\$ 784,827	\$ 636,903	\$ 1,793,661	\$ 534,726	\$ 407,948	\$ 340,645	\$ 305,671	\$ 286,424	\$ 140,113	\$ 404,302

Source: City financial records.

**Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)**

Table 5

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues										
Taxes	\$ 11,814,604	\$ 12,065,927	\$ 11,959,551	\$ 11,648,825	\$ 11,834,498	\$ 11,252,818	\$ 10,443,370	\$ 10,761,701	\$ 10,288,820	\$ 9,514,458
Licenses and permits	110,186	141,486	106,969	75,289	101,713	125,997	170,944	106,314	100,404	107,599
Intergovernmental	3,217,453	2,345,414	2,152,774	1,433,591	1,587,713	1,296,914	1,972,543	1,582,144	1,191,511	943,894
APG management fees	2,402,144	2,297,286	2,162,376	2,058,083	2,011,145	2,251,434	1,669,750	1,342,864	1,362,843	1,511,396
Miscellaneous	393,440	333,174	432,271	451,977	431,152	350,767	433,533	570,917	1,163,612	408,206
Total Revenues	17,937,827	17,183,287	16,813,941	15,667,765	15,966,221	15,277,930	14,690,140	14,363,940	14,107,190	12,485,553
Expenditures										
General government	2,849,207	3,303,913	2,558,873	1,841,877	1,695,505	1,714,059	1,997,247	1,982,372	1,750,112	1,609,401
Public safety	4,353,357	4,302,711	4,269,346	3,956,424	3,949,922	3,926,465	4,030,589	4,264,153	4,046,493	3,945,451
Public works	4,607,440	6,501,419	6,135,578	3,998,299	4,074,871	3,627,232	4,004,543	3,937,387	4,269,247	3,347,816
Parks and recreation	98,922	160,314	408,207	64,993	100,063	84,907	125,369	72,092	64,574	54,308
Miscellaneous	3,287,148	3,193,147	2,827,280	2,594,414	2,533,562	2,684,113	2,552,305	2,400,513	2,287,315	2,197,424
Debt service										
Principal	346,128	346,054	335,985	325,921	432,251	404,920	389,622	405,899	364,413	327,694
Interest	122,823	124,376	132,917	146,143	89,300	301,412	314,607	331,335	348,993	367,425
Total Expenditures	15,665,025	17,931,934	16,668,186	12,928,071	12,875,474	12,743,108	13,414,282	13,393,751	13,131,147	11,849,519
Excess of revenues over (under) expenditures	2,272,802	(748,647)	145,755	2,739,694	3,090,747	2,534,822	1,275,858	970,189	976,043	636,034
Other financing sources										
Loan proceeds, net of payments to escrow agent and issuance of refunding bonds	22,844	-	-	-	5,482	-	77,291	167,202	-	-
Transfer in (out)	(525,206)	(538,806)	(355,391)	(279,841)	(387,507)	(292,178)	(535,102)	(293,074)	(311,025)	(373,338)
Proceeds from sale of capital assets	331,533	34,879	86,139	-	-	-	-	-	-	-
Total other financing sources	(170,829)	(503,927)	(269,252)	(279,841)	(382,025)	(292,178)	(457,811)	(125,872)	(311,025)	(373,338)
Net change in fund balances	\$ 2,101,973	\$ (1,252,574)	\$ (123,497)	\$ 2,459,853	\$ 2,708,722	\$ 2,242,644	\$ 818,047	\$ 844,317	\$ 665,018	\$ 262,696
Debt Service (P & I) as a percentage of non-capital expenditures	3.40%	3.51%	3.56%	3.86%	4.42%	5.78%	5.77%	6.19%	6.06%	6.21%

Source: City financial records.

**General Governmental Tax Revenues by Source
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)**

Table 6

Fiscal Year	Property Tax	Income Tax	Highway User Tax (1)	Admissions Tax	Other Local Taxes	Total
2016	\$ 10,050,537	\$ 1,419,567	\$ -	\$ 66,630	\$ 277,870	\$ 11,814,604
2015	10,063,210	1,314,582	414,276	-	273,859	\$ 12,065,927
2014	9,990,337	1,309,945	390,765	-	268,504	11,959,551
2013	9,924,915	1,346,694	118,724	-	258,492	11,648,825
2012	10,146,919	1,240,865	193,082	-	253,632	11,834,498
2011	9,680,141	1,250,670	47,244	-	274,763	11,252,818
2010	9,074,414	1,107,207	89,890	-	171,859	10,443,370
2009	8,760,795	1,112,667	669,154	-	219,085	10,761,701
2008	8,172,879	1,124,841	778,959	-	212,141	10,288,820
2007	7,419,615	1,040,335	812,474	25,426	216,608	9,514,458

These revenues are for all general governmental functions accounted for through governmental funds.

(1) Included in Intergovernmental Revenues in FY 2016 to conform to the State of Maryland Uniform Financial Reporting

Source: City financial records.

**Assessed Value and Estimated Actual Value of Taxable property
Last Ten Fiscal Years**

Table 7

Fiscal Year Ending June 30	Real Property			Personal Property			Total Assessed Property		Market Value Change	
	Taxable Assessed Value	Estimated Actual Value	Total Direct Rate	Assessed Value	Estimated Actual Value	Total Direct Rate	Assessed Value	Estimated Actual Value	Amount	Percentage
2016	1,390,533,929	1,390,533,929	0.6600	73,137,760	73,137,760	1.7000	1,463,671,689	1,463,671,689	15,257,246	1.05%
2015	1,383,252,570	1,383,252,570	0.6800	65,161,873	65,161,873	1.7000	1,448,414,443	1,448,414,443	44,423,110	3.16%
2014	1,340,367,403	1,340,367,403	0.6800	63,623,930	63,623,930	1.7000	1,403,991,333	1,403,991,333	(3,326,224)	-0.24%
2013	1,333,912,757	1,333,912,757	0.6800	73,404,800	73,404,800	1.7000	1,407,317,557	1,407,317,557	(45,534,772)	-3.13%
2012	1,390,102,249	1,390,102,249	0.6800	62,750,080	62,750,080	1.7000	1,452,852,329	1,452,852,329	82,607,333	6.03%
2011	1,313,724,366	1,313,724,366	0.6875	56,520,630	56,520,630	1.7000	1,370,244,996	1,370,244,996	80,562,276	6.25%
2010	1,234,699,160	1,234,699,160	0.6875	54,983,560	54,983,560	1.7000	1,289,682,720	1,289,682,720	64,707,581	5.28%
2009	1,168,908,946	1,168,908,946	0.7000	56,066,193	56,066,193	1.7000	1,224,975,139	1,224,975,139	115,464,478	10.41%
2008	1,051,857,687	1,051,857,687	0.7150	57,652,974	57,652,974	1.7000	1,109,510,661	1,109,510,661	116,418,992	11.72%
2007	934,874,053	934,874,053	0.7350	58,217,616	58,217,616	1.7000	993,091,669	993,091,669	150,609,144	17.88%

Note: Real property tax rate is per \$100 of assessed value
Personal property tax rate is per \$100 of assessed value

Source: City financial records.

Property Tax Rates - Direct and Overlapping Governments
Last Ten Fiscal Years

Table 8

Real Property Tax Rate

Fiscal Year Ending June 30	City of Aberdeen		Harford County	State of Maryland	Total Tax Rate
	<u>General Fund</u>	<u>Total Direct Rate</u>			
2016	\$ 0.6600	\$ 0.6600	1.042	0.112	\$ 1.814
2015	0.6800	0.6800	1.042	0.112	1.834
2014	0.6800	0.6800	1.042	0.112	1.834
2013	0.6800	0.6800	1.042	0.112	1.834
2012	0.6800	0.6800	1.042	0.112	1.834
2011	0.6875	0.6875	1.042	0.112	1.842
2010	0.6875	0.6875	1.064	0.112	1.864
2009	0.7000	0.7000	1.082	0.112	1.894
2008	0.7150	0.7150	1.082	0.112	1.909
2007	0.7350	0.7350	1.082	0.112	1.929

Personal Property Tax Rate

Fiscal Year Ending June 30	City of Aberdeen		Harford County	State of Maryland	Total Tax Rate
	<u>General Fund</u>	<u>Total Direct Rate</u>			
2016	\$ 1.700	\$ 1.700	2.605	\$ -	\$ 4.305
2015	1.700	1.700	2.605	-	4.305
2014	1.700	1.700	2.605	-	4.305
2013	1.700	1.700	2.605	-	4.305
2012	1.700	1.700	2.605	-	4.305
2011	1.700	1.700	2.605	-	4.305
2010	1.700	1.700	2.660	-	4.360
2009	1.700	1.700	2.705	-	4.405
2008	1.700	1.700	2.705	-	4.405
2007	1.700	1.700	2.705	-	4.405

Source: City financial records.

**Principal Property Taxpayers
Current Fiscal Year and Nine Years Ago**

Table 9

Taxpayer	Type of Business	2016		
		Assessed Valuation	City Tax	Percentage of Total Assessment
Frito-Lay	Manufacturing	\$ 32,012,789	\$ 211,284	2.19%
KRK Title Holder LP	Warehouse	25,976,800	171,447	1.77%
913 Old Philadelphia Road LLC	Distribution Warehouse	23,622,000	155,905	1.61%
Inland American Aberdeen	Real Property Management	22,778,300	150,337	1.56%
Wal-Mart Real Estate	Retail	17,110,260	112,928	1.17%
H & S Properties Development Corp	Real Estate Investment	14,410,666	95,110	0.98%
Medline Industries, Inc.	Manufacturing	12,917,260	85,254	0.88%
COPT Northgate A LLC	Real Estate Investment	11,962,800	78,954	0.82%
FR Old Post Road LLC	Warehouse	11,473,460	75,725	0.78%
Merritt - AD LLC	Real Estate Investment	10,950,000	72,270	0.75%
TOTAL		<u>\$ 183,214,335</u>	<u>\$ 1,209,215</u>	<u>12.52%</u>
Total Assessed Valuation		<u>\$ 1,463,671,689</u>		

Taxpayer	Type of Business	2007		
		Assessed Valuation	City Tax	Percentage of Total Assessment
Inland American Aberdeen	Real Property Management	\$ 24,248,000	\$ 178,223	2.44%
913 Old Philadelphia Road LLC	Distribution Warehouse	23,685,400	174,088	2.39%
Medline Industries Inc.	Manufacturing	18,061,533	132,752	1.82%
Frito-Lay	Manufacturing	16,303,400	119,830	1.64%
State of Wisconsin Investment Board	Warehouse	15,036,300	110,517	1.51%
Wal-Mart Real Estate	Retail	11,811,266	86,813	1.19%
One Thousand and One Partnership	Office/manufacturing	8,988,533	66,066	0.91%
Prologis-Exchange MD	Office/manufacturing	8,901,133	65,423	0.90%
Aberdeen Marketplace, Inc.	Shopping Center	8,057,666	59,224	0.81%
Colgate Investments	Shopping Center	7,734,833	56,851	0.78%
TOTAL		<u>\$ 142,828,064</u>	<u>\$ 1,049,786</u>	<u>14.38%</u>
Total Assessed Valuation		<u>\$ 993,091,669</u>		

Source: City financial records.

Property Tax Levies and Collections
Last Ten Fiscal Years

Table 10

Fiscal Year Ending June 30	Total Tax Levy	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Total Tax Levy
2016	\$ 10,257,072	\$ 10,151,760	98.97%	\$ -	\$ 10,151,760	98.97%
2015	10,424,604	10,354,710	99.33%	16,135	10,370,844	99.48%
2014	10,186,068	10,108,621	99.24%	60,240	10,168,861	99.83%
2013	10,238,167	10,181,487	99.45%	55,070	10,236,557	99.98%
2012	10,456,757	10,384,584	99.31%	60,285	10,444,868	99.89%
2011	9,957,031	9,870,388	99.13%	74,290	9,944,678	99.88%
2010	9,396,201	9,298,812	98.96%	81,483	9,380,295	99.83%
2009	9,116,713	9,021,982	98.96%	20,366	9,042,348	99.18%
2008	8,470,443	8,351,509	98.60%	99,023	8,450,532	99.76%
2007	7,419,615	7,338,288	98.90%	36,475	7,374,763	99.40%

Source: City financial records.

**Ratios of Outstanding Debt By Type
Last Ten Fiscal Years**

Table 11

Fiscal Year Ending June 30	Governmental Activities			Business-Type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	General	Loans	Total	General	Loans	Total			
	Obligation Bonds	Payable	Governmental Activities	Obligation Bonds	Payable	Business-Type Activities			
2016	\$ 3,994,800	\$ 5,934	\$ 4,000,734	\$ 8,834,300	\$ 8,382,489	\$ 17,216,789	\$ 21,217,523	N/A	\$ 1,362
2015	3,815,000	507,062	4,322,062	9,584,500	8,849,271	18,433,771	22,755,833	N/A	1,474
2014	4,110,000	558,116	4,668,116	10,440,300	9,369,267	19,809,567	24,477,683	N/A	1,619
2013	4,395,000	609,101	5,004,101	11,275,200	9,799,208	21,074,408	26,078,509	N/A	1,743
2012	4,670,000	660,022	5,330,022	12,092,200	7,522,290	19,614,490	24,944,512	N/A	1,668
2011	4,757,600	710,882	5,468,482	12,669,316	2,758,934	15,428,250	20,896,732	N/A	1,397
2010	4,969,200	796,970	5,766,170	8,271,100	1,332,924	9,604,024	15,370,194	N/A	1,090
2009	5,175,700	911,010	6,086,710	8,745,300	1,643,797	10,389,097	16,475,807	N/A	1,168
2008	5,372,000	1,088,819	6,460,819	9,201,800	1,942,855	11,144,655	17,605,474	N/A	1,258
2007	5,561,500	1,263,732	6,825,232	6,560,900	2,229,186	8,790,086	15,615,318	N/A	1,092

Source: City financial records.

N/A - Currently not available

**Ratio of Net General Obligation Bonded Debt To Asset Assessed
Value and Net General Obligation Bonded Debt Per Capita
Last Ten Fiscal Years**

Table 12

Fiscal Year Ending June 30	Population	Estimated Actual Assessed Value (2)	Gross Bonded Debt (1)	Debt Payable From Enterprise Revenue	Net Bonded Debt (3)	Ratio of Net Bonded Debt To Actual Assessed Value	Net Bonded Debt Per Capita
2016	15,580	\$ 1,463,671,689	\$ 21,217,523	\$ 17,216,789	\$ 4,000,734	0.27%	\$ 257
2015	15,434	1,448,414,443	22,755,833	18,433,771	4,322,062	0.30%	280
2014	15,120	1,403,991,333	24,477,683	19,809,567	4,668,116	0.33%	309
2013	14,959	1,407,317,557	26,078,509	21,074,408	5,004,101	0.36%	335
2012	14,959	1,452,852,329	24,944,512	19,614,490	5,330,022	0.37%	356
2011	14,959	1,370,244,996	20,896,732	15,428,250	5,468,482	0.40%	366
2010	14,099	1,289,682,720	15,370,194	9,604,024	5,766,170	0.45%	409
2009	14,100	1,224,975,139	16,475,807	10,389,097	6,086,710	0.50%	432
2008	14,000	1,109,510,661	17,605,474	11,144,655	6,460,819	0.58%	461
2007	14,300	993,091,669	15,615,318	8,790,086	6,825,232	0.69%	477

(1) All bonded debt and loans payable are backed by the full faith and credit and unlimited taxing authority of the City. Business-type bonds are included on the schedule because they are backed by the full faith and credit and unlimited taxing authority of the City; however, business-type bonds are payable from connection charges, usage charges, and surcharges.

(2) Table 7

(3) Includes all debt payable from general tax revenues.

Note: Detail on the City's debt can be found in the notes to the financial statements.

Source: City financial records.

**Debt Computations
June 30, 2016**

Table 13

COMPUTATION OF LEGAL DEBT MARGIN

TOTAL ASSESSED VALUE OF PROPERTY	<u>\$ 1,463,671,689</u>
Debt limit 15%	219,550,753
Amount of debt applicable to debt limit	<u>4,000,734</u>
LEGAL DEBT MARGIN	<u><u>\$ 215,550,019</u></u>

COMPUTATION OF DIRECT AND OVERLAPPING DEBT

	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to the Town</u>	<u>Share of Debt Outstanding</u>
DIRECT DEBT OF THE CITY	\$ 4,000,734	100.00%	\$ 4,000,734
Indirect debt:			
Harford County	<u>541,417,700 ²</u>	5.38% ¹	<u>29,128,272</u>
TOTAL DIRECT AND OVERLAPPING DEBT	<u><u>\$ 545,418,434</u></u>		<u><u>\$ 33,129,006</u></u>

¹ Rate of assessed value in the City
to total assessed value of the County

<u>\$ 1,463,671,689</u>
<u><u>\$27,181,290,544</u></u>

² This debt is not direct debt of the City. The overlapping debt represents
the debt obligation of the residents through direct taxes assessed by the County.

Source: City financial records.

**Legal Debt Margin Information
Last Ten Years**

Table 14

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Debt Limit	\$ 219,550,753	\$ 217,262,166	\$ 210,598,700	\$ 211,097,634	\$ 217,927,849	\$ 205,536,749	\$ 193,452,408	\$ 183,746,271	\$ 166,426,599	\$ 148,963,750
Total net debt applicable to limit	<u>4,000,734</u>	<u>4,322,062</u>	<u>4,668,116</u>	<u>5,004,101</u>	<u>5,330,022</u>	<u>5,468,482</u>	<u>5,766,170</u>	<u>6,086,710</u>	<u>6,460,819</u>	<u>6,825,232</u>
Legal debt margin	<u>\$ 215,550,019</u>	<u>\$ 212,940,104</u>	<u>\$ 205,930,584</u>	<u>\$ 206,093,533</u>	<u>\$ 212,597,827</u>	<u>\$ 200,068,267</u>	<u>\$ 187,686,238</u>	<u>\$ 177,659,561</u>	<u>\$ 159,965,780</u>	<u>\$ 142,138,518</u>
Total net debt applicable to the limit as a percentage of debt limit	1.82%	1.99%	2.22%	2.37%	2.45%	2.66%	2.98%	3.31%	3.88%	4.58%

Source: City financial records.

**Demographics and Economic Statistics
Last Ten Fiscal Years**

Table 15

Fiscal Year Ending June 30	(1) Estimated Population	(2) Per Capita Income	(2) Personal Income (000s)	(2) Median Age	(2) School Enrollment	(2) Unemployment Rate
2016	15,580	53,919	13,559,506	N/A	37,448	5.5%
2015	15,434	52,450	13,127,604	39.9	37,537	5.5%
2014	15,120	50,817	12,709,463	39.8	37,842	6.0%
2013	14,959	49,332	12,304,185	39.5	37,868	7.4%
2012	14,959	49,668	12,352,121	39.2	38,224	7.4%
2011	14,959	48,631	11,998,587	38.3	38,394	7.3%
2010	14,099	46,608	11,428,508	38.1	38,637	7.3%
2009	14,100	45,319	11,043,612	38.1	38,610	7.7%
2008	14,000	45,027	10,931,502	37.8	39,175	4.1%
2007	14,300	44,263	10,695,530	37.7	39,582	3.8%

(1) U.S. Census Bureau, Population Estimates

(2) This information is not available for the City of Aberdeen on a separate basis. The best information is provided by the Department of Treasury of Harford County. The City of Aberdeen is located within Harford County. The information given is taken from the Comprehensive Annual Financial Report for Harford County for fiscal year ended June 30, 2016. Income and Median Age information were not available.

**Principal Employers
Current Year and Nine Years Ago**

Table 16

2016			
Company	Number Employed	Percentage of Total County Employment	Product/ Service
U.S. Army Aberdeen Proving Ground	20,100	22.35%	Government
Harford County Public Schools	5,231	5.82%	Government
Upper Chesapeake Health	3,129	3.48%	Healthcare
US Army Research Lab	2,000	2.22%	Government
Harford County Government	1,541	1.71%	Government
Kohl's E-Fulfillment Center	1,140	1.27%	Warehouse
Rite Aid Mid-Atlantic Customer Dist. Ctr.	1,095	1.22%	Retailer
Harford Community College	1,011	1.12%	Education
Kleins Shoprite	1,000	1.11%	Groceries
Walmart	900	1.00%	Retailer
TOTAL	37,147	41.30%	
Total Employees in Harford County (Data available for county only)	89,941	100.00%	

2007			
Company	Number Employed	Percentage of Total County Employment	Product/ Service
U.S. Army Aberdeen Proving Ground	12,486	15.24%	Government
Harford County Public Schools	5,182	6.32%	Government
Upper Chesapeake Health	2,464	3.01%	Healthcare
Harford County Government	1,545	1.89%	Government
Rite Aid Mid-Atlantic Customer Dist. Ctr.	1,270	1.55%	Retailer
SAIC	740	0.90%	Technology
Sverdrup Technology, Inc.	656	0.80%	Technology
Walmart	597	0.73%	Retailer
Saks Fifth Avenue	495	0.60%	Retailer
Frito-Lay	490	0.60%	Manufacturing
TOTAL	25,925	31.64%	
Total Employees in Harford County (Data available for county only)	81,946	100.00%	

Source:
Harford County CAFR

**Full-Time Equivalent City Government Employees By Function
Last Ten Years**

Table 17

Function	Full-time Equivalent City Government Employees by Function									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General Government										
Mayor and Council	5	5	5	5	5	5	5	5	5	5
Administration	8	8	7	4	4	5	5	5	4	4
Finance	6	6	6	6	6	6	6	6	7	7
Planning	3	3	3	3	3	4	4	4	4	4
Human Resources	2	1	1	1	1	1	1	1	1	1
Building Custodian	1	1	1	1	1	1	1	1	1	1
Public Safety										
Police										
Officers	40	40	40	40	40	40	45	46	46	45
Civilians	14	14	14	14	14	14	14	14	14	14
Building (Construction) Inspection	1	1	1	1	1	1	1	1	1	1
Public Works	79	79	81	81	81	78	78	78	74	73
Sanitation	7	7	7	7	7	8	8	8	8	7
Parks and Recreation	-	-	-	-	-	-	-	-	-	-
Total	166	165	166	163	163	163	168	169	165	161

Source: City Fiscal Year Budgets

Operating Indicators By Function Last Ten Fiscal Years

Table 18

Function	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General Government										
Construction Permits Issued	57	94	42	157	301	305	305	306	460	588
Estimated Value of Construction	\$ 32,693,069	\$ 86,276,604	\$ 21,979,857	\$ 29,577,709	\$ 32,911,735	\$ 26,720,274	\$ 72,730,957	\$ 32,886,480	\$ 17,348,304	\$ 45,420,588
Public Safety										
Traffic Contacts	7,399	3,885	7,072	8,123	7,193	2,465	3,998	5,741	4,180	3,504
Calls for Service	31,763	33,683	27,095	30,065	35,580	36,505	38,341	49,969	52,550	46,729
Public Works										
Street Resurfacing (miles)	1.65	0.48	5.07	0.65	0.89	0.34	0.98	2.05	2.22	1.22
Sidewalk Replacement/Repair (miles)	1.90	0.50	1.00	0.01	0.14	0.14	0.04	0.08	0.03	0.03
Stormwater Ponds Managed	15	15	14	14	2	2	10	10	10	2
Recreation										
Number of Activity Sessions Offered										
Preschool Activities	-	-	-	-	-	-	-	-	-	-
Youth Activities	-	-	-	-	-	-	-	-	-	-
Adult Activities	-	-	-	-	-	-	-	-	-	-
Total Number of Activity Sessions Offered	-	-	-	-	-	-	-	-	-	-
Program Participants										
Preschool Activities	-	-	-	-	-	-	-	-	-	-
Youth Activities	-	-	-	-	-	-	-	-	-	-
Adult Activities	-	-	-	-	-	-	-	-	-	-
Total Program Participants	-	-	-	-	-	-	-	-	-	-
Water										
New Connections	46	166	87	22	152	13	11	19	25	134
Water Main/Lateral Breaks	29.0	38.0	36.0	39.0	38.0	66.0	44.0	54.0	26.0	145.0
Average Daily Consumption (millions of gallons)	1.287	1.364	1.351	1.325	1.442	1.404	1.333	1.410	1.502	1.531
Sewer										
Sewer Main/Lateral Breaks	12.0	15.0	37.0	80.0	6.0	9.0	14.0	10.0	6.0	5.0
Average Daily Sewage Treatment (millions of gallons)	1.71	1.97	2.17	1.62	1.73	1.52	1.97	1.69	1.76	1.90

Source: Various City departments

Capital Asset Statistics By Function Last Ten years

Table 19

Function	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Public Safety - Police										
Stations	1	1	1	1	1	1	1	1	1	1
Vehicles	48	50	52	54	56	56	54	53	52	48
Highways and Streets										
Streets (miles)	72.60	72.92	72.92	72.92	72.92	72.92	72.92	72.67	72.67	72.55
Storm Sewers (miles)	39.05	39.01	20.10	15.00	15.00	15.00	15.00	15.00	15.00	14.25
Catch Basins	1,835	1,913	1,913	1,013	1,013	1,013	1,013	1,013	1,013	1,009
Street Lights	110	110	1,753	1,753	1,753	1,753	1,753	1,753	1,748	1,717
Culture and Recreation										
Number of Parks/Playgrounds	10	11	8	8	8	8	8	8	8	8
Park Acreage	91.87	93.01	36.67	36.67	36.67	36.98	36.98	36.98	34.06	34.06
Tennis Courts	1	1	1	1	1	1	1	1	2	2
Water										
Treatment Plants	1	1	1	1	1	1	1	1	1	1
Wells	14	14	14	14	16	16	16	16	16	17
Reservoirs	-	-	-	-	-	-	-	-	-	-
Water Towers	4	4	4	4	4	4	4	4	4	4
Pumping Stations	4	4	4	5	5	4	4	4	4	4
Maximum Daily Capacity (million gallons)	2.40	2.40	2.40	2.40	2.40	2.10	2.00	2.50	2.50	2.50
Number of Customer Accounts	5,072	4,999	4,986	4,974	4,923	4,765	4,759	4,963	4,773	4,758
Water Mains (miles)	86.89	82.92	82.92	66.93	66.93	66.93	66.73	66.23	66.23	65.30
Fire Hydrants	587	552	552	517	517	517	517	502	502	483
Wastewater										
Treatment Plants	1	1	1	1	1	12	1	1	1	1
Maximum Daily Treatment Capacity (million gallons)	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Pumping Stations	11	11	11	10	10	10	10	10	10	10
Sanitary Sewers (miles)	74.86	75.12	75.06	68.79	68.79	68.79	68.79	68.54	68.54	68.10

Source: Various city departments