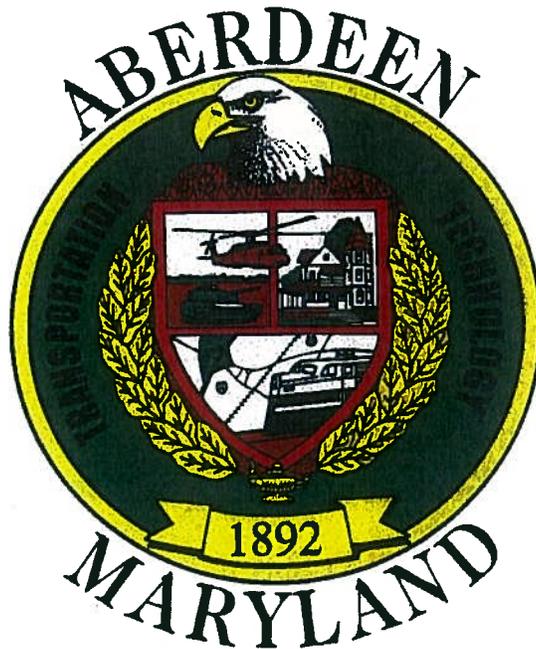


# **Comprehensive Annual Financial Report**

**City of Aberdeen, Maryland**



**For the Fiscal Year Ended June 30, 2009**

# **CITY OF ABERDEEN, MARYLAND**

## **Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2009**



Prepared by:

Finance Department  
City of Aberdeen

Opiribo Jack  
Director of Finance

## Table Of Contents

### Introductory Section

|   |       |
|---|-------|
| Letter of Transmittal                   | 1 – 4 |
| GFOA Certificate of Achievement         | 5     |
| Organization Chart                      | 6     |
| List of Elected and Appointed Officials | 7     |

### Financial Section

|                                      |         |
|--------------------------------------|---------|
| Independent Auditor's Report         | 8 – 9   |
| Management's Discussion and Analysis | 10 – 20 |

#### Basic Financial Statements

##### Government-Wide Financial Statements:

|                         |    |
|-------------------------|----|
| Statement Of Net Assets | 21 |
| Statement Of Activities | 22 |

##### Fund Financial Statements:

|   |    |
|---|----|
| Balance Sheet – Governmental Funds  | 23 |
| Reconciliation Of The Governmental Funds Balance Sheet To The Statement Of Net Assets   | 24 |
| Statement Of Revenues, Expenditures, And Changes In Fund Balances – Governmental Funds  | 25 |
| Reconciliation Of The Governmental Funds Statement Of Revenues, Expenditures, And Changes In Fund Balances To The Statement Of Activities | 26 |
| Statement of Revenues, Expenditures, And Changes In Fund Balance – Budget And Actual – General Fund                                       | 27 |
| Statement Of Net Assets – Proprietary Funds   | 28 |
| Statement Of Revenues, Expenses, And Changes In Fund Net Assets - Proprietary Funds   | 29 |
| Statement Of Cash Flows – Proprietary Funds   | 30 |
| Statement Of Fiduciary Net Assets – Pension Trust Funds   | 31 |
| Statement Of Changes In Fiduciary Net Assets – Pension Trust Funds  | 32 |

|                                     |         |
|-------------------------------------|---------|
| Notes To Basic Financial Statements | 33 – 55 |
|-------------------------------------|---------|

#### Required Supplementary Information:

|   |    |
|---|----|
| Defined Benefit Pension Plan – Schedule of Employer Contributions and Funding Progress        | 56 |
| Police Defined Benefit Pension Plan – Schedule of Employer Contributions and Funding Progress | 57 |

#### Other Supplementary Information:

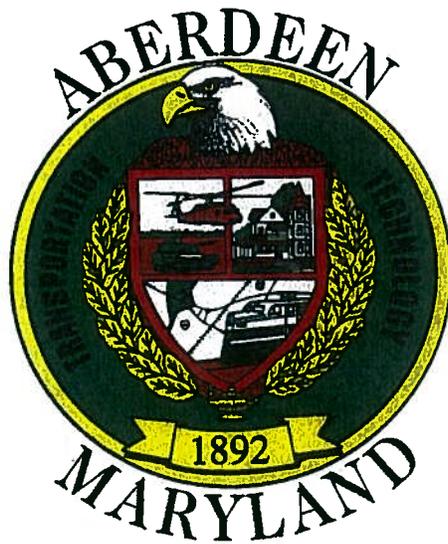
|   |         |
|---|---------|
| Schedule of Revenues And Other Financing Sources – Budget and Actual – General Fund                               | 58 – 59 |
| Schedule Of Expenditures And Other Financing Uses – Budget And Actual – General Fund                              | 60 – 61 |
| Schedule of Revenues, Expenditures And Other Financing Sources (Uses) – Budget and Actual – Capital Projects Fund | 62      |
| Schedule Of Revenues And Expenditures – Budget And Actual – Sewer Fund  | 63      |
| Schedule Of Revenues And Expenditures – Budget And Actual – Water Fund  | 64      |
| Schedule Of Revenues And Expenditures – Budget And Actual – Stadium Fund  | 65      |

## Table Of Contents (Continued)

### Statistical Section

|  |    |
|--|----|
| Net Assets By Component  | 66 |
| Changes in Net Assets  | 67 |
| Government Activities Tax Revenues by Source   | 68 |
| Fund Balances of Governmental Funds  | 69 |
| Changes in Fund Balances of Governmental Funds   | 70 |
| General Governmental Tax Revenues by Source  | 71 |
| Assessed Value and Estimated Actual Value of Taxable Property  | 72 |
| Property Tax Rates – Direct and Overlapping Governments  | 73 |
| Principal Property Taxpayers   | 74 |
| Property Tax Levies and Collections  | 75 |
| Ratios of Outstanding Debt by Type   | 76 |
| Ratios of Net General Obligation Bonded Debt to Asset Assessed Value and Net General<br>Obligation Bonded Debt Per Capital | 77 |
| Computation of Legal Debt Margin and Direct and Overlapping Debt   | 78 |
| Legal Debt Margin Information  | 79 |
| Demographic and Economic Statistics  | 80 |
| Principal Employers  | 81 |
| Full-time Equivalent City Government Employees by Function   | 82 |
| Operating Indicators by Function   | 83 |
| Capital Asset Statistics by Function   | 84 |

# Introductory Section



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November 9, 2009

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, 2009, 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 McGladrey & Pullen, 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, 2009 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, 2009 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 of 14,130 citizens. Services are provided through a Mayor and Council form of government with a City Manager serving as the Chief Operating Officer.

Located in northeastern Maryland, Aberdeen is a community traversed by two interstate highways, Interstate 95 and Route 40, and two rail lines, Amtrak and CSX.

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 58 through 62 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. As a center for Army material testing, laboratory research and military training, the post is a key element in the nation's defense. APG

is one of the Army's finest test, evaluation, research, development, engineering and training installations in the world. More than 7,500 civilians work at APG and more than 3,900 military personnel are assigned there.

In 2005, Congress completed its BRAC (Base Realignment and Closure) process. APG was to have its mission change from ordinance development, testing and training to high tech electronic research and development. As a result, there shall be a net increase of about 3,200 jobs on post as well as up to 20,000 private sector jobs. These new personnel will have higher skill levels and incomes than those that they replace. This will impact positively on the local economy.

The City has a diversified employment base with a good blend of commercial, industrial, financial, governmental and non-profit institutional employers. Major employers include Frito-Lay Inc., Saks Fifth Avenue, Pier I Imports, Michel Distribution, Harford County Board of Education and Aberdeen Proving Ground. Ripken Stadium offers residents a quality of life amenity through minor league baseball and also serves as a high profile neighbor to the Ripken youth baseball academy which attracts thousands of young aspiring baseball players each year.

***Long-term financial planning*** – The water and sewer systems will continue to be the primary focus for the City in years to come. The City is also looking into ways to increase its water production capability as well as its water storage capability. On the wastewater side, the City must undertake mandated ENR (Enhanced Nutrient Removal) upgrades at its wastewater plant. In addition, some related upgrades and long term maintenance projects must be completed at the wastewater plant.

The City will purchase 300,000 gallons of daily water production capacity from the Harford County water system in 2010. The City will have the option to buy an additional 600,000 gallons of water production capacity from the County after certain agreements between Harford County and Baltimore City regarding raw water supply are finalized. For the 2010 purchase of 300,000 gallons, the City shall pay the County \$5,044,100, the financing for which will be obtained through the Infrastructure Program administered by the Community Development Administration of Maryland's Department of Housing and Community Development.

Like many other Maryland wastewater plants, the Aberdeen plant is mandated to upgrade to an ENR process. This mandated upgrade will also require other additional additions to the plant. These projects are in the design phase with construction to begin in FY 2010. Financing for these projects will come from grants and loans administered by the Maryland Department of the Environment.

## ***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, 2008. 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.

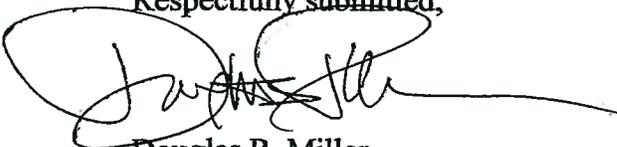
A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

### ***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 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,



Douglas R. Miller  
City Manager



Opiribo Jack, CPA  
Director of Finance

# 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, 2008

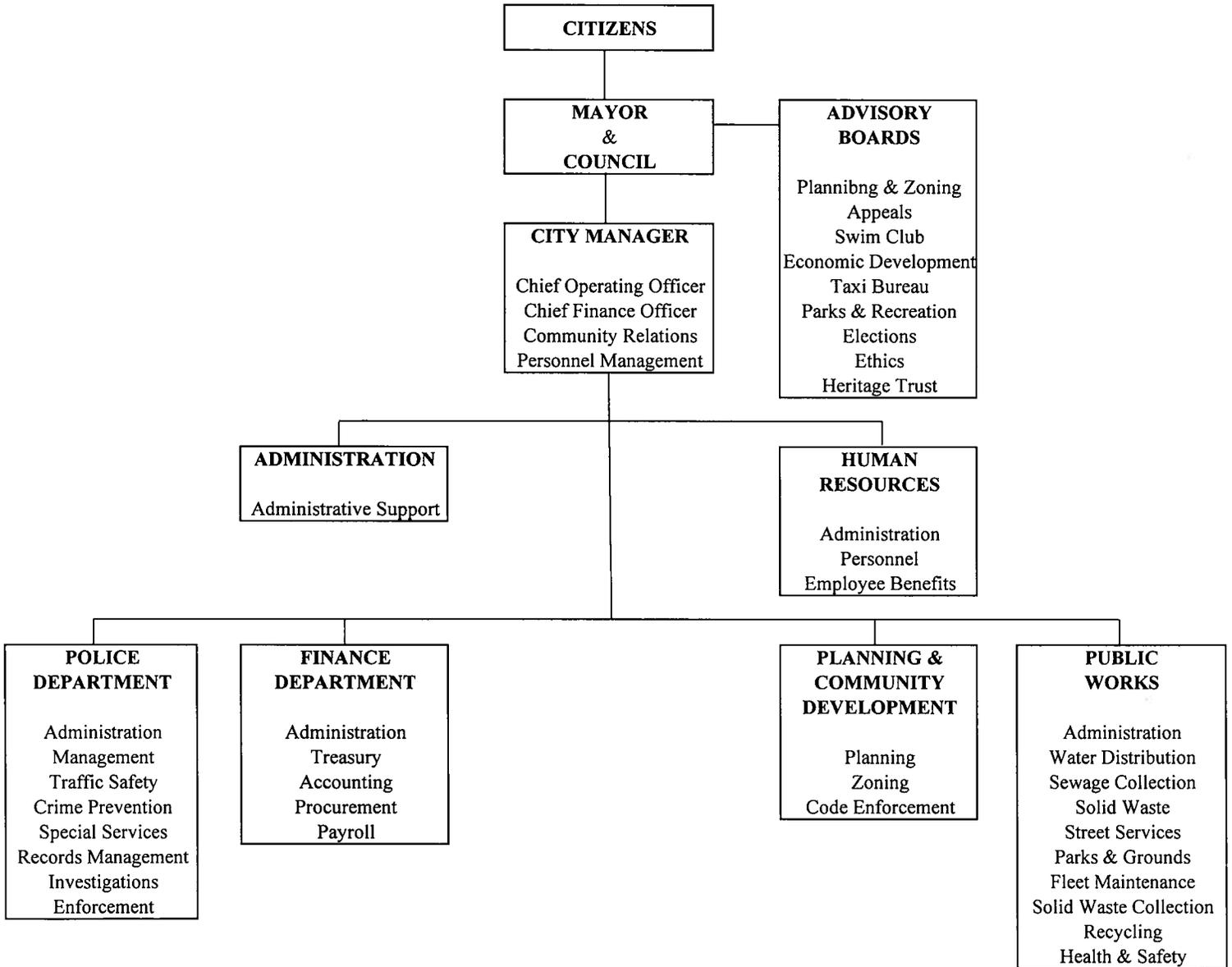
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

## CITY OF ABERDEEN - ORGANIZATIONAL CHART



CITY OF ABERDEEN  
HARFORD COUNTY, MARYLAND  
GOVERNMENT ORGANIZATION

ELECTED AND APPOINTED OFFICIALS

AS OF JUNE 30, 2009

---

ELECTED OFFICIALS

|                        |  |
|------------------------|--|
| City Mayor             | Mr. Michael E. Bennett                                       |
| City Council President | Mrs. Ruth Elliott  |
| City Council Members   | Mr. Ron Kupferman<br>Mr. Michael Hiob<br>Mrs. Ruth Ann Young |

APPOINTED OFFICIALS

|  |                     |
|--|---------------------|
| City Manager                                 | Mr. Douglas Miller  |
| Director of Finance                          | Mr. Opiribo Jack    |
| Police Chief                                 | Mr. Randy Rudy      |
| Director of Public Works                     | Mr. Matt Lapinsky   |
| Director of Planning & Community Development | Mrs. Phyllis Grover |
| City Attorneys                               | Stark & Keenan, PA  |
| Bond Counsel                                 | Miles & Stockbridge |

# Financial Section



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# McGladrey & Pullen

Certified Public Accountants

## Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council  
City of Aberdeen, Maryland

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, 2009, which collectively comprise the City of Aberdeen's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Aberdeen, Maryland's management. 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 *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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2009 and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 30, 2009, on our consideration of the City of Aberdeen, Maryland's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the Schedules of Funding Progress for the Defined Benefit Pension Plan and Police Defined Benefit Pension Plan on pages 10 through 20, 56 and 57 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Aberdeen's basic financial statements. The other schedules, listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Aberdeen, Maryland. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying introductory and statistical sections, as listed in the Table of Contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we express no opinion on them.

*McGladrey & Pullen, LLP*

Frederick, Maryland  
October 30, 2009

# City of Aberdeen, Maryland Management's Discussion and Analysis June 30, 2009

## 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, 2009. The 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 \$38.2 million (*net assets*). Of this amount, \$3.1 million (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
2. The City's total net assets increased \$2.0 million. Most of this increase is attributable to increases in property tax revenues and, general governmental capital grants and contributions. The increase is somewhat offset by losses in the Stadium fund.
3. The City's total debt decreased by \$1 million during the current fiscal year from \$17.6 million to \$16.6 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 \$3.7 million. This represents an increase of \$844 thousand over the prior year. About 78.8% (\$2.9 million) is unreserved and is available for spending at the City's discretion.
5. At the end of the current fiscal year, unreserved fund balance for the General Fund was \$2.7 million or 20.9% of total General Fund expenditures (includes transfers to the Capital Projects and Stadium funds).

## 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 assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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, 2009**

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 so doing, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 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 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. In addition, a more detailed schedule showing budgetary comparison of the general fund and a budgetary comparison of the capital fund is included as other supplementary information.

**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. Since each of these funds has adopted budgets, the budgetary comparisons are included as other supplementary information.

**City of Aberdeen, Maryland**  
**Management's Discussion and Analysis**  
**June 30, 2009**

**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 33 to 55 of this report.

**Other information.** In addition to the basic financials 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 can be found on pages 56 and 57 of this report. Supplementary information as noted in the table of contents can be found on pages 58 to 65.

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's overall financial condition and position. In the case of the City, assets exceeded liabilities by \$38.2 million at the close of the most recent fiscal year. City of Aberdeen net assets are divided into three categories – invested in capital assets (net of related debt), restricted net assets and unrestricted net assets.

The largest portion of the City's net assets (90.8%) 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 assets represent 1.1% of total net assets. Restricted net assets are resources that are subject to external restrictions on how they may be used.

Unrestricted net assets of the government have a balance of \$3.1 million (8.0% of total net assets) that may be used to meet the government's ongoing obligations to citizens and creditors. The unrestricted net assets for business-type activities have a balance of \$478 thousand.

At the end of the current fiscal year, all three categories of net assets are positive for both the government as a whole as well as for the governmental and business-type activities. In the prior year, all such balances were also positive.

The City's net assets experienced a 5.6% increase. This reflects the increase in tax revenues and utility usage charges.

**City of Aberdeen, Maryland**  
**Management's Discussion and Analysis**  
**June 30, 2009**

The following table summarizes the net assets for governmental and business-type activities as of June 30, 2009 and 2008:

|  | Governmental<br>Activities (000) |                  | Business-type<br>Activities (000) |                  | Total (000)      |                  |
|--|----------------------------------|------------------|-----------------------------------|------------------|------------------|------------------|
|  | 2009                             | 2008             | 2009                              | 2008             | 2009             | 2008             |
| <b>Assets</b>                                      |                                  |                  |                                   |                  |                  |                  |
| Current and other assets                           | \$ 5,933                         | \$ 5,405         | \$ 4,484                          | \$ 5,902         | \$ 10,417        | \$ 11,307        |
| Capital assets, net                                | 18,643                           | 17,957           | 30,445                            | 28,432           | 49,088           | 46,389           |
| <b>Total assets</b>                                | <b>24,576</b>                    | <b>23,362</b>    | <b>34,929</b>                     | <b>34,334</b>    | <b>59,505</b>    | <b>57,696</b>    |
| <b>Liabilities</b>                                 |                                  |                  |                                   |                  |                  |                  |
| Long-term liabilities                              | 7,421                            | 7,619            | 10,659                            | 11,391           | 18,080           | 19,010           |
| Other liabilities                                  | 1,720                            | 1,894            | 1,542                             | 659              | 3,262            | 2,553            |
| <b>Total liabilities</b>                           | <b>9,141</b>                     | <b>9,513</b>     | <b>12,201</b>                     | <b>12,050</b>    | <b>21,342</b>    | <b>21,563</b>    |
| <b>Net Assets</b>                                  |                                  |                  |                                   |                  |                  |                  |
| Invested in capital assets,<br>net of related debt | 12,421                           | 10,796           | 22,250                            | 20,369           | 34,671           | 31,165           |
| Restricted   | 427                              | 393              | -                                 | -                | 427              | 393              |
| Unrestricted                                       | 2,587                            | 2,660            | 478                               | 1,915            | 3,065            | 4,575            |
| <b>Total Net Assets</b>                            | <b>\$ 15,435</b>                 | <b>\$ 13,849</b> | <b>\$ 22,728</b>                  | <b>\$ 22,284</b> | <b>\$ 38,163</b> | <b>\$ 36,133</b> |

**City of Aberdeen, Maryland**  
**Management's Discussion and Analysis**  
**June 30, 2009**

The following table indicates the changes in net assets for governmental and business-type activities for the years ended June 30, 2009 and 2008:

|   | Governmental<br>Activities (000) |               | Business-type<br>Activities (000) |              | Total (000)   |               |
|---|----------------------------------|---------------|-----------------------------------|--------------|---------------|---------------|
|   | 2009                             | 2008          | 2009                              | 2008         | 2009          | 2008          |
| <b>Revenues</b>                                       |                                  |               |                                   |              |               |               |
| <b>Program revenues</b>                               |                                  |               |                                   |              |               |               |
| Charges for service                                   | \$ 1,862                         | \$ 2,526      | \$ 4,720                          | \$ 4,671     | \$ 6,582      | \$ 7,197      |
| Operating grants                                      | 1,928                            | 1,878         | -                                 | -            | 1,928         | 1,878         |
| Capital grants  | 513                              | 156           | 804                               | 997          | 1,317         | 1,153         |
| <b>General revenues</b>                               |                                  |               |                                   |              |               |               |
| Property taxes  | 8,719                            | 8,196         | -                                 | -            | 8,719         | 8,196         |
| State shared taxes                                    | 955                              | 1,151         | 192                               | 231          | 1,147         | 1,382         |
| Miscellaneous   | 250                              | 249           | 11                                | 67           | 261           | 316           |
| <b>Total revenues</b>                                 | <b>14,227</b>                    | <b>14,156</b> | <b>5,727</b>                      | <b>5,966</b> | <b>19,954</b> | <b>20,122</b> |
| <b>Program Expenses</b>                               |                                  |               |                                   |              |               |               |
| General government                                    | 2,685                            | 2,800         | -                                 | -            | 2,685         | 2,800         |
| Public safety   | 5,460                            | 5,201         | -                                 | -            | 5,460         | 5,201         |
| Public works  | 3,797                            | 3,726         | -                                 | -            | 3,797         | 3,726         |
| Parks and recreation                                  | 65                               | 82            | -                                 | -            | 65            | 82            |
| Interest on long-term debt                            | 341                              | 359           | -                                 | -            | 341           | 359           |
| Utilities and other<br>enterprise funds               | -                                | -             | 5,576                             | 5,663        | 5,576         | 5,663         |
| <b>Total expenses</b>                                 | <b>12,348</b>                    | <b>12,168</b> | <b>5,576</b>                      | <b>5,663</b> | <b>17,924</b> | <b>17,831</b> |
| Increase (Decrease) in net assets<br>before transfers | 1,879                            | 1,988         | 151                               | 303          | 2,030         | 2,291         |
| Transfers   | (293)                            | (311)         | 293                               | 311          | -             | -             |
| Increase (Decrease) in net assets                     | 1,586                            | 1,677         | 444                               | 614          | 2,030         | 2,291         |
| Net Assets, July 1                                    | 13,849                           | 12,172        | 22,284                            | 21,670       | 36,133        | 33,842        |
| Net Assets, June 30                                   | \$ 15,435                        | \$ 13,849     | \$ 22,728                         | \$ 22,284    | \$ 38,163     | \$ 36,133     |

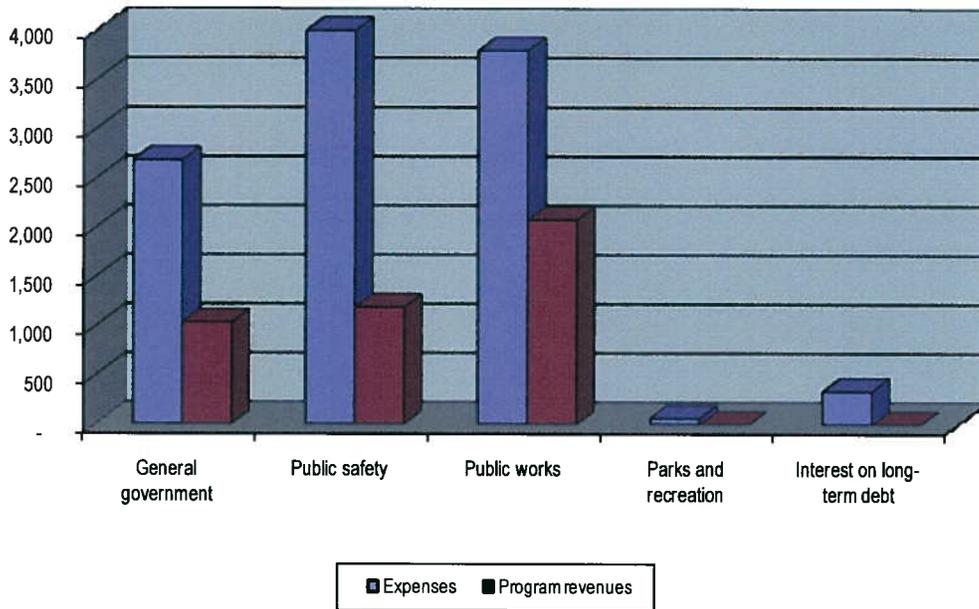
**Governmental activities:** The increase in net assets for governmental activities was \$1.6 million. The line items that had significant increases compared to 2008 are listed below:

- Property taxes increased by \$523 thousand or 6.4% during the year. This increase is due to new growth and increased property values as assessed by the State Department of Assessments and Taxation. Most other revenues did not change significantly from the prior year.
- Capital grants increased \$357 thousand largely due to the increase in Community Development Block Grants.
- Expenditures increased by \$206 thousand or 1.9% from the prior year, excluding salaries reimbursed under the APG contract. The major changes in expenditures from the prior year can mostly be attributed to: an increase in human resource expenses, including salaries and wages.

**City of Aberdeen, Maryland  
Management's Discussion and Analysis  
June 30, 2009**

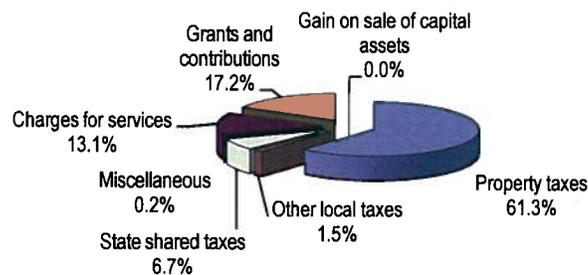
The following chart compares the Expenses and Program Revenues of the City's Governmental Activities:

**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**



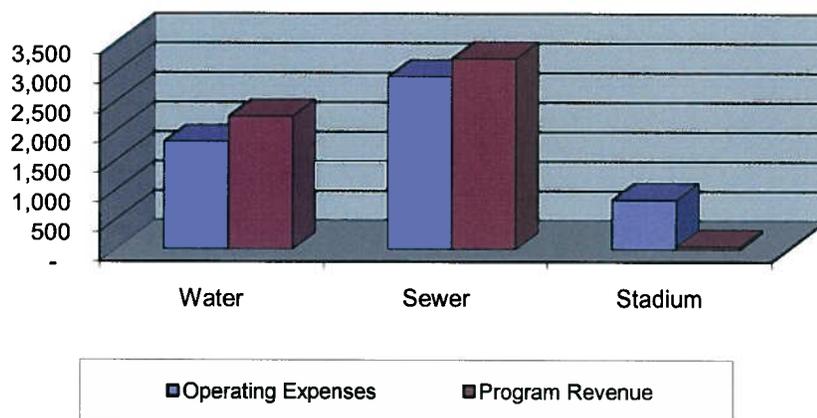
**City of Aberdeen, Maryland**  
**Management's Discussion and Analysis**  
**June 30, 2009**

**Business-type Activities:** Business-type activities increased the City's net assets by \$444 thousand, which is \$170 thousand less than 2008. Key elements of this increase are as follows:

- Charges for services increased by \$49 thousand or 1.0% during the year. This increase is due to increases in the sewer rate. State shared taxes decreased \$38 thousand or 16.6% due to a decrease in amusement and admissions revenue.
- Business-type expenses decreased by \$87 thousand or 1.5%. The decrease is due to the reductions in payroll and energy costs in the utility funds.

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

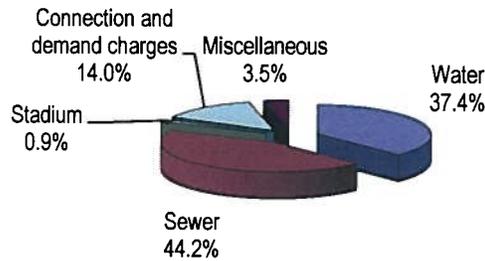
**Expenses and Program Revenues Business-Type Activities (000)**



**City of Aberdeen, Maryland**  
**Management's Discussion and Analysis**  
**June 30, 2009**

The following chart shows Revenues by Source of the City's Business-type Activities.

**Revenues by Source Business-Type Activities**



**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, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Aberdeen's governmental funds reported combined ending balances of \$3.7 million, an increase of \$844 thousand in comparison with the prior year. Approximately 78.7% of this total amount (\$2.9 million) constitutes unreserved fund balance, which represents working capital available to support governmental operating needs and future years' expenditures. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) for other assets, mostly inventories and prepaid items (\$62 thousand), 2) for notes receivable, mostly in the revolving loan fund (\$149 thousand), 3) for encumbrances (\$149 thousand) and 4) dedicated for a variety of restricted purposes (\$427 thousand). The reserved fund balance represents 21.2% of total balance.

The General Fund is the chief operating fund of the City of Aberdeen. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$2.7 million, while total fund balance was \$2.9 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 22.9% of total General Fund expenditures, while total fund balance represents 23.5% of that same amount. The General Fund balance increased by \$731 thousand during the current fiscal year which amounted to \$178 thousand less net revenue than 2008.

**City of Aberdeen, Maryland**  
**Management's Discussion and Analysis**  
**June 30, 2009**

The key elements are:

- Total revenues decreased compared to the prior year by \$76 thousand.
- Intergovernmental revenues increased by \$108 thousand due to an increase in tax differential revenue.
- Miscellaneous revenue decreased by \$644 thousand as the City did not have a refund of \$727 thousand from an insurance refund relating to the City's withdrawal from a County health insurance consortium as in 2008.
- Total expenditures increased over last year by \$218 thousand.
- Public works costs increased by \$86 thousand and Public Safety expense increased by \$161 thousand due to increases in wages and benefits.

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, unreserved fund balance of the Capital Projects Fund had a deficit of \$23 thousand, while total fund balance was \$286 thousand. The Capital Projects Fund balance increased by \$146 thousand during the current fiscal year which amounted to \$411 thousand additional net revenue over 2008.

The key element is:

- Intergovernmental revenues increased over the prior year by \$282 thousand due to a \$295 thousand increase in Community Development Block Grant revenue over 2008. This also accounted for a comparable increase over 2008 in capital outlay for Community Development Block Grant expenditures in 2009.

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 assets of the three funds at the end of the year amounted to surpluses of \$536 thousand for the Water Fund, \$400 thousand for the Stadium Fund, and a deficit of \$458 thousand for the Sewer Fund. The total net assets increased by \$444 thousand. Other factors concerning these funds' finances have been addressed in the discussion of the City of Aberdeen's business-type activities.

### **General Fund Budgetary Highlights**

The final budget for the General Fund was increased \$913 thousand (7.4%) over the original budget to adjust for situations arising during the year. The most significant increase relates to a debt service expense of \$820 thousand to repay the City's existing line of credit.

The increases were largely funded by increases in proceeds from long term borrowings.

### **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, 2009, amounts to \$49.1 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment (including vehicles), infrastructure (including park facilities, roads, highways and bridges) and construction in progress. The total increase in City of Aberdeen's investment in capital assets for the current fiscal year was \$2.7 million or 5.8% (a 3.8% increase for governmental activities and a 7.1% increase for business-type activities). The major capital asset activities in the current year included water system capital projects totaling \$1.1 million and upgrades to the waste water treatment plant totaling \$992 thousand.

**City of Aberdeen, Maryland**  
**Management's Discussion and Analysis**  
**June 30, 2009**

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

|                                      | Governmental<br>Activities (000) |                  | Business-type<br>Activities (000) |                  | Total (000)      |                  |
|--------------------------------------|----------------------------------|------------------|-----------------------------------|------------------|------------------|------------------|
|                                      | 2009                             | 2008             | 2009                              | 2008             | 2009             | 2008             |
| Land                                 | \$ 4,471                         | \$ 4,471         | \$ 1,904                          | \$ 1,904         | \$ 6,375         | \$ 6,375         |
| Buildings                            | 5,450                            | 5,612            | 16,629                            | 17,110           | 22,079           | 22,722           |
| Improvements other than<br>buildings | 15                               | 18               | 26                                | 4                | 41               | 22               |
| Machinery and equipment              | 780                              | 532              | 1,598                             | 1,062            | 2,378            | 1,594            |
| Vehicles                             | 752                              | 703              | -                                 | -                | 752              | 703              |
| Recreational facilities              | 140                              | 133              | -                                 | -                | 140              | 133              |
| Infrastructure                       | 7,014                            | 6,455            | -                                 | -                | 7,014            | 6,455            |
| Water and sewer systems              | -                                | -                | 9,082                             | 7,973            | 9,082            | 7,973            |
| Construction in progress             | 21                               | 33               | 1,206                             | 379              | 1,227            | 412              |
| <b>Total</b>                         | <b>\$ 18,643</b>                 | <b>\$ 17,957</b> | <b>\$ 30,445</b>                  | <b>\$ 28,432</b> | <b>\$ 49,088</b> | <b>\$ 46,389</b> |

Additional information on the City of Aberdeen's capital assets can be found in Note 6, pages 44 and 45 of this report.

**Long-term debt.** At the end of the current fiscal year, the City of Aberdeen had total debt outstanding of \$16.6 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<br>Activities (000) |                 | Business-type<br>Activities (000) |                  | Total (000)      |                  |
|------------------------|----------------------------------|-----------------|-----------------------------------|------------------|------------------|------------------|
|                        | 2009                             | 2008            | 2009                              | 2008             | 2009             | 2008             |
| General obligation     | \$ 5,176                         | \$ 5,372        | \$ 8,745                          | \$ 9,202         | \$ 13,921        | \$ 14,574        |
| Notes payable          | 911                              | 1,089           | 1,644                             | 1,943            | 2,555            | 3,032            |
| Financing agreement    | 135                              | -               | -                                 | -                | 135              | -                |
| Compensated absences   | 1,068                            | 1,016           | 270                               | 246              | 1,338            | 1,262            |
| Net pension obligation | 130                              | 142             | -                                 | -                | 130              | 142              |
| <b>Total</b>           | <b>\$ 7,420</b>                  | <b>\$ 7,619</b> | <b>\$ 10,659</b>                  | <b>\$ 11,391</b> | <b>\$ 18,079</b> | <b>\$ 19,010</b> |

During the current fiscal year the City of Aberdeen's total debt decreased by \$995 thousand or 5.7%. There was no new debt issued and 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, 2009.

Additional information on the City of Aberdeen's long-term liabilities can be found in Note 7, pages 46 through 49 of this report

**City of Aberdeen, Maryland**  
**Management's Discussion and Analysis**  
**June 30, 2009**

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

- The employment situation in the City has been stable and is expected to continue.
- The U.S. Army is currently adding jobs to the Proving Grounds as a result of BRAC (Base realignment Committee). This growth is projected to continue. While this will add to the City's tax base, it will also increase the services needed by the increased population.
- New construction, both residential and commercial, is expected to remain slow during the year, which will impact the real estate tax base.
- The real estate tax rate was decreased to \$0.6875 per \$100 of assessed value for the FY 2010 budget.
- The water and sewer base rates remain unchanged at \$14.50 and \$16.52 respectively for the FY 2010 budget.
- The City has been given a mandate by the State of Maryland to upgrade our wastewater treatment plant to Enhanced Nutrient Removal (ENR) technology. The City's portion of this upgrade could be as high as \$14 million. To pay for the unfunded mandate, the City may impose an ENR Upgrade Fee. This fee will be determined later in the fiscal year once the City's share of this project has been determined and after all other funding sources have been explored. It is anticipated that the fee will begin in FY 2010.
- The City entered into a water agreement with Harford County to purchase 300,000 gallons of water per day for a capital charge of \$5 million in FY 2010.

All of these factors were considered in preparing the City of Aberdeen's budget for fiscal year 2010.

**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) 275-1600.

City Of Aberdeen, Maryland

Statement Of Net Assets  
June 30, 2009

|   | Primary Government         |                             |                      |
|---|----------------------------|-----------------------------|----------------------|
|   | Governmental<br>Activities | Business-Type<br>Activities | Total                |
| <b>Assets</b>                                   |                            |                             |                      |
| Cash  | \$ 2,473,038               | \$ 1,921,758                | \$ 4,394,796         |
| Receivables, current                            | 992,571                    | 1,330,771                   | 2,323,342            |
| Notes receivable, current                       | -                          | 306,849                     | 306,849              |
| Prepaid expense                                 | 5,192                      | -                           | 5,192                |
| Internal balances                               | 2,105,579                  | (2,105,579)                 | -                    |
| Inventory                                       | 56,503                     | 479,949                     | 536,452              |
| Receivables, noncurrent                         | 140,183                    | 249,552                     | 389,735              |
| Notes receivable, noncurrent                    | -                          | 106,162                     | 106,162              |
| Deferred charges                                | 159,739                    | 58,050                      | 217,789              |
| Temporarily restricted assets - cash            | -                          | 2,136,339                   | 2,136,339            |
| Capital assets:                                 |                            |                             |                      |
| Nondepreciable assets                           | 4,492,006                  | 3,109,995                   | 7,602,001            |
| Net of accumulated depreciation                 | 14,151,285                 | 27,335,065                  | 41,486,350           |
| <b>Total assets</b>                             | <b>24,576,096</b>          | <b>34,928,911</b>           | <b>59,505,007</b>    |
| <b>Liabilities</b>                              |                            |                             |                      |
| Line of credit                                  | 819,981                    | -                           | 819,981              |
| Accounts payable                                | 323,347                    | 1,364,074                   | 1,687,421            |
| Accrued expenses                                | 263,013                    | 177,897                     | 440,910              |
| Other liabilities                               | 314,300                    | -                           | 314,300              |
| Noncurrent liabilities:                         |                            |                             |                      |
| Due within one year                             | 862,454                    | 897,399                     | 1,759,853            |
| Due in more than one year                       | 6,558,382                  | 9,761,223                   | 16,319,605           |
| <b>Total liabilities</b>                        | <b>9,141,477</b>           | <b>12,200,593</b>           | <b>21,342,070</b>    |
| <b>Net Assets</b>                               |                            |                             |                      |
| Invested in capital assets, net of related debt | 12,421,169                 | 22,250,352                  | 34,671,521           |
| Restricted for:                                 |                            |                             |                      |
| Stormwater management                           | 160,243                    | -                           | 160,243              |
| Blockgrant loans                                | 266,727                    | -                           | 266,727              |
| Unrestricted                                    | 2,586,480                  | 477,966                     | 3,064,446            |
| <b>Total net assets</b>                         | <b>\$ 15,434,619</b>       | <b>\$ 22,728,318</b>        | <b>\$ 38,162,937</b> |

See Notes To Basic Financial Statements.

**City Of Aberdeen, Maryland**  
**Statement Of Activities**  
**Year Ended June 30, 2009**

| Function/Programs                           | Program Revenues     |                      |                                    | Net (Expense) Revenue and Changes in Net Assets |                         |                          |                      |
|---|----------------------|----------------------|------------------------------------|---|-------------------------|--------------------------|----------------------|
|   | Expenses             | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions                | Governmental Activities | Business-Type Activities | Total                |
| <b>Governmental Activities:</b>             |                      |                      |                                    |   |                         |                          |                      |
| General government                          | \$ 2,685,612         | \$ 422,716           | \$ 158,933                         | \$ 455,292                                      | \$ (1,648,671)          | \$ -                     | \$ (1,648,671)       |
| Public safety                               | 5,460,448            | 29,797               | 1,100,098                          | 58,185  | (4,272,368)             | -                        | (4,272,368)          |
| Public works                                | 3,797,298            | 1,409,014            | 669,154                            | -   | (1,719,130)             | -                        | (1,719,130)          |
| Parks and recreation                        | 64,827               | -                    | -                                  | -   | (64,827)                | -                        | (64,827)             |
| Interest on long-term debt                  | 340,908              | -                    | -                                  | -   | (340,908)               | -                        | (340,908)            |
| <b>Total governmental activities</b>        | <b>12,349,093</b>    | <b>1,861,527</b>     | <b>1,928,185</b>                   | <b>513,477</b>                                  | <b>(8,045,904)</b>      | <b>-</b>                 | <b>(8,045,904)</b>   |
| <b>Business-Type Activities:</b>            |                      |                      |                                    |   |                         |                          |                      |
| Water                                       | 1,817,802            | 2,140,638            | -                                  | 105,579   | -                       | 428,415                  | 428,415              |
| Sewer                                       | 2,917,769            | 2,528,610            | -                                  | 698,603   | -                       | 309,444                  | 309,444              |
| Stadium                                     | 840,062              | 50,310               | -                                  | -   | -                       | (789,752)                | (789,752)            |
| <b>Total business-type activities</b>       | <b>5,575,633</b>     | <b>4,719,558</b>     | <b>-</b>                           | <b>804,182</b>                                  | <b>-</b>                | <b>(51,893)</b>          | <b>(51,893)</b>      |
| <b>Total primary government</b>             | <b>\$ 17,924,726</b> | <b>\$ 6,581,085</b>  | <b>\$ 1,928,185</b>                | <b>\$ 1,317,659</b>                             | <b>(8,045,904)</b>      | <b>(51,893)</b>          | <b>(8,097,797)</b>   |
| <b>General Revenues</b>                     |                      |                      |                                    |   |                         |                          |                      |
| Property tax                                |                      |                      |                                    |   | 8,719,008               | -                        | 8,719,008            |
| Other local taxes                           |                      |                      |                                    |   | 219,082                 | -                        | 219,082              |
| State shared taxes, unrestricted            |                      |                      |                                    |   | 954,638                 | 192,582                  | 1,147,220            |
| Investment earnings                         |                      |                      |                                    |   | 31,157                  | 10,645                   | 41,802               |
| Transfers                                   |                      |                      |                                    |   | (293,074)               | 293,074                  | -                    |
| <b>Total general revenues and transfers</b> |                      |                      |                                    |   | <b>9,630,811</b>        | <b>496,301</b>           | <b>10,127,112</b>    |
| <b>Change in net assets</b>                 |                      |                      |                                    |   | <b>1,584,907</b>        | <b>444,408</b>           | <b>2,029,315</b>     |
| <b>Net Assets</b>                           |                      |                      |                                    |   |                         |                          |                      |
| Beginning                                   |                      |                      |                                    |   | 13,849,712              | 22,283,910               | 36,133,622           |
| Ending                                      |                      |                      |                                    |   | <b>\$ 15,434,619</b>    | <b>\$ 22,728,318</b>     | <b>\$ 38,162,937</b> |

See Notes To Basic Financial Statements.

City Of Aberdeen, Maryland

Balance Sheet - Governmental Funds  
June 30, 2009

|   | General<br>Fund     | Special<br>Revenue | Capital<br>Projects<br>Fund | Total<br>Governmental<br>Funds |
|---|---------------------|--------------------|-----------------------------|--------------------------------|
| <b>Assets</b>                                     |                     |                    |                             |                                |
| Cash  | \$ 1,772,887        | \$ 437,309         | \$ 262,842                  | \$ 2,473,038                   |
| Receivables (net of allowance for uncollectibles) | 888,548             | 174,442            | 69,764                      | 1,132,754                      |
| Due from other funds                              | 2,301,662           | -                  | 238,099                     | 2,539,761                      |
| Prepaid expenses                                  | 5,192               | -                  | -                           | 5,192                          |
| Inventory   | 56,503              | -                  | -                           | 56,503                         |
| <b>Total assets</b>                               | <b>\$ 5,024,792</b> | <b>\$ 611,751</b>  | <b>\$ 570,705</b>           | <b>\$ 6,207,248</b>            |
| <b>Liabilities</b>                                |                     |                    |                             |                                |
| Line of credit                                    | \$ 819,981          | \$ -               | \$ -                        | \$ 819,981                     |
| Accounts payable                                  | 263,249             | -                  | 60,098                      | 323,347                        |
| Due to other funds                                | 270,860             | 84                 | 163,238                     | 434,182                        |
| Accrued expenses                                  | 263,013             | -                  | -                           | 263,013                        |
| Deferred revenue                                  | 285,672             | -                  | 60,945                      | 346,617                        |
| Other liabilities                                 | 314,300             | -                  | -                           | 314,300                        |
| <b>Total liabilities</b>                          | <b>2,217,075</b>    | <b>84</b>          | <b>284,281</b>              | <b>2,501,440</b>               |
| <b>Fund Balances</b>                              |                     |                    |                             |                                |
| Reserved for:                                     |                     |                    |                             |                                |
| Receivables                                       | 8,718               | 140,183            | -                           | 148,901                        |
| Stormwater management                             | -                   | -                  | 160,243                     | 160,243                        |
| Blockgrant loans                                  | -                   | 266,727            | -                           | 266,727                        |
| Encumbrances                                      | -                   | -                  | 149,407                     | 149,407                        |
| Prepays   | 5,192               | -                  | -                           | 5,192                          |
| Inventory   | 56,503              | -                  | -                           | 56,503                         |
| Unreserved  | 2,737,304           | 204,757            | (23,226)                    | 2,918,835                      |
| <b>Total fund balances</b>                        | <b>2,807,717</b>    | <b>611,667</b>     | <b>286,424</b>              | <b>3,705,808</b>               |
| <b>Total liabilities and fund balances</b>        | <b>\$ 5,024,792</b> | <b>\$ 611,751</b>  | <b>\$ 570,705</b>           | <b>\$ 6,207,248</b>            |

See Notes To Basic Financial Statements.

City Of Aberdeen, Maryland

Reconciliation Of The Governmental Funds Balance Sheet  
To The Statement Of Net Assets  
June 30, 2009

|   |                     |           |                          |
|---|---------------------|-----------|--------------------------|
| Total fund balances - governmental funds  |                     | \$        | 3,705,808                |
| Amounts reported for governmental activities in the statement of net assets 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  | 34,133,452          |           |                          |
| Accumulated depreciation  | <u>(15,490,161)</u> |           | 18,643,291               |
| Bond issuance costs expensed by the funds at the time of issuance but deferred and amortized in the governmental statement of activities. |                     |           |                          |
|   |                     |           | 159,739                  |
| Long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.                        |                     |           |                          |
|   |                     |           | 346,617                  |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.                          |                     |           |                          |
| General obligation bonds  | (5,175,700)         |           |                          |
| Notes payable   | (911,010)           |           |                          |
| Financing agreement   | (135,412)           |           |                          |
| Net pension obligation  | (130,375)           |           |                          |
| Accumulated unused compensated absences   | <u>(1,068,339)</u>  |           | (7,420,836)              |
| <b>Net assets of governmental activities</b>  |                     | <b>\$</b> | <b><u>15,434,619</u></b> |

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, 2009

|   | General<br>Fund    | Special<br>Revenue | Capital<br>Projects<br>Fund | Total<br>Governmental<br>Funds |
|---|--------------------|--------------------|-----------------------------|--------------------------------|
| <b>Revenues:</b>  |                    |                    |                             |                                |
| Taxes   | \$ 10,761,701      | \$ -               | \$ -                        | \$ 10,761,701                  |
| Licenses and permits  | 106,314            | -                  | -                           | 106,314                        |
| Intergovernmental   | 1,152,180          | -                  | 429,964                     | 1,582,144                      |
| APG management fees   | 1,342,864          | -                  | -                           | 1,342,864                      |
| Miscellaneous   | 463,740            | 106,851            | 326                         | 570,917                        |
| <b>Total revenues</b>   | <b>13,826,799</b>  | <b>106,851</b>     | <b>430,290</b>              | <b>14,363,940</b>              |
| <b>Expenditures:</b>  |                    |                    |                             |                                |
| Current:  |                    |                    |                             |                                |
| General government  | 1,612,388          | -                  | 369,984                     | 1,982,372                      |
| Public safety   | 4,061,337          | -                  | 202,816                     | 4,264,153                      |
| Public works  | 3,194,736          | -                  | 742,651                     | 3,937,387                      |
| Parks and recreation  | 72,092             | -                  | -                           | 72,092                         |
| Miscellaneous   | 2,296,319          | 104,194            | -                           | 2,400,513                      |
| Debt service:   |                    |                    |                             |                                |
| Principal   | 369,899            | 36,000             | -                           | 405,899                        |
| Interest  | 331,335            | -                  | -                           | 331,335                        |
| <b>Total expenditures</b>   | <b>11,938,106</b>  | <b>140,194</b>     | <b>1,315,451</b>            | <b>13,393,751</b>              |
| <b>Excess (deficiency) of revenue over<br/>(under) expenditures</b> | <b>1,888,693</b>   | <b>(33,343)</b>    | <b>(885,161)</b>            | <b>970,189</b>                 |
| <b>Other Financing Sources (Uses):</b>                              |                    |                    |                             |                                |
| Transfers in (out)  | (1,157,344)        | -                  | 864,270                     | (293,074)                      |
| Proceeds from long-term borrowings                                  | -                  | -                  | 167,202                     | 167,202                        |
| <b>Total other financing sources (uses)</b>                         | <b>(1,157,344)</b> | <b>-</b>           | <b>1,031,472</b>            | <b>(125,872)</b>               |
| <b>Net change in fund balances</b>                                  | <b>731,349</b>     | <b>(33,343)</b>    | <b>146,311</b>              | <b>844,317</b>                 |
| <b>Fund Balance:</b>  |                    |                    |                             |                                |
| Beginning   | 2,076,368          | 645,010            | 140,113                     | 2,861,491                      |
| Ending  | \$ 2,807,717       | \$ 611,667         | \$ 286,424                  | \$ 3,705,808                   |

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, 2009

|  |    |         |
|--|----|---------|
| Total net change in fund balances - governmental funds | \$ | 844,317 |
|--|----|---------|

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. This is the amount by which capital outlays of \$1,482,877 exceeded depreciation of \$790,362 in the current period. |  | 692,515 |
|--|--|---------|

|  |  |         |
|--|--|---------|
| 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 assets differs from the change in fund balances by costs of the capital assets of \$93,358 sold, less any accumulated depreciation of \$86,700. |  | (6,658) |
|--|--|---------|

|   |  |          |
|---|--|----------|
| In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for compensated absences are measured by the amount of financial resources used (essentially, the amounts actually paid or expected to be paid). This year, vacation and sick leaved used, was less than the amount earned by \$51,854. |  | (51,854) |
|---|--|----------|

|   |  |        |
|---|--|--------|
| The net pension obligation is not an expenditure in the governmental funds until paid, whereas they expensed in the statement of activities when incurred. This year, the net pension obligation decreased. |  | 11,628 |
|---|--|--------|

|  |  |         |
|--|--|---------|
| Long-term debt repayments are an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of long-term repayments for 2009. |  | 405,899 |
|--|--|---------|

|   |  |         |
|---|--|---------|
| Bond issuance costs related to long-term debt is an expenditure in the general fund, however, this cost increases noncurrent assets in the statement of net assets. |  | (9,573) |
|---|--|---------|

|  |  |           |
|--|--|-----------|
| 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 increase in unavailable revenue at the end of the year over the amount at the beginning of the year. |  | (134,165) |
|--|--|-----------|

|  |  |           |
|--|--|-----------|
| Some of the capital assets acquired this year were through financing agreements. The amount funded by the agreements is reported in the governmental funds as a source of financing. However, the financing agreements are not revenue in the statement of activities, but rather constitute long-term liabilities in the statement of net assets. |  | (167,202) |
|--|--|-----------|

|  |           |                  |
|--|-----------|------------------|
| <b>Change in net assets of governmental activities</b> | <b>\$</b> | <b>1,584,907</b> |
|--|-----------|------------------|

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, 2009

|   | Budgeted Amounts   |                   | Actual<br>Amounts<br>Budgetary<br>Basis | Variance With<br>Final Budget<br>Positive<br>(Negative) |
|---|--------------------|-------------------|---|---|
|   | Original           | Final             |   |   |
| <b>Revenues:</b>  |                    |                   |   |   |
| Taxes   | \$ 10,502,912      | \$ 10,452,323     | \$ 10,789,697                           | \$ 337,374  |
| Licenses and permits  | 101,500            | 101,500           | 106,314                                 | 4,814   |
| Intergovernmental   | 1,070,846          | 1,180,846         | 1,152,180                               | (28,666)  |
| APG management fees   | 276,722            | 276,722           | 275,771                                 | (951)   |
| Miscellaneous   | 309,347            | 315,927           | 445,880                                 | 129,953   |
| <b>Total revenues</b>   | <b>12,261,327</b>  | <b>12,327,318</b> | <b>12,769,842</b>                       | <b>442,524</b>  |
| <b>Expenditures:</b>  |                    |                   |   |   |
| Current:  |                    |                   |   |   |
| General government  | 1,738,943          | 1,736,712         | 1,588,263                               | 148,449   |
| Public safety   | 3,945,770          | 4,055,770         | 4,043,477                               | 12,293  |
| Public works  | 2,132,747          | 2,186,328         | 2,127,643                               | 58,685  |
| Parks and recreation  | 50,500             | 80,000            | 72,092                                  | 7,908   |
| Miscellaneous   | 2,369,304          | 2,369,304         | 2,278,921                               | 90,383  |
| Debt service:   |                    |                   |   |   |
| Principal   | 387,309            | 1,244,425         | 1,239,880                               | 4,545   |
| Interest  | 340,262            | 344,686           | 334,359                                 | 10,327  |
| <b>Total expenditures</b>   | <b>10,964,835</b>  | <b>12,017,225</b> | <b>11,684,635</b>                       | <b>332,590</b>  |
| <b>Other Financing Sources (Uses):</b>                                      |                    |                   |   |   |
| Proceeds from long-term borrowings  | -                  | 819,981           | 819,981                                 | -   |
| Appropriation of fund balance   | -                  | 27,270            | -                                       | (27,270)  |
| Transfers out   | (1,296,492)        | (1,157,344)       | (1,157,344)                             | -   |
| <b>Total other financing uses</b>   | <b>(1,296,492)</b> | <b>(310,093)</b>  | <b>(337,363)</b>                        | <b>(27,270)</b>   |
| <b>Net change in fund balance - budgetary basis</b>                         | <b>\$ -</b>        | <b>\$ -</b>       | <b>747,844</b>                          | <b>\$ 747,844</b>                                       |
| Adjustments to conform with generally accepted accounting principles (GAAP) |                    |                   | (16,495)                                |   |
| Net change in fund balance - GAAP basis                                     |                    |                   | 731,349                                 |   |
| <b>Fund Balance:</b>  |                    |                   |   |   |
| Beginning   |                    |                   | 2,076,368                               |   |
| Ending  |                    |                   | <u>\$ 2,807,717</u>                     |   |

See Notes To Basic Financial Statements.

City Of Aberdeen, Maryland

Statement Of Net Assets - Proprietary Funds  
June 30, 2009

|   | Business Type Activities - Enterprise Funds |                      |                     |                      |
|---|---|----------------------|---------------------|----------------------|
|   | Water                                       | Sewer                | Stadium             | Total                |
| <b>Assets</b>                                   |   |                      |                     |                      |
| Current assets:                                 |   |                      |                     |                      |
| Cash and cash equivalents                       | \$ 1,081,071                                | \$ 771,104           | \$ 69,583           | \$ 1,921,758         |
| Receivables, current                            | 286,650                                     | 1,039,137            | 4,984               | 1,330,771            |
| Notes receivable, current                       | -   | -                    | 306,849             | 306,849              |
| Due from other funds                            | 271,385                                     | 459,524              | 50,000              | 780,909              |
| Inventory                                       | 130,621                                     | 349,328              | -                   | 479,949              |
|   | <u>1,769,727</u>                            | <u>2,619,093</u>     | <u>431,416</u>      | <u>4,820,236</u>     |
| Noncurrent assets:                              |   |                      |                     |                      |
| Temporarily restricted assets - cash            | 2,136,339                                   | -                    | -                   | 2,136,339            |
| Receivables, noncurrent                         | -   | 249,552              | -                   | 249,552              |
| Notes receivable, noncurrent                    | -   | -                    | 106,162             | 106,162              |
| Bond issue costs                                | 58,050                                      | -                    | -                   | 58,050               |
| Capital assets, net                             | 4,631,519                                   | 12,327,411           | 13,486,130          | 30,445,060           |
|   | <u>6,825,908</u>                            | <u>12,576,963</u>    | <u>13,592,292</u>   | <u>32,995,163</u>    |
| <b>Total assets</b>                             | <u>8,595,635</u>                            | <u>15,196,056</u>    | <u>14,023,708</u>   | <u>37,815,399</u>    |
| <b>Liabilities</b>                              |   |                      |                     |                      |
| Current liabilities:                            |   |                      |                     |                      |
| Accounts payable                                | 710,011                                     | 654,063              | -                   | 1,364,074            |
| Due to other funds                              | 459,524                                     | 2,339,967            | 86,997              | 2,886,488            |
| Accrued expenses                                | 30,962                                      | 96,260               | 50,675              | 177,897              |
| Notes payable                                   | 196,324                                     | 78,068               | 36,313              | 310,705              |
| Bonds payable                                   | 112,500                                     | -                    | 361,700             | 474,200              |
| Compensated absences                            | 13,191                                      | 99,303               | -                   | 112,494              |
|   | <u>1,522,512</u>                            | <u>3,267,661</u>     | <u>535,685</u>      | <u>5,325,858</u>     |
| Noncurrent liabilities:                         |   |                      |                     |                      |
| Notes payable                                   | 818,120                                     | 439,319              | 75,653              | 1,333,092            |
| Bonds payable                                   | 2,759,500                                   | -                    | 5,511,600           | 8,271,100            |
| Compensated absences                            | 20,375                                      | 136,656              | -                   | 157,031              |
|   | <u>3,597,995</u>                            | <u>575,975</u>       | <u>5,587,253</u>    | <u>9,761,223</u>     |
| <b>Total liabilities</b>                        | <u>5,120,507</u>                            | <u>3,843,636</u>     | <u>6,122,938</u>    | <u>15,087,081</u>    |
| <b>Net Assets</b>                               |   |                      |                     |                      |
| Invested in capital assets, net of related debt | 2,939,464                                   | 11,810,024           | 7,500,864           | 22,250,352           |
| Unrestricted                                    | 535,664                                     | (457,604)            | 399,906             | 477,966              |
| <b>Total net assets</b>                         | <u>\$ 3,475,128</u>                         | <u>\$ 11,352,420</u> | <u>\$ 7,900,770</u> | <u>\$ 22,728,318</u> |

See Notes To Basic Financial Statements.

City Of Aberdeen, Maryland

Statement Of Revenues, Expenses, And Changes In  
Fund Net Assets - Proprietary Funds  
Year Ended June 30, 2009

|   | Business-Type Activities - Enterprise Funds |                      |                     |                      |
|---|---|----------------------|---------------------|----------------------|
|   | Water Utility                               | Sewer Utility        | Stadium             | Total                |
| <b>Operating revenues:</b>                |   |                      |                     |                      |
| Charges for services                      | \$ 1,978,571                                | \$ 2,499,096         | \$ -                | \$ 4,477,667         |
| Other operating revenues                  | 146,646                                     | 29,441               | 234,665             | 410,752              |
| Miscellaneous                             | 15,421                                      | 73                   | -                   | 15,494               |
|   | <u>2,140,638</u>                            | <u>2,528,610</u>     | <u>234,665</u>      | <u>4,903,913</u>     |
| <b>Operating expenses:</b>                |   |                      |                     |                      |
| Cost of service                           | 1,291,952                                   | 2,203,041            | -                   | 3,494,993            |
| Other operating expenses                  | 194,148                                     | 226,559              | 47,378              | 468,085              |
| Depreciation                              | 168,095                                     | 458,991              | 273,515             | 900,601              |
|   | <u>1,654,195</u>                            | <u>2,888,591</u>     | <u>320,893</u>      | <u>4,863,679</u>     |
| <b>Operating income (loss)</b>            | <u>486,443</u>                              | <u>(359,981)</u>     | <u>(86,228)</u>     | <u>40,234</u>        |
| <b>Non-operating revenues (expenses):</b> |   |                      |                     |                      |
| Investment interest                       | 4,479                                       | 4,257                | 1,909               | 10,645               |
| Bond cost amortization                    | (3,225)                                     | -                    | -                   | (3,225)              |
| Capital demand charges                    | 94,355                                      | -                    | -                   | 94,355               |
| Capital connection fees                   | 11,224                                      | 61,320               | -                   | 72,544               |
| Capital grant                             | -   | 610,167              | -                   | 610,167              |
| Interest income on notes receivable       | -   | -                    | 8,227               | 8,227                |
| Other fees                                | -   | 27,116               | -                   | 27,116               |
| Loss on disposal of capital assets        | (51,375)                                    | (4,139)              | (195,953)           | (251,467)            |
| Interest expense                          | (109,007)                                   | (25,039)             | (323,216)           | (457,262)            |
|   | <u>(53,549)</u>                             | <u>673,682</u>       | <u>(509,033)</u>    | <u>111,100</u>       |
| <b>Income (loss) before transfers</b>     | <u>432,894</u>                              | <u>313,701</u>       | <u>(595,261)</u>    | <u>151,334</u>       |
| Transfers in                              | -   | -                    | 293,074             | 293,074              |
| <b>Change in net assets</b>               | <u>432,894</u>                              | <u>313,701</u>       | <u>(302,187)</u>    | <u>444,408</u>       |
| <b>Net Assets:</b>                        |   |                      |                     |                      |
| Beginning                                 | 3,042,234                                   | 11,038,719           | 8,202,957           | 22,283,910           |
| Ending                                    | <u>\$ 3,475,128</u>                         | <u>\$ 11,352,420</u> | <u>\$ 7,900,770</u> | <u>\$ 22,728,318</u> |

See Notes To Basic Financial Statements.

City Of Aberdeen, Maryland

Statement Of Cash Flows - Proprietary Funds  
Year Ended June 30, 2009

|  | Business-Type Activities - Enterprise Funds |                    |                   |                     |
|--|---|--------------------|-------------------|---------------------|
|  | Water                                       | Sewer              | Stadium           | Total               |
| <b>Cash Flows From Operating Activities:</b>   |   |                    |                   |                     |
| Receipts from customers  | \$ 2,187,323                                | \$ 2,482,481       | \$ 275,887        | \$ 4,945,691        |
| Payments to employees  | (624,740)                                   | (1,238,968)        | -                 | (1,863,708)         |
| Payments to suppliers  | (551,431)                                   | (645,003)          | (47,379)          | (1,243,813)         |
| <b>Net cash provided by operating activities</b>   | <b>1,011,152</b>                            | <b>598,510</b>     | <b>228,508</b>    | <b>1,838,170</b>    |
| <b>Cash Flows From Non-Capital Financing Activities:</b>                                       |   |                    |                   |                     |
| Internal activity - payments from (to) other funds   | (25,574)                                    | 677,604            | 21,521            | 673,551             |
| Net transfers in   | -   | -                  | 293,074           | 293,074             |
| <b>Net cash provided by (used in) non-capital financing activities</b>                         | <b>(25,574)</b>                             | <b>677,604</b>     | <b>314,595</b>    | <b>966,625</b>      |
| <b>Cash Flows From Capital And Related Financing Activities:</b>                               |   |                    |                   |                     |
| Principal payments on notes payable  | (187,667)                                   | (75,078)           | (36,313)          | (299,058)           |
| Principal payments on bonds payable  | (107,500)                                   | -                  | (349,000)         | (456,500)           |
| Interest paid  | (110,799)                                   | (26,283)           | (326,258)         | (463,340)           |
| Capital assessment charges   | -   | 27,116             | -                 | 27,116              |
| Capital demand charge  | 94,355                                      | -                  | -                 | 94,355              |
| Capital connection charges   | 11,224                                      | 61,320             | -                 | 72,544              |
| Purchase of capital assets   | (1,568,242)                                 | (1,400,568)        | -                 | (2,968,810)         |
| <b>Net cash used in capital and related financing activities</b>                               | <b>(1,868,629)</b>                          | <b>(1,413,493)</b> | <b>(711,571)</b>  | <b>(3,993,693)</b>  |
| <b>Cash Flows From Investing Activities:</b>   |   |                    |                   |                     |
| Decrease in temporarily restricted cash  | 883,661                                     | -                  | -                 | 883,661             |
| Investment earnings  | 4,479                                       | 4,257              | 1,909             | 10,645              |
| Principal collections on notes receivable  | -   | -                  | 76,945            | 76,945              |
| Interest collections increasing deferred profit on notes receivable                            | -   | -                  | 63,242            | 63,242              |
| Interest received on note receivable   | -   | -                  | 8,227             | 8,227               |
| <b>Net cash provided by investing activities</b>   | <b>888,140</b>                              | <b>4,257</b>       | <b>150,323</b>    | <b>1,042,720</b>    |
| <b>Net increase (decrease) in cash and cash equivalents</b>                                    | <b>5,089</b>                                | <b>(133,122)</b>   | <b>(18,145)</b>   | <b>(146,178)</b>    |
| <b>Cash And Cash Equivalents:</b>  |   |                    |                   |                     |
| Beginning of year  | 1,075,982                                   | 904,226            | 87,728            | 2,067,936           |
| End of year  | \$ 1,081,071                                | \$ 771,104         | \$ 69,583         | \$ 1,921,758        |
| <b>Reconciliation of Operating Income (Loss) To Net Cash Provided By Operating Activities</b>  |   |                    |                   |                     |
| Operating income (loss)  | \$ 486,443                                  | \$ (359,981)       | \$ (86,228)       | \$ 40,234           |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: |   |                    |                   |                     |
| Depreciation   | 168,095                                     | 458,991            | 273,514           | 900,600             |
| Changes in assets and liabilities:   |   |                    |                   |                     |
| Accounts receivable  | 46,685                                      | (46,129)           | 41,222            | 41,778              |
| Inventory  | (64,418)                                    | 7,731              | -                 | (56,687)            |
| Accounts payable   | 379,335                                     | 504,807            | -                 | 884,142             |
| Accrued expenses   | 1,188                                       | 3,428              | -                 | 4,616               |
| Compensated absences   | (6,176)                                     | 29,663             | -                 | 23,487              |
| <b>Net cash provided by operating activities</b>   | <b>\$ 1,011,152</b>                         | <b>\$ 598,510</b>  | <b>\$ 228,508</b> | <b>\$ 1,838,170</b> |

See Notes To Basic Financial Statements.

City Of Aberdeen, Maryland

Statement Of Fiduciary Net Assets - Pension Trust Funds  
June 30, 2009

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|   |                     |
|---|---------------------|
| <b>Assets</b>                               |                     |
| Cash  | \$ 12,568           |
| Investments in mutual funds, at fair-value: |                     |
| Equities                                    | 5,250,350           |
| Fixed income                                | 1,197,298           |
| Bonds                                       | 1,839,764           |
|   | <u>8,287,412</u>    |
| <b>Total assets</b>                         | <u>\$ 8,299,980</u> |
| <br>  |                     |
| <b>Net Assets</b>                           |                     |
| Held in trust for pension benefits          | <u>\$ 8,299,980</u> |

See Notes To Basic Financial Statements.

City Of Aberdeen, Maryland

Statement Of Changes In Fiduciary Net Assets - Pension Trust Funds  
Year Ended June 30, 2009

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| <b>Additions</b>                       |                     |
|--|---------------------|
| Contributions:                         |                     |
| Employer contributions                 | \$ 768,737          |
| Employee contributions                 | 274,075             |
| <b>Total contributions</b>             | <u>1,042,812</u>    |
| Investment losses:                     |                     |
| Investment income and net depreciation | (1,247,223)         |
| <b>Total additions</b>                 | <u>(204,411)</u>    |
| <b>Deductions</b>                      |                     |
| Benefit payments                       | 358,843             |
| Administrative expenses                | 38,641              |
| <b>Total deductions</b>                | <u>397,484</u>      |
| <b>Change in net assets</b>            | (601,895)           |
| Net Assets:                            |                     |
| Beginning                              | 8,901,875           |
| Ending                                 | <u>\$ 8,299,980</u> |

See Notes To Basic Financial Statements.

## City Of Aberdeen, Maryland

### Notes To Basic Financial Statements

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#### Note 1. Summary Of Significant Accounting Policies

The City of Aberdeen, Maryland, (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 (4 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 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. 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.

##### 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 Assets: This statement is designed to display the financial position of the City as of year-end. Governmental 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 assets are reported in three categories – 1) invested in capital assets, net of related debt, 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 and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

## City Of Aberdeen, Maryland

### Notes To Basic Financial Statements

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#### 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, fund balance/net assets, 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; and the difference between governmental fund assets and liabilities, the fund equity, is referred to as "fund balance." The measurement focus is upon determination of changes in 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 propriety funds.

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. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

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 three pension funds, the City of Aberdeen Defined Benefit Plan, the City of Aberdeen Defined Contribution Plan, and the City of Aberdeen Police Department Pension Plan. As fiduciary funds, the pension funds are used to account for assets held on behalf of outside parties under the terms of a formal trust agreement.

## City Of Aberdeen, Maryland

### Notes To Basic Financial Statements

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#### 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 fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers enterprise zone tax credit 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 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 nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the 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 nonoperating revenues and expenses.

## City Of Aberdeen, Maryland

### Notes To Basic Financial Statements

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#### 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 forty 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<sup>th</sup> 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. Unexpected 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 with accounting principles generally accepted in the United States of America (GAAP basis) in certain respects. The primary differences between budgetary and GAAP basis is that under the budgetary basis encumbrances are recorded as the equivalent of expenditures. Budgeted amounts are originally adopted, and as amended by the City Council 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 GAAP basis are as follows:

| General Fund   | Revenues             | Expenditures<br>and<br>Encumbrances | Other<br>Financing<br>Sources (Uses) | Current Year<br>Effect on<br>Fund Balance |
|--|----------------------|-------------------------------------|--------------------------------------|---|
| <b>Budgetary basis</b>                               | \$ 12,769,842        | \$ 11,684,635                       | \$ (337,363)                         | \$ 747,844                                |
| Reimbursable salaries under APG contract             | 1,067,093            | 1,067,093                           | -                                    | -   |
| Donated capital asset                                | 17,860               | 17,860                              | -                                    | -   |
| Decrease (Increase) in encumbrances                  | -                    | 24,125                              | -                                    | (24,125)                                  |
| Principal received on special assessments receivable | (27,996)             | -                                   | -                                    | (27,996)                                  |
| Increase in allowance for uncollectible receivables  | -                    | 22,590                              | -                                    | (22,590)                                  |
| Repayments on line of credit                         | -                    | (869,981)                           | -                                    | 869,981                                   |
| Proceeds from line of credit                         | -                    | -                                   | (819,981)                            | (819,981)                                 |
| Increase in prepaid expenditures                     | -                    | (5,192)                             | -                                    | 5,192                                     |
| Decrease in accrued interest payable                 | -                    | (3,024)                             | -                                    | 3,024                                     |
| <b>GAAP basis</b>                                    | <b>\$ 13,826,799</b> | <b>\$ 11,938,106</b>                | <b>\$ (1,157,344)</b>                | <b>\$ 731,349</b>                         |

G. Cash, Cash Equivalents and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits 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 Trust Funds are also authorized to invest in corporate bonds and notes, preferred stocks and common stocks. Investments are reported at fair value. Net assets for benefits used to calculate the unfunded pension benefit obligation in the Pension Trust Funds are also reported at fair value.

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 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 funds on the basis of their equity in pooled cash.

## City Of Aberdeen, Maryland

### Notes To Basic Financial Statements

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#### Note 1. Summary Of Significant Accounting Policies (Continued)

##### H. Receivables

Accounts receivable 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. All delinquent accounts receivable, including property taxes, are considered fully collectible and therefore no allowance for uncollectible accounts has been provided. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

An accounts 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 accounts receivable that are outstanding for more than 30 days and is recognized as charged.

##### I. Notes Receivable

Notes receivable recorded in the Stadium Fund represent a land contract and ground leases for four land lots. Collectively, these transactions are being accounted for in accordance with Financial Accounting Standards Board Statement (FASB) No. 66, *Accounting for Sales of Real Estate*. As such, since the City's receivables are subject to future subordination, the profit on Lots 3, 5, 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. Principal collections reduce the related receivable, and interest collections on such receivables increase the unrecognized gross profit on the balance sheet.

##### J. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2009, 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. Inventory

Inventory is stated at cost on the FIFO basis and consists of general supplies and equipment used in the operation of the municipal water system and sewer system and is included in other current assets. The cost is recorded as expenditures in the governmental funds at the time the items are consumed.

##### L. 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. 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 estimated fair value at the date of donation.

## City Of Aberdeen, Maryland

### Notes To Basic Financial Statements

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#### Note 1. Summary Of Significant Accounting Policies (Continued)

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 |

#### M. 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.

#### N. Bond Premiums and Issuance Costs

In the government-wide financial statements and proprietary fund statements, bond premiums and issuance costs are deferred and amortized over the term of the bonds using the bond-outstanding method which approximates the effective interest method. In the governmental fund statements, bond premiums and issuance costs are recognized as expense immediately.

#### O. Compensated Absences

It is the City's policy to permit employees to be paid for accumulated earned but unused vacation and personnel leave upon separation of service. In addition, up to 400 hours of accumulated earned but unused sick leave is paid upon separation of service provided the employee has five years of service with the City. Vested sick leave is calculated at yearend using the vesting method. Vacation, personnel and vested sick leave is accrued when earned in the government-wide statements, as well as the proprietary fund statements.

## City Of Aberdeen, Maryland

### Notes To Basic Financial Statements

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#### Note 1. Summary Of Significant Accounting Policies (Continued)

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.

#### P. Fund Balance

Reservations of fund balance represent amounts that are not appropriated or are legally segregated for a specific purpose. Restrictions of net assets are limited to outside third-party restrictions or those restrictions imposed by law through constitutional provisions or enabling legislation. Any designations of fund balance represent tentative management plans that are subject to change.

#### Q. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, 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. Net assets invested in capital assets, net of related debt excludes unspent debt proceeds. Net assets are 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. Restricted resources are used first to fund appropriation.

The City first applied restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

#### R. Deferred Compensation Plan

The City offers its employees a deferred compensation plan in accordance with Internal Revenue Code Section (IRC) 457. The plan, available to all City employees, permits employees to defer a portion of their salaries until future years. Participation in the plan is optional, and participants elect how their salary deferrals are invested. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The IRC prescribes that the City does not own the amounts deferred by employees, including the related income on these amounts. Accordingly, the assets and the liability for the deferred compensation plan participants, including earnings on plan assets, are not included in the City's financial statements. The plan assets will not be subject to the claims of the public entity's creditors during financial crisis.

#### Note 2. Cash And Investments

Maryland State law limits investments in any federally insured bank in the State of Maryland or federally insured savings and loan association in the State of Maryland in interest-bearing time deposit or savings accounts, or in the local government investment pool. The City invests primarily in deposits in the MLGIP, which are carried at cost, plus accrued interest. The MLGIP is rated "AAAm" by Standard and Poor's (their highest rating).

## City Of Aberdeen, Maryland

### Notes To Basic Financial Statements

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#### **Note 2. Cash And Investments (Continued)**

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, 2009 met the City's investment policy.

Custodial credit risk is the risk that, in the event of failure of the counterparty, the City will not be able to recover all or a portion of the value of its deposits, investments or collateral securities that are in the possession of an outside party. The City's investment custodial risk policy requires all investments to be insured or registered, or for which the securities are held by the City or its agent in the City's name. At June 30, 2009 the City's cash and investments were not exposed to custodial credit risk.

Defined Benefit and Defined Contribution Plan investments include separate and guaranteed accounts held by Principal Financial Group and ICMA-RA Services, both agents of the Plans. Plan investments include various types of mutual funds 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. Plan investments are reported at fair value.

#### **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 and the McDonald property 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. During 2009, 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 \$280,000.

Additionally, the City previously entered into ground leases with Aberdeen Camden Office, LLC for lease of Lot 5 and Cal Ripken Sr. Foundation for the lease of Lot 6. During 2009, Aberdeen Camden Office, LLC exercised its right to acquire Lot 5 under a dollar purchase option as stipulated in an addendum to the original contract. As a result, the City incurred a loss of \$195,953 on the sale.

**City Of Aberdeen, Maryland**

**Notes To Basic Financial Statements**

**Note 3. Notes Receivable (Continued)**

A summary of notes receivable and corresponding deferred profit at June 30, 2009 is as follows:

|   | Notes<br>Receivable | Less<br>Deferred Profit | Notes<br>Receivable, Net |
|---|---------------------|-------------------------|--------------------------|
| Lot 3; original receivable amount \$1,507,118 and 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 | \$ 1,290,689        | \$ (1,041,065)          | \$ 249,624               |
| McDonald Lot; original receivable amount \$326,820; monthly principal installments of \$3,206 plus interest at the bank's prime rate due July 2012  | 114,992             | -                       | 114,992                  |
| Lot 6; original receivable amount \$393,996 and 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  | 320,193             | (271,798)               | 48,395                   |
|   | <u>\$ 1,725,874</u> | <u>\$ (1,312,863)</u>   | <u>\$ 413,011</u>        |

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

| Years Ending June 30, |                     |
|-----------------------|---------------------|
| 2010                  | \$ 174,475          |
| 2011                  | 117,053             |
| 2012                  | 122,177             |
| 2013                  | 97,372              |
| 2014                  | 97,130              |
| Thereafter            | 1,117,667           |
|                       | <u>\$ 1,725,874</u> |

**Note 4. Receivables And Payables**

Receivables at June 30, 2009, consist of the following:

|                              | General<br>Fund   | Special<br>Revenue | Capital<br>Projects | Water             | Sewer               | Stadium         | Total               |
|------------------------------|-------------------|--------------------|---------------------|-------------------|---------------------|-----------------|---------------------|
| Receivables:                 |                   |                    |                     |                   |                     |                 |                     |
| Taxes                        | \$ 179,430        | \$ -               | \$ -                | \$ -              | \$ -                | \$ -            | \$ 179,430          |
| Intergovernmental            | 665,268           | -                  | 69,764              | -                 | 610,167             | 4,984           | 1,350,183           |
| Charges for services         | -                 | -                  | -                   | 286,650           | 415,300             | -               | 701,950             |
| Assessments/improvements     | 38,159            | 174,442            | -                   | -                 | 263,222             | -               | 475,823             |
| Other                        | 137,756           | -                  | -                   | -                 | -                   | -               | 137,756             |
| Gross receivables            | 1,020,613         | 174,442            | 69,764              | 286,650           | 1,288,689           | 4,984           | 2,845,142           |
| Allowance for uncollectibles | (132,065)         | -                  | -                   | -                 | -                   | -               | (132,065)           |
| Net receivables              | <u>\$ 888,548</u> | <u>\$ 174,442</u>  | <u>\$ 69,764</u>    | <u>\$ 286,650</u> | <u>\$ 1,288,689</u> | <u>\$ 4,984</u> | <u>\$ 2,713,077</u> |

City Of Aberdeen, Maryland

Notes To Basic Financial Statements

**Note 4. Receivables And Payables (Continued)**

Payables at June 30, 2009, consist of the following:

|                           | General<br>Fund   | Special<br>Revenue | Capital<br>Projects | Water            | Sewer            | Stadium          | Total             |
|---------------------------|-------------------|--------------------|---------------------|------------------|------------------|------------------|-------------------|
| <b>Accrued expenses:</b>  |                   |                    |                     |                  |                  |                  |                   |
| Interest                  | \$ 46,040         | \$ -               | \$ -                | \$ 20,697        | \$ 11,665        | \$ 50,675        | \$ 129,077        |
| Payroll                   | 216,973           | -                  | -                   | 10,265           | 28,693           | -                | 255,931           |
| Intergovernmental         | -                 | -                  | -                   | -                | 55,902           | -                | 55,902            |
|                           | <u>\$ 263,013</u> | <u>\$ -</u>        | <u>\$ -</u>         | <u>\$ 30,962</u> | <u>\$ 96,260</u> | <u>\$ 50,675</u> | <u>\$ 440,910</u> |
| <b>Other liabilities:</b> |                   |                    |                     |                  |                  |                  |                   |
| Payroll withholdings      | \$ 10,327         | \$ -               | \$ -                | \$ -             | \$ -             | \$ -             | \$ 10,327         |
| Performance bonds         | 144,623           | -                  | -                   | -                | -                | -                | 144,623           |
| Seized property           | 159,350           | -                  | -                   | -                | -                | -                | 159,350           |
|                           | <u>\$ 314,300</u> | <u>\$ -</u>        | <u>\$ -</u>         | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ 314,300</u> |

**Note 5. Interfund Receivables, Payables And Transfers**

Interfund receivable and payable balances at June 30, 2009, are as follows:

| Due From Fund    | Due To Fund       |                    |                     |                   |                     |                  | Total               |
|------------------|-------------------|--------------------|---------------------|-------------------|---------------------|------------------|---------------------|
|                  | General<br>Fund   | Special<br>Revenue | Capital<br>Projects | Water             | Sewer               | Stadium          |                     |
| General          | \$ -              | \$ -               | \$ 162,713          | \$ -              | \$ 2,051,952        | \$ 86,997        | \$ 2,301,662        |
| Capital Projects | -                 | 84                 | -                   | -                 | 238,015             | -                | 238,099             |
| Water            | 270,860           | -                  | 525                 | -                 | -                   | -                | 271,385             |
| Sewer            | -                 | -                  | -                   | 459,524           | -                   | -                | 459,524             |
| Stadium          | -                 | -                  | -                   | -                 | 50,000              | -                | 50,000              |
|                  | <u>\$ 270,860</u> | <u>\$ 84</u>       | <u>\$ 163,238</u>   | <u>\$ 459,524</u> | <u>\$ 2,339,967</u> | <u>\$ 86,997</u> | <u>\$ 3,320,670</u> |

Interfund transfers for the year ended June 30, 2009, consisted of transfers from the General Fund to the Capital Projects Fund in the amount of \$864,270, for street projects, police vehicles and other capital purchases, and from the General Fund to the Stadium Fund in the amount of \$293,074, for debt service.

City Of Aberdeen, Maryland

Notes To Basic Financial Statements

Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2009, is as follows:

|   | Balance<br>July 1, 2008 | Additions/<br>Transfers | Deletions/<br>Transfers | Balance<br>June 30, 2009 |
|---|-------------------------|-------------------------|-------------------------|--------------------------|
| <b>Governmental activities:</b>   |                         |                         |                         |                          |
| Capital assets not being depreciated:                                     |                         |                         |                         |                          |
| Land  | \$ 4,471,113            | \$ -                    | \$ -                    | \$ 4,471,113             |
| Construction in process   | 32,720                  | 20,893                  | (32,720)                | 20,893                   |
|   | <u>4,503,833</u>        | <u>20,893</u>           | <u>(32,720)</u>         | <u>4,492,006</u>         |
| Capital assets being depreciated:   |                         |                         |                         |                          |
| Buildings   | 10,728,670              | -                       | -                       | 10,728,670               |
| Improvements other than buildings   | 30,000                  | -                       | -                       | 30,000                   |
| Machinery and equipment, including<br>equipment under financing agreement | 3,524,910               | 387,030                 | -                       | 3,911,940                |
| Vehicles  | 1,729,414               | 282,981                 | (93,358)                | 1,919,037                |
| Recreational facilities   | 375,211                 | 25,141                  | -                       | 400,352                  |
| Infrastructure  | 11,851,895              | 799,552                 | -                       | 12,651,447               |
|   | <u>28,240,100</u>       | <u>1,494,704</u>        | <u>(93,358)</u>         | <u>29,641,446</u>        |
| Accumulated depreciation for:   |                         |                         |                         |                          |
| Buildings   | (5,115,534)             | (163,355)               | -                       | (5,278,889)              |
| Improvements other than buildings   | (12,000)                | (3,000)                 | -                       | (15,000)                 |
| Machinery and equipment, including<br>equipment under financing agreement | (2,993,045)             | (138,584)               | -                       | (3,131,629)              |
| Vehicles  | (1,026,896)             | (226,429)               | 86,700                  | (1,166,625)              |
| Recreational facilities   | (242,651)               | (17,876)                | -                       | (260,527)                |
| Infrastructure  | (5,396,371)             | (241,120)               | -                       | (5,637,491)              |
|   | <u>(14,786,497)</u>     | <u>(790,364)</u>        | <u>86,700</u>           | <u>(15,490,161)</u>      |
| Total depreciable assets, net   | 13,453,603              | 704,340                 | (6,658)                 | 14,151,285               |
| <b>Governmental activities capital<br/>assets, net</b>                    | <u>\$ 17,957,436</u>    | <u>\$ 725,233</u>       | <u>\$ (39,378)</u>      | <u>\$ 18,643,291</u>     |

City Of Aberdeen, Maryland

Notes To Basic Financial Statements

Note 6. Capital Assets (Continued)

|   | Balance<br>July 1, 2008 | Additions/<br>Transfers | Deletions/<br>Transfers | Balance<br>June 30, 2009 |
|---|-------------------------|-------------------------|-------------------------|--------------------------|
| <b>Business-type activities:</b>                    |                         |                         |                         |                          |
| Capital assets not being depreciated:               |                         |                         |                         |                          |
| Land  | \$ 1,903,993            | \$ -                    | \$ -                    | \$ 1,903,993             |
| Construction in process                             | 379,412                 | 1,131,002               | (304,412)               | 1,206,002                |
|   | <u>2,283,405</u>        | <u>1,131,002</u>        | <u>(304,412)</u>        | <u>3,109,995</u>         |
| Capital assets being depreciated:                   |                         |                         |                         |                          |
| Buildings   | 24,007,026              | -                       | -                       | 24,007,026               |
| Improvements other than buildings                   | 7,772                   | 23,325                  | -                       | 31,097                   |
| Machinery and equipment                             | 9,370,232               | 697,041                 | (57,594)                | 10,009,679               |
| Water systems                                       | 6,327,404               | 1,217,130               | -                       | 7,544,534                |
| Sewer system  | 6,561,227               | 157,352                 | -                       | 6,718,579                |
|   | <u>46,273,661</u>       | <u>2,094,848</u>        | <u>(57,594)</u>         | <u>48,310,915</u>        |
| Accumulated depreciation for:                       |                         |                         |                         |                          |
| Buildings   | (6,897,229)             | (480,521)               | -                       | (7,377,750)              |
| Improvements other than buildings                   | (3,692)                 | (1,360)                 | -                       | (5,052)                  |
| Machinery and equipment                             | (8,308,510)             | (152,722)               | 49,453                  | (8,411,779)              |
| Water systems                                       | (3,514,008)             | (120,961)               | -                       | (3,634,969)              |
| Sewer system  | (1,401,263)             | (145,037)               | -                       | (1,546,300)              |
|   | <u>(20,124,702)</u>     | <u>(900,601)</u>        | <u>49,453</u>           | <u>(20,975,850)</u>      |
| Total depreciable assets, net                       | <u>26,148,959</u>       | <u>1,194,247</u>        | <u>(8,141)</u>          | <u>27,335,065</u>        |
| <b>Business-type activities capital assets, net</b> | <u>\$ 28,432,364</u>    | <u>\$ 2,325,249</u>     | <u>\$ (312,553)</u>     | <u>\$ 30,445,060</u>     |

Depreciation expense was charged in the Statement of Activities for the year ended June 30, 2009, as follows:

|                                  |                   |
|----------------------------------|-------------------|
| <b>Governmental activities:</b>  |                   |
| General government               | \$ 391,559        |
| Public safety                    | 205,504           |
| Public works                     | 175,423           |
| Recreation                       | 17,876            |
|                                  | <u>\$ 790,362</u> |
| <b>Business-type activities:</b> |                   |
| Water utility                    | \$ 168,095        |
| Sewer utility                    | 458,991           |
| Stadium                          | 273,515           |
|                                  | <u>\$ 900,601</u> |

City Of Aberdeen, Maryland

Notes To Basic Financial Statements

Note 7. Long-Term Liabilities

Long-term liability activity as of and for the year ended June 30, 2009, is as follows:

|                                  | Balance<br>July 1, 2008 | Additions         | Deductions          | Balance<br>June 30, 2009 | Amounts due<br>Within One Year |
|----------------------------------|-------------------------|-------------------|---------------------|--------------------------|--------------------------------|
| <b>Governmental activities:</b>  |                         |                   |                     |                          |                                |
| General obligation bonds payable | \$ 5,372,000            | \$ -              | \$ (196,300)        | \$ 5,175,700             | \$ 206,500                     |
| Notes payable                    | 1,088,819               | -                 | (177,809)           | 911,010                  | 114,057                        |
| Financing agreement              | -                       | 167,202           | (31,790)            | 135,412                  | 66,014                         |
| Compensated absences             | 1,016,485               | 167,163           | (115,309)           | 1,068,339                | 475,883                        |
| Net pension obligation           | 142,003                 | -                 | (11,628)            | 130,375                  | -                              |
|                                  | <u>\$ 7,619,307</u>     | <u>\$ 334,365</u> | <u>\$ (532,836)</u> | <u>\$ 7,420,836</u>      | <u>\$ 862,454</u>              |
| <b>Business-type activities:</b> |                         |                   |                     |                          |                                |
| General obligation bonds payable | \$ 9,201,800            | \$ -              | \$ (456,500)        | \$ 8,745,300             | \$ 474,200                     |
| Notes payable                    | 1,942,855               | -                 | (299,058)           | 1,643,797                | 310,705                        |
| Compensated absences             | 246,038                 | 41,104            | (17,617)            | 269,525                  | 112,494                        |
|                                  | <u>\$ 11,390,693</u>    | <u>\$ 41,104</u>  | <u>\$ (773,175)</u> | <u>\$ 10,658,622</u>     | <u>\$ 897,399</u>              |

General obligation bonds payable relating to governmental activities at June 30, 2009, consist of the following:

|  |                     |
|--|---------------------|
| Series A Infrastructure Bonds of 2000; authorized amount \$3,700,000; interest at rates ranging from 5.125% to 5.875%; payable in annual payments of principal ranging from \$44,600 to \$250,000 and semiannual payments of interest through May 2030 | \$ 3,060,100        |
| Series A Infrastructure Bonds of 2002; authorized amount \$2,091,200; interest at rates ranging from 2.25% to 4.375%; payable in annual payments of principal ranging from \$38,900 to \$156,500 and semiannual payments of interest through May 2022  | 1,555,600           |
| Series B Infrastructure Bonds of 2004; authorized amount \$679,800; interest at rates ranging from 3.0% to 4.2%; payable in annual payment of principal ranging from \$10,500 to \$50,000 and semiannual payments of interest through May 2024         | 560,000             |
|  | <u>\$ 5,175,700</u> |

**City Of Aberdeen, Maryland**

**Notes To Basic Financial Statements**

**Note 7. Long-Term Liabilities (Continued)**

A schedule of maturities of the general obligation bonds payable relating to governmental activities as of June 30, 2009, is as follows:

| Years Ending June 30, | Principal           | Interest            | Totals              |
|-----------------------|---------------------|---------------------|---------------------|
| 2010                  | \$ 206,500          | \$ 254,907          | \$ 461,407          |
| 2011                  | 211,600             | 246,807             | 458,407             |
| 2012                  | 214,300             | 238,449             | 452,749             |
| 2013                  | 226,700             | 229,765             | 456,465             |
| 2014                  | 237,200             | 220,515             | 457,715             |
| 2015-2019             | 1,356,700           | 935,902             | 2,292,602           |
| 2020-2024             | 1,427,900           | 584,156             | 2,012,056           |
| 2025-2029             | 1,044,800           | 264,721             | 1,309,521           |
| 2030                  | 250,000             | 14,696              | 264,696             |
|                       | <u>\$ 5,175,700</u> | <u>\$ 2,989,918</u> | <u>\$ 8,165,618</u> |

Notes payable relating to governmental activities at June 30, 2009, consists of the following:

|  |                   |
|--|-------------------|
| Liquidation liability, Harford County Liquor Control Board;<br>original amount \$20,920; annual principal and interest payments of<br>\$1,529, interest at 7.0%, maturing June 2020  | \$ 12,437         |
| Loan payable, Department of Housing and Community Development,<br>non-interest bearing; payments of \$36,000 beginning December<br>2007 through December 2012  | 71,284            |
| Bank term loans, issued for a combined amount of \$1,567,000;<br>currently being liquidated in quarterly installments of principal and interest<br>with combined payments of approximately \$44,173, accruing interest at rates<br>ranging from 2.3% to 5.0%; due dates ranging from October 2009 to June 2025 | 827,289           |
|  | <u>\$ 911,010</u> |

A schedule of maturities of the notes payable relating to governmental activities as of June 30, 2009, is as follows:

| Years Ending June 30, | Principal         | Interest          | Total               |
|-----------------------|-------------------|-------------------|---------------------|
| 2010                  | \$ 114,057        | \$ 29,837         | \$ 143,894          |
| 2011                  | 86,088            | 27,103            | 113,191             |
| 2012                  | 50,860            | 25,212            | 76,072              |
| 2013                  | 50,921            | 23,316            | 74,237              |
| 2014                  | 50,985            | 21,417            | 72,402              |
| 2015-2019             | 256,060           | 78,424            | 334,484             |
| 2020-2024             | 252,039           | 31,013            | 283,052             |
| 2025                  | 50,000            | 688               | 50,688              |
|                       | <u>\$ 911,010</u> | <u>\$ 237,010</u> | <u>\$ 1,148,020</u> |

**City Of Aberdeen, Maryland**

**Notes To Basic Financial Statements**

**Note 7. Long-Term Liabilities (Continued)**

Financing agreements relating to governmental activities at June 30, 2009, consists of the following:

|   |            |
|---|------------|
| Bank financing agreement, original amount \$167,202; annual principal and interest payments of \$71,296, interest at 5.1%, maturing June 2011 | \$ 135,412 |
|   | \$ 135,412 |

A schedule of maturities of the financing agreement relating to governmental activities as of June 30, 2009, is as follows:

| Years Ending June 30, | Principal  | Interest | Total      |
|-----------------------|------------|----------|------------|
| 2010                  | \$ 66,014  | \$ 5,282 | \$ 71,296  |
| 2011                  | 69,398     | 1,898    | 71,296     |
|                       | \$ 135,412 | \$ 7,180 | \$ 142,592 |

The entire accumulated unused compensated absences liability for governmental activities will be liquidated by the general fund.

General obligation bonds payable relating to business-type activities at June 30, 2009, consist of the following:

|   |              |
|---|--------------|
| Series B Infrastructure Bonds of 2007; authorized amount \$3,084,500; interest at rates ranging from 3.5% to 4.25%; payable in annual payment of principal ranging from \$105,000 to \$221,000 and semiannual payments of interest through May 2027 | \$ 2,872,000 |
| Series A Infrastructure Bonds of 2002; authorized amount \$1,045,700; interest at rates ranging from 2.25% to 4.375%; payable in annual payment of principal ranging from \$19,400 to \$78,500 and semiannual payments of interest through May 2022 | 775,000      |
| Series B Infrastructure Bonds of 2001; authorized amount \$4,812,700; interest at rates ranging from 4.0% to 5.0%; payable in annual payments of principal ranging from \$184,000 to \$383,500 and semiannual payments of interest through May 2021 | 3,593,300    |
| Series B Land Purchase Bonds of 2001; authorized amount \$1,930,000; interest at rates ranging from 6.25% to 6.8%; payable in annual payments of principal ranging from \$60,000 to \$175,000 and semiannual payments of interest through May 2021  | 1,505,000    |
|   | \$ 8,745,300 |

**City Of Aberdeen, Maryland**

**Notes To Basic Financial Statements**

**Note 7. Long-Term Liabilities (Continued)**

A schedule of maturities of the general obligation bonds payable relating to the business-type activities as of June 30, 2009, is as follows:

| Years Ending June 30, | Principal           | Interest            | Total                |
|-----------------------|---------------------|---------------------|----------------------|
| 2010                  | \$ 474,200          | \$ 430,941          | \$ 905,141           |
| 2011                  | 497,000             | 411,383             | 908,383              |
| 2012                  | 522,100             | 391,226             | 913,326              |
| 2013                  | 546,500             | 369,727             | 916,227              |
| 2014                  | 569,600             | 346,377             | 915,977              |
| 2015-2019             | 3,293,400           | 1,328,078           | 4,621,478            |
| 2020-2024             | 2,206,000           | 496,718             | 2,702,718            |
| 2025-2027             | 636,500             | 92,592              | 729,092              |
|                       | <u>\$ 8,745,300</u> | <u>\$ 3,867,042</u> | <u>\$ 12,612,342</u> |

Notes payable relating to business-type activities at June 30, 2009, consists of the following:

|  |                     |
|--|---------------------|
| Loans payable, Maryland Water Quality Financing Administration, accruing interest at rates ranging from 3.38% to 4.894%; payable in annual principal payments ranging from \$49,037 to \$89,605 and semiannual payments of interest; due dates ranging from 2010 to 2018 | \$ 517,387          |
| Bank term loans, issued for a combined amount of \$2,884,916, accruing interest at rates ranging from 3.38% to 4.894%; payable monthly, quarterly or semiannually at varying amounts; due dates ranging from 2009 to 2025  | 1,126,410           |
|  | <u>\$ 1,643,797</u> |

A schedule of maturities of the notes payable relating to the business-type activities as of June 30, 2009, is as follows:

| Years Ending June 30, | Principal           | Interest          | Total               |
|-----------------------|---------------------|-------------------|---------------------|
| 2010                  | \$ 310,705          | \$ 71,802         | \$ 382,507          |
| 2011                  | 323,137             | 55,654            | 378,791             |
| 2012                  | 255,211             | 39,223            | 294,434             |
| 2013                  | 338,621             | 27,551            | 366,172             |
| 2014                  | 213,676             | 13,901            | 227,577             |
| 2015-2019             | 202,447             | 16,931            | 219,378             |
|                       | <u>\$ 1,643,797</u> | <u>\$ 225,062</u> | <u>\$ 1,868,859</u> |

**Note 8. Line Of Credit**

During 2009, the City entered into a revolving line of credit agreement with a commercial bank for \$2,000,000 with interest adjusted daily to seventy percent of the bank prime rate published in the Wall Street Journal. The City drew \$819,981 which was used to repay and terminate the existing line of credit in full, amounting to \$869,941. The line of credit is used for General Fund operating expenditures. The line is renewed annually and expires in July 2012. There was \$819,981 outstanding on the line of credit at June 30, 2009.

## City Of Aberdeen, Maryland

### Notes To Basic Financial Statements

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#### Note 9. Retirement Plans

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

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

#### Defined Benefit Plan

##### *Plan Description:*

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

##### *Plan Membership:*

The pension plan's membership consisted of the following as of July 1, 2008, the date of the last actuarial valuation:

|  |           |
|--|-----------|
| Active employees   | 1         |
| Retirees and beneficiaries currently receiving benefits              | 22        |
| Terminated employees entitled to benefits but not yet receiving them | 3         |
| Total  | <u>26</u> |

##### *Contribution Information and Funding Policy:*

The 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 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 Plan for the year ended June 30, 2009 was \$117,321. The Plan does not provide for a maximum employer contribution. No contributions are required of employees. As of July 1, 2008, the date of the last actuarial valuation, only one plan participant was actively working and that person has reached normal retirement age. Therefore, there is no compensation for members expected to continue earning benefits. Administrative costs are financed through investment earnings.

##### *Valuation of Investments:*

The Pension Plan's Unallocated Insurance contracts are valued at contract value. 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. Funds under the contract that have been allocated and applied to purchase annuities are excluded from the pension plan's assets. At June 30, 2009, no investment in any one organization exceeded five percent or more of net assets available for benefits.

**City Of Aberdeen, Maryland**

**Notes To Basic Financial Statements**

**Note 9. Retirement Plans (Continued)**

*Annual Pension Cost and Net Pension Obligation:*

The City's annual pension cost and net pension obligation for the current year as follows:

|  |            |
|--|------------|
| Annual required contribution               | \$ 117,321 |
| Interest on net pension obligation         | 8,471      |
| Adjustment to annual required contribution | (19,183)   |
| Annual pension cost                        | 106,609    |
| Less contributions made                    | (117,321)  |
| Decrease in net pension obligation         | (10,712)   |
| Net pension obligation:                    |            |
| Beginning                                  | 141,189    |
| Ending                                     | \$ 130,477 |

The annual required contributions for the current year were determined as part of the July 1, 2008 actuarial valuation using the entry age normal cost method. The actuarial assumptions included (a) 6.0% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4.1% and 7.3% per year. Both (a) and (b) included an inflation component of 2.2%. The assumptions did not include postretirement benefit increases, which are funded by City appropriation when granted. 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, 2008 was 10 years, which is re-established each year.

Three-year trend information:

| Fiscal Year Ended | Annual Pension Cost<br>(APC) | Percentage of APC<br>Contributed | Net Pension Obligation |
|-------------------|------------------------------|----------------------------------|------------------------|
| June 30, 2009     | \$106,609                    | 101.2%                           | \$130,477              |
| June 30, 2008     | \$103,453                    | 111.2%                           | \$141,189              |
| June 30, 2007     | \$91,049                     | 113.8%                           | \$152,897              |

*Funding Status and Funding Progress*

As of July 1, 2008, the most recent actuarial valuation date, the plan was 79.27% funded. The actuarial accrued liability for benefits was \$2,006,397, and the actuarial value of assets was \$1,590,396, resulting in an unfunded actuarial liability (UAAL) of \$416,001.

The schedules of funding progress, presented as supplemental information following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

## City Of Aberdeen, Maryland

### Notes To Basic Financial Statements

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#### Note 9. Retirement Plans (Continued)

##### Defined Contribution Plan

###### Description of Plan:

The City of Aberdeen Defined Contribution Plan is a defined contribution pension plan established by the City of Aberdeen to provide benefits at retirement to employees of the City who are not participants in the defined pension plan or the police pension plan. At June 30, 2009, there were 106 plan members. Plan participants are required to contribute 2% of covered salary. The City is required to contribute 7% of annual covered payroll. Plan provisions and contribution requirements are established and may be amended by the Aberdeen City Council. Participants' and the City's actual contributions were \$98,983 and \$346,416, respectively.

###### Basis of Accounting:

The Plan's financial statements are prepared using the accrual basis of accounting. Employer and plan member contributions are recognized in the period that the contributions are due.

###### Method Used to Value Investments:

Plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sales price. Investments that do not have an established market are reported at estimated fair values.

##### Police Department Pension Plan

###### Description of Plan:

This Pension Plan is a single-employer contributory defined benefit pension plan established by the City ordinance. The Plan is governed by the City of Aberdeen 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.

###### Plan Membership:

The pension plan's membership consisted of the following as of July 1, 2008, the date of the last actuarial valuation:

|  |           |
|--|-----------|
| Active employees   | 41        |
| Retirees and beneficiaries currently receiving benefits              | -         |
| Terminated employees entitled to benefits but not yet receiving them | 10        |
| Total  | <u>51</u> |

###### Contribution Information and Funding Policy:

The 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 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 current rate is 19.7% of annual covered payroll. The Plan does not provide for a maximum employer contribution. The actuarially required contribution rate and the amount paid into the Plan for the year ended June 30, 2009 was \$304,632. Administrative costs are financed through investment earnings.

The police officers contribute to the Plan based on 7% of salaries. Participants' actual contributions were \$175,092 at June 30, 2009.

**City Of Aberdeen, Maryland**

**Notes To Basic Financial Statements**

**Note 9. Retirement Plans (Continued)**

*Annual Pension Cost and Net Pension Obligation:*

The City's annual pension cost and net pension obligation for the current year were as follows:

|  |                      |
|--|----------------------|
| Annual required contribution               | \$ 304,632           |
| Interest on net pension obligation         | 53                   |
| Adjustment to annual required contribution | (80)                 |
| Annual pension cost                        | <u>304,605</u>       |
| Less contributions made                    | <u>(304,632)</u>     |
| Decrease in net pension obligation         | (27)                 |
| Net pension obligation:                    |                      |
| Beginning                                  | 706                  |
| Ending                                     | <u><u>\$ 679</u></u> |

The annual required contributions for the current year was determined as part of the July 1, 2008 actuarial valuation using the entry age normal cost method. The actuarial assumptions included (a) 7.5% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 5.4% and 8.6% per year. Both (a) and (b) included an inflation component of 3.5%. The assumptions did not include postretirement benefit increases, which are funded by City appropriation when granted. 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, 2008 was 15 years, which is re-established each year.

Three-year trend information:

| Fiscal Year Ended | Annual Pension Cost<br>(APC) | Percentage of APC<br>Contributed | Net Pension Obligation |
|-------------------|------------------------------|----------------------------------|------------------------|
| June 30, 2009     | \$304,605                    | 100.00%                          | \$679                  |
| June 30, 2008     | \$289,074                    | 100.00%                          | \$706                  |
| June 30, 2007     | \$228,873                    | 100.00%                          | \$734                  |

*Funding Status and Funding Progress*

As of July 1, 2008, the most recent actuarial valuation date, the plan was 74.31% funded. The actuarial accrued liability for benefits was \$5,429,131, and the actuarial value of assets was \$4,032,415, resulting in an unfunded actuarial liability (UAAL) of \$1,396,716. The covered payroll (annual payroll of active employees covered by the plan) was \$1,546,417, and the ratio of the UAAL to the covered payroll was 90.3%.

The schedules of funding progress, presented as supplemental information following the notes to the basic financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

City Of Aberdeen, Maryland

Notes To Basic Financial Statements

Note 9. Retirement Plans (Continued)

The financial information for each plan as of and for the year ended June 30, 2009 is summarized as follows:

| Combining Statement of Fiduciary Net Assets |                     |                     |                      |                     |
|---|---------------------|---------------------|----------------------|---------------------|
|   | 401 Plan            | Police Pension Plan | Defined Benefit Plan | Total               |
| <b>Assets</b>                               |                     |                     |                      |                     |
| Cash and short-term investments             | \$ 12,568           | \$ -                | \$ -                 | \$ 12,568           |
| Investments in mutual funds, at fair-value: |                     |                     |                      |                     |
| Equities                                    | 3,345,463           | 1,904,887           | -                    | 5,250,350           |
| Fixed Income                                | 28,018              | 1,169,280           | -                    | 1,197,298           |
| Bonds                                       | 81,701              | 148,725             | 1,609,338            | 1,839,764           |
|   | 3,455,182           | 3,222,892           | 1,609,338            | 8,287,412           |
| <b>Total assets</b>                         | <b>\$ 3,467,750</b> | <b>\$ 3,222,892</b> | <b>\$ 1,609,338</b>  | <b>\$ 8,299,980</b> |
| <b>Net Assets</b>                           |                     |                     |                      |                     |
| Held in trust for pension benefits          | \$ 3,467,750        | \$ 3,222,892        | \$ 1,609,338         | \$ 8,299,980        |

| Combining Statement of Changes in Fiduciary Net Assets |              |                     |                      |              |
|--|--------------|---------------------|----------------------|--------------|
|  | 401 Plan     | Police Pension Plan | Defined Benefit Plan | Total        |
| <b>Additions</b>                                       |              |                     |                      |              |
| Contributions:   |              |                     |                      |              |
| Employer contributions                                 | \$ 346,416   | \$ 305,000          | \$ 117,321           | \$ 768,737   |
| Employee contributions                                 | 98,983       | 175,092             | -                    | 274,075      |
| <b>Total contributions</b>                             | 445,399      | 480,092             | 117,321              | 1,042,812    |
| Investment earnings:                                   |              |                     |                      |              |
| Investment income & net appreciation                   | (528,469)    | (800,279)           | 81,525               | (1,247,223)  |
| <b>Total additions</b>                                 | (83,070)     | (320,187)           | 198,846              | (204,411)    |
| <b>Deductions</b>                                      |              |                     |                      |              |
| Benefit payments                                       | 70,046       | 122,452             | 166,345              | 358,843      |
| Administrative expenses                                | -            | 25,082              | 13,559               | 38,641       |
| <b>Total deductions</b>                                | 70,046       | 147,534             | 179,904              | 397,484      |
| <b>Change in net assets</b>                            | (153,116)    | (467,721)           | 18,942               | (601,895)    |
| <b>Net Assets:</b>                                     |              |                     |                      |              |
| Beginning  | 3,620,866    | 3,690,614           | 1,590,395            | 8,901,875    |
| Ending   | \$ 3,467,750 | \$ 3,222,893        | \$ 1,609,337         | \$ 8,299,980 |

It is the City's policy to pay a portion of the cost of major medical insurance for retired employees. The percentage of contribution is based on the number of years of service. All retired employees who have met the City's years of service requirements are eligible, including those on disability retirement. Coverage may include the retiree, spouse and dependents. Coverage does not cease upon death of the retiree. The City recognizes the cost of its contribution in the year it is made. The Plan has 15 retirees eligible to receive benefits. For the year ended June 30, 2009 the Plan had 15 retirees receiving benefits at a total cost of approximately \$80,900.

## City Of Aberdeen, Maryland

### Notes To Basic Financial Statements

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#### Note 10. 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 two contracts to a design to upgrade the Wastewater Treatment Plant to Enhanced Nutrient Removal (ENR) technology, and to design and build a degasifier for the Water Treatment Plant. The projects are being financed through bond and grant proceeds. The value of the City's remaining commitment under these contracts at June 30, 2009 is \$1,058,955.

#### Note 11. New Governmental Accounting Standards Board (GASB) Standards

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the year ended June 30, 2009, 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. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, will be implemented in phases using the same criteria applied in the implementation of the new governmental reporting model. As a result, this Statement will be effective for the City beginning with its year ending June 30, 2010. This Statement will require governments to recognize an expense under the accrual basis for annual required OPEB contributions, regardless of amounts paid. The cumulative difference between amounts expensed and paid will create a liability (asset) similar to net pension obligations.

GASB Statement Number 51, *Accounting and Financial Reporting for Intangible Assets*, will be effective for the City beginning with its year ending June 30, 2010. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable.

GASB Statement Number 53, *Accounting and Financial Reporting For Derivative Instruments*, will be effective for the City beginning with its year ending June 30, 2010. This Statement provides a comprehensive framework for the measurement, recognition, and disclosure of derivative instruments transactions.

GASB Statement Number 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, will be effective for the City beginning with its year ending June 30, 2011. This Statement is intended to improve the usefulness of information provided to financial report users about fund balance by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types.

**City Of Aberdeen, Maryland**

**Required Supplementary Information (Unaudited)**

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**Defined Benefit Pension Plan:**

**Schedule of Employer Contributions**

The following table provides an analysis of employer contributions for the last six fiscal years:

| Years Ended June 30, | Annual<br>Required<br>Contribution | Actual<br>Contribution | Percentage<br>Contributed |
|----------------------|------------------------------------|------------------------|---------------------------|
| 2009                 | \$ 117,321                         | \$ 117,321             | 100.00%                   |
| 2008                 | 115,053                            | 115,053                | 100.00%                   |
| 2007                 | 103,598                            | 103,598                | 100.00%                   |
| 2006                 | 81,951                             | 81,951                 | 100.00%                   |
| 2005                 | 76,275                             | 76,275                 | 100.00%                   |
| 2004                 | 67,914                             | 67,914                 | 100.00%                   |

**Schedule of Funding Progress**

The following table provides an analysis of funding progress for the last four fiscal years:

| Actuarial<br>Valuation<br>Date<br>July 1, | Actuarial<br>Value of<br>Assets<br>(a) | Actuarial<br>Accrued Liability<br>(AAL) Entry Age<br>(b) | Unfunded<br>AAL<br>(UAAL)<br>(b - a) | Funded<br>Ratio<br>(a / b) | Covered<br>Payroll<br>c | UAAL as a<br>Percentages of<br>Covered Payroll<br>[(b - a) / c] |
|---|--|--|--------------------------------------|----------------------------|-------------------------|---|
| 2008                                      | \$ 1,590,396                           | \$ 2,006,397   | \$ 416,001                           | 79.26%                     | \$ -                    | 0%  |
| 2007                                      | \$ 1,570,833                           | \$ 1,988,133   | \$ 417,300                           | 79.01%                     | \$ -                    | 0%  |
| 2006                                      | \$ 1,560,997                           | \$ 1,870,390   | \$ 309,393                           | 83.46%                     | \$ -                    | 0%  |
| 2005                                      | \$ 1,567,116                           | \$ 1,884,640   | \$ 317,524                           | 83.15%                     | \$ 54,006               | 587.94%   |

**City Of Aberdeen, Maryland**

**Required Supplementary Information (Unaudited)**

**Police Department Defined Benefit Pension Plan:**

**Schedule of Employer Contributions**

The following table provides an analysis of funding progress for the last six fiscal years:

| Years Ended June 30, | Annual<br>Required<br>Contribution | Actual<br>Contribution | Percentage<br>Contributed |
|----------------------|------------------------------------|------------------------|---------------------------|
| 2009                 | \$ 304,632                         | \$ 304,632             | 100.00%                   |
| 2008                 | 289,102                            | 289,102                | 100.00%                   |
| 2007                 | 228,903                            | 228,903                | 100.00%                   |
| 2006                 | 199,541                            | 199,541                | 100.00%                   |
| 2005                 | 196,198                            | 196,198                | 100.00%                   |
| 2004                 | 191,327                            | 191,327                | 100.00%                   |

**Schedule of Funding Progress**

The following table provides an analysis of funding progress for the last four fiscal years:

| Actuarial<br>Valuation<br>Date<br>July 1, | Actuarial<br>Value of<br>Assets<br>(a) | Actuarial<br>Accrued Liability<br>(AAL) Entry Age<br>(b) | Unfunded<br>AAL<br>(UAAL)<br>(b - a) | Funded<br>Ratio<br>(a / b) | Covered<br>Payroll<br>c | UAAL as a<br>Percentages of<br>Covered Payroll<br>[(b - a) / c] |
|---|--|--|--------------------------------------|----------------------------|-------------------------|---|
| 2008                                      | \$ 4,032,415                           | \$ 5,429,131   | \$ 1,396,716                         | 74.31%                     | \$ 1,546,417            | 90.32%  |
| 2007                                      | \$ 3,431,199                           | \$ 4,612,228   | \$ 1,181,029                         | 74.39%                     | \$ 1,547,471            | 76.31%  |
| 2006                                      | \$ 2,827,760                           | \$ 3,817,996   | \$ 990,236                           | 74.06%                     | \$ 1,353,452            | 73.16%  |
| 2005                                      | \$ 2,385,899                           | \$ 3,444,574   | \$ 1,058,675                         | 69.27%                     | \$ 1,190,025            | 88.96%  |

City Of Aberdeen, Maryland

Schedule Of Revenues And Other Financing Sources - Budget And Actual - General Fund  
Year Ended June 30, 2009

|                                     | Budget Amounts    |                   | Actual<br>Amounts | Variance With<br>Final Budget<br>Positive<br>(Negative) |
|-------------------------------------|-------------------|-------------------|-------------------|---|
|                                     | Original          | Final             |                   |   |
| <b>Taxes:</b>                       |                   |                   |                   |   |
| Property taxes:                     |                   |                   |                   |   |
| Real estate taxes                   | \$ 7,847,206      | \$ 7,847,206      | \$ 7,981,245      | \$ 134,039  |
| Corporation personal property taxes | 740,962           | 740,962           | 730,235           | (10,727)  |
| Utilities personal property tax     | 252,794           | 252,794           | 262,804           | 10,010  |
| Penalties and interest              | 25,000            | 25,000            | 81,383            | 56,383  |
| Additions and abatements            | (8,000)           | (8,000)           | (18,230)          | (10,230)  |
| Discount on taxes                   | (50,450)          | (50,450)          | (53,117)          | (2,667)   |
| Tax credit - firemen exemptions     | (15,122)          | (15,122)          | (16,380)          | (1,258)   |
| Tax credit - no water or sewer      | (6,000)           | (6,000)           | (6,424)           | (424)   |
| Enterprise Zone tax credits         | (200,802)         | (200,802)         | (200,721)         | 81  |
|                                     | <u>8,585,588</u>  | <u>8,585,588</u>  | <u>8,760,795</u>  | <u>175,207</u>  |
| Local taxes:                        |                   |                   |                   |   |
| Franchise tax                       | 115,152           | 115,152           | 125,856           | 10,704  |
| Mobile home excise tax              | 36,000            | 36,000            | 33,440            | (2,560)   |
| Utilities pole tax                  | 57,119            | 57,119            | 56,850            | (269)   |
| Hospitality Way special assessment  | 33,935            | 33,935            | 30,935            | (3,000)   |
|                                     | <u>242,206</u>    | <u>242,206</u>    | <u>247,081</u>    | <u>4,875</u>  |
| State shared taxes:                 |                   |                   |                   |   |
| Income tax                          | 875,000           | 875,000           | 1,112,667         | 237,667   |
| Highway tax                         | 800,118           | 749,529           | 669,154           | (80,375)  |
|                                     | <u>1,675,118</u>  | <u>1,624,529</u>  | <u>1,781,821</u>  | <u>157,292</u>  |
| <b>Total taxes</b>                  | <u>10,502,912</u> | <u>10,452,323</u> | <u>10,789,697</u> | <u>337,374</u>  |
| <b>Licenses and permits:</b>        |                   |                   |                   |   |
| Traders' licenses                   | 30,000            | 30,000            | 35,310            | 5,310   |
| Liquor licenses                     | 1,500             | 1,500             | 4,854             | 3,354   |
| Grading permits                     | 10,000            | 10,000            | 24,353            | 14,353  |
| Building permits                    | 30,000            | 30,000            | 25,488            | (4,512)   |
| Site plan review                    | 30,000            | 30,000            | 16,299            | (13,701)  |
| Peddlers permits                    | -                 | -                 | 10                | 10  |
| <b>Total licenses and permits</b>   | <u>101,500</u>    | <u>101,500</u>    | <u>106,314</u>    | <u>4,814</u>  |

(Continued)

City Of Aberdeen, Maryland

Schedule Of Revenues And Other Financing Sources - Budget And Actual - General Fund  
 (Continued)  
 Year Ended June 30, 2009

|   | Budget Amounts       |                      | Actual<br>Amounts    | Variance With<br>Final Budget<br>Positive<br>(Negative) |
|---|----------------------|----------------------|----------------------|---|
|   | Original             | Final                |                      |   |
| <b>Intergovernmental:</b>                         |                      |                      |                      |   |
| Grants from state government:                     |                      |                      |                      |   |
| Police state aid                                  | 254,128              | 254,128              | 246,941              | (7,187)   |
| Police supplemental aid                           | 35,357               | 35,357               | 34,619               | (738)   |
|   | <u>289,485</u>       | <u>289,485</u>       | <u>281,560</u>       | <u>(7,925)</u>  |
| Grants from county government:                    |                      |                      |                      |   |
| In lieu of financial corporation                  | 7,142                | 7,142                | 7,142                | -   |
| Tax differential - Harford County                 | 694,279              | 694,279              | 694,279              | -   |
| Senior Center reimbursement                       | 44,940               | 44,940               | 44,940               | -   |
| School resource officer                           | -                    | 110,000              | 78,791               | (31,209)  |
|   | <u>746,361</u>       | <u>856,361</u>       | <u>825,152</u>       | <u>(31,209)</u>   |
| Grants from local government:                     |                      |                      |                      |   |
| Residential special patrol                        | 35,000               | 35,000               | 45,468               | 10,468  |
| <b>Total intergovernmental</b>                    | <u>1,070,846</u>     | <u>1,180,846</u>     | <u>1,152,180</u>     | <u>(28,666)</u>   |
| <b>APG management fees</b>                        | <u>276,722</u>       | <u>276,722</u>       | <u>275,771</u>       | <u>(951)</u>  |
| <b>Miscellaneous revenues:</b>                    |                      |                      |                      |   |
| Trash collection stickers fees                    | 184,000              | 184,000              | 169,167              | (14,833)  |
| Police miscellaneous income                       | 25,000               | 25,000               | 29,797               | 4,797   |
| Antenna leases                                    | 23,519               | 23,519               | 29,802               | 6,283   |
| Fines and forfeitures                             | 6,000                | 6,000                | 19,918               | 13,918  |
| Interest on savings                               | 6,000                | 6,000                | 30,831               | 24,831  |
| Other miscellaneous                               | 64,828               | 71,408               | 166,365              | 94,957  |
| <b>Total miscellaneous revenues</b>               | <u>309,347</u>       | <u>315,927</u>       | <u>445,880</u>       | <u>129,953</u>  |
| <b>Total revenues</b>                             | <u>12,261,327</u>    | <u>12,327,318</u>    | <u>12,769,842</u>    | <u>442,524</u>  |
| <b>Other financing sources:</b>                   |                      |                      |                      |   |
| Proceeds from long-term borrowings                | -                    | 819,981              | 819,981              | -   |
| Appropriation of fund balance                     | -                    | 27,270               | -                    | (27,270)  |
| <b>Total other financing sources</b>              | <u>-</u>             | <u>847,251</u>       | <u>819,981</u>       | <u>(27,270)</u>   |
| <b>Total revenues and other financing sources</b> | <u>\$ 12,261,327</u> | <u>\$ 13,174,569</u> | <u>\$ 13,589,823</u> | <u>\$ 415,254</u>                                       |

City Of Aberdeen, Maryland

Schedule Of Expenditures And Other Financing Uses - Budget And Actual - General Fund  
Year Ended June 30, 2009

|                                     | Budget Amounts   |                  | Actual<br>Amounts | Variance With<br>Final Budget |
|-------------------------------------|------------------|------------------|-------------------|-------------------------------|
|                                     | Original         | Final            |                   | Positive<br>(Negative)        |
| <b>General Government:</b>          |                  |                  |                   |                               |
| Legislative:                        |                  |                  |                   |                               |
| Elected officials                   | \$ 40,000        | \$ 47,381        | \$ 38,102         | \$ 9,279                      |
| Operating expenditures              | 48,000           | 48,000           | 34,715            | 13,285                        |
| Maryland Municipal League           | 15,000           | 15,000           | 15,822            | (822)                         |
| Volunteer dinner                    | 5,000            | 5,000            | 2,080             | 2,920                         |
|                                     | <u>108,000</u>   | <u>115,381</u>   | <u>90,719</u>     | <u>24,662</u>                 |
| Executive:                          |                  |                  |                   |                               |
| Salaries                            | 360,866          | 353,484          | 321,984           | 31,500                        |
| Operating expenditures              | 52,500           | 52,500           | 42,055            | 10,445                        |
|                                     | <u>413,366</u>   | <u>405,984</u>   | <u>364,039</u>    | <u>41,945</u>                 |
| Finance:                            |                  |                  |                   |                               |
| Salaries                            | 327,030          | 327,030          | 291,663           | 35,367                        |
| Operating expenditures              | 15,000           | 15,000           | 22,573            | (7,573)                       |
| Audit expense                       | 20,000           | 20,000           | 26,824            | (6,824)                       |
|                                     | <u>362,030</u>   | <u>362,030</u>   | <u>341,060</u>    | <u>20,970</u>                 |
| Legal:                              |                  |                  |                   |                               |
| Codification                        | 5,000            | 5,000            | 4,316             | 684                           |
| Counsel                             | 120,000          | 120,000          | 125,104           | (5,104)                       |
|                                     | <u>125,000</u>   | <u>125,000</u>   | <u>129,420</u>    | <u>(4,420)</u>                |
| Planning and community development: |                  |                  |                   |                               |
| Salaries                            | 199,097          | 199,097          | 191,245           | 7,852                         |
| Operating expenditures              | 21,000           | 38,000           | 40,403            | (2,403)                       |
|                                     | <u>220,097</u>   | <u>237,097</u>   | <u>231,648</u>    | <u>5,449</u>                  |
| Government buildings:               |                  |                  |                   |                               |
| Salaries                            | 19,683           | 19,683           | 14,287            | 5,396                         |
| Operating expenditures              | 388,282          | 369,052          | 326,794           | 42,258                        |
|                                     | <u>407,965</u>   | <u>388,735</u>   | <u>341,081</u>    | <u>47,654</u>                 |
| General government:                 |                  |                  |                   |                               |
| Operating expenditures              | 96,000           | 96,000           | 89,503            | 6,497                         |
| Health and safety:                  |                  |                  |                   |                               |
| Operating expenditures              | 6,485            | 6,485            | 793               | 5,692                         |
| <b>Total general government</b>     | <u>1,738,943</u> | <u>1,736,712</u> | <u>1,588,263</u>  | <u>148,449</u>                |
| <b>Public Safety:</b>               |                  |                  |                   |                               |
| Police Department:                  |                  |                  |                   |                               |
| Salaries                            | 3,239,743        | 3,357,670        | 3,491,796         | (134,126)                     |
| Operating expenditures              | 606,027          | 598,100          | 451,681           | 146,419                       |
|                                     | <u>3,845,770</u> | <u>3,955,770</u> | <u>3,943,477</u>  | <u>12,293</u>                 |

(Continued)

City Of Aberdeen, Maryland

Schedule Of Expenditures And Other Financing Uses - Budget And Actual - General Fund  
(Continued)  
Year Ended June 30, 2009

|  | Budget Amounts       |                      | Actual<br>Amounts    | Variance With<br>Final Budget<br>Positive<br>(Negative) |
|--|----------------------|----------------------|----------------------|---|
|  | Original             | Final                |                      |   |
| Volunteer fire department:<br>Contribution             | 100,000              | 100,000              | 100,000              | -   |
| <b>Total public safety</b>                             | <b>3,945,770</b>     | <b>4,055,770</b>     | <b>4,043,477</b>     | <b>12,293</b>   |
| <b>Public works</b>                                    |                      |                      |                      |   |
| Public works administration:<br>Salaries               | 299,544              | 299,544              | 326,575              | (27,031)  |
| Operating expenditures                                 | 26,907               | 26,907               | 26,232               | 675   |
|  | <b>326,451</b>       | <b>326,451</b>       | <b>352,807</b>       | <b>(26,356)</b>   |
| Streets:<br>Salaries                                   | 683,304              | 683,304              | 693,791              | (10,487)  |
| Operating expenditures                                 | 264,400              | 311,400              | 212,503              | 98,897  |
|  | <b>947,704</b>       | <b>994,704</b>       | <b>906,294</b>       | <b>88,410</b>   |
| Street lighting:<br>Operating expenditures             | 300,000              | 300,000              | 296,816              | 3,184   |
| Winter operation:<br>Operating expenditures            | 10,500               | 10,500               | 10,661               | (161)   |
| Solid waste:<br>Salaries                               | 300,892              | 300,892              | 307,669              | (6,777)   |
| Operating expenditures                                 | 247,200              | 253,781              | 253,396              | 385   |
|  | <b>548,092</b>       | <b>554,673</b>       | <b>561,065</b>       | <b>(6,392)</b>  |
| <b>Total public works</b>                              | <b>2,132,747</b>     | <b>2,186,328</b>     | <b>2,127,643</b>     | <b>58,685</b>   |
| <b>Parks and recreation:</b><br>Operating expenditures | 50,500               | 80,000               | 72,092               | 7,908   |
| <b>Miscellaneous:</b><br>Retirement plans              | 606,948              | 606,948              | 600,213              | 6,735   |
| Payroll expenditures                                   | 1,677,341            | 1,677,341            | 1,581,132            | 96,209  |
| Miscellaneous  | 85,015               | 85,015               | 97,576               | (12,561)  |
|  | <b>2,369,304</b>     | <b>2,369,304</b>     | <b>2,278,921</b>     | <b>90,383</b>   |
| <b>Debt Service:</b><br>Debt service principal         | 387,309              | 1,244,425            | 1,239,880            | 4,545   |
| Debt service interest                                  | 340,262              | 344,686              | 334,359              | 10,327  |
|  | <b>727,571</b>       | <b>1,589,111</b>     | <b>1,574,239</b>     | <b>14,872</b>   |
| <b>Total expenditures</b>                              | <b>10,964,835</b>    | <b>12,017,225</b>    | <b>11,684,635</b>    | <b>332,590</b>  |
| <b>Other financing uses:</b><br>Transfers out          | 1,296,492            | 1,157,344            | 1,157,344            | -   |
| <b>Total expenditures and<br/>other financing uses</b> | <b>\$ 12,261,327</b> | <b>\$ 13,174,569</b> | <b>\$ 12,841,979</b> | <b>\$ 332,590</b>                                       |

City Of Aberdeen, Maryland

Schedule Of Revenues, Expenditures And Other Financing Sources (Uses) -  
 Budget And Actual - Capital Projects Fund  
 Year Ended June 30, 2009

|  | Original<br>Budget | Amended<br>Budget | Actual            | Variance With<br>Amended Budget<br>Positive<br>(Negative) |
|--|--------------------|-------------------|-------------------|---|
| <b>Revenues</b>  |                    |                   |                   |   |
| Revenues from other agencies   | \$ 100,036         | \$ 936,829        | \$ 610,099        | \$ (326,730)  |
| Miscellaneous  | -                  | -                 | 326               | 326   |
| <b>Total revenues</b>  | <u>100,036</u>     | <u>936,829</u>    | <u>610,425</u>    | <u>(326,404)</u>  |
| <b>Expenditures</b>  |                    |                   |                   |   |
| General government   | 100,036            | 307,615           | 369,984           | (62,369)  |
| Public safety  | 122,500            | 222,290           | 202,816           | 19,474  |
| Public works   | 880,918            | 1,271,194         | 395,314           | 875,880   |
| <b>Total expenditures</b>  | <u>1,103,454</u>   | <u>1,801,099</u>  | <u>968,114</u>    | <u>832,985</u>  |
| <b>Other financing sources</b>   |                    |                   |                   |   |
| Transfers from general fund  | 1,003,418          | 864,270           | 864,270           | -   |
| <b>Net change in fund balance<br/>(budgetary basis)</b>                        | <u>\$ -</u>        | <u>\$ -</u>       | 506,581           | <u>\$ 506,581</u>   |
| Adjustments to conform with generally<br>accepted accounting principles (GAAP) |                    |                   | <u>(360,270)</u>  |   |
| Net change in fund balance (GAAP basis)  |                    |                   | 146,311           |   |
| <b>Fund Balance:</b>   |                    |                   |                   |   |
| Beginning  |                    |                   | 140,113           |   |
| Ending   |                    |                   | <u>\$ 286,424</u> |   |

City Of Aberdeen, Maryland

Schedule Of Revenues And Expenditures - Budget And Actual - Sewer Fund  
Year Ended June 30, 2009

|  | Original<br>Budget | Amended<br>Budget | Actual               | Variance With<br>Amended Budget<br>Positive<br>(Negative) |
|--|--------------------|-------------------|----------------------|---|
| <b>Operating revenues</b>  |                    |                   |                      |   |
| Utility usage charges  | \$ 2,200,660       | \$ 2,200,660      | \$ 2,040,272         | \$ (160,388)  |
| Laboratory services  | 7,700              | 7,700             | 510                  | (7,190)   |
| Sludge operation   | 320,000            | 320,000           | 390,486              | 70,486  |
| Compost sales  | 5,000              | 5,000             | 2,788                | (2,212)   |
| Miscellaneous income   | 1,000              | 1,000             | 73                   | (927)   |
| Late penalty   | 22,007             | 22,007            | 29,441               | 7,434   |
| APG contract fees  | 64,193             | 64,193            | 65,040               | 847   |
|  | <u>2,620,560</u>   | <u>2,620,560</u>  | <u>2,528,610</u>     | <u>(91,950)</u>   |
| <b>Operating expenses</b>  |                    |                   |                      |   |
| Cost of service:   |                    |                   |                      |   |
| Salaries   | 778,061            | 778,061           | 823,929              | (45,868)  |
| Payroll costs  | 319,268            | 319,268           | 380,731              | (61,463)  |
| Utilities  | 395,000            | 417,000           | 577,841              | (160,841)   |
| Processing and testing   | 221,000            | 206,000           | 239,147              | (33,147)  |
| Maintenance  | 147,000            | 125,000           | 114,372              | 10,628  |
| Other costs  | 53,100             | 68,100            | 65,168               | 2,932   |
|  | <u>1,913,429</u>   | <u>1,913,429</u>  | <u>2,201,188</u>     | <u>(287,759)</u>  |
| Other expenses:  |                    |                   |                      |   |
| Salaries   | 70,038             | 70,038            | 70,459               | (421)   |
| Maintenance  | 37,000             | 37,000            | 27,853               | 9,147   |
| Audit  | 12,000             | 12,000            | 17,606               | (5,606)   |
| Other costs  | 137,614            | 137,614           | 110,641              | 26,973  |
|  | <u>256,652</u>     | <u>256,652</u>    | <u>226,559</u>       | <u>30,093</u>   |
| <b>Operating income</b>  | <b>450,479</b>     | <b>450,479</b>    | <b>100,863</b>       | <b>(349,616)</b>  |
| <b>Non-operating revenues</b>  |                    |                   |                      |   |
| Interest on savings  | 1,450              | 1,450             | 4,257                | 2,807   |
| Capital connection charges   | 330,000            | 330,000           | 61,320               | (268,680)   |
| Capital grants   | -                  | -                 | 610,167              | 610,167   |
| Gain on disposal of capital assets   | -                  | -                 | (4,139)              | (4,139)   |
| South Route 40 special assessment  | 34,432             | 34,432            | 27,116               | (7,316)   |
|  | <u>365,882</u>     | <u>365,882</u>    | <u>698,721</u>       | <u>332,839</u>  |
| <b>Debt service</b>  |                    |                   |                      |   |
| Principal  | 75,079             | 75,079            | 75,079               | -   |
| Interest   | 26,282             | 26,282            | 25,039               | 1,243   |
|  | <u>101,361</u>     | <u>101,361</u>    | <u>100,118</u>       | <u>1,243</u>  |
| <b>Capital expenditures</b>  |                    |                   |                      |   |
| Utility capital projects   | 715,000            | 715,000           | 1,402,421            | (687,421)   |
|  | <u>715,000</u>     | <u>715,000</u>    | <u>1,402,421</u>     | <u>(687,421)</u>  |
| <b>Excess (deficiency) of revenues over (under) expenditures (budgetary basis)</b> | <b>\$ -</b>        | <b>\$ -</b>       | <b>(702,955)</b>     | <b>\$ (702,955)</b>                                       |
| Adjustments to conform with generally accepted accounting principles (GAAP)        |                    |                   | <u>1,016,656</u>     |   |
| Excess of revenue over expenditures (GAAP basis)                                   |                    |                   | <u>313,701</u>       |   |
| <b>Fund Balance:</b>   |                    |                   |                      |   |
| Beginning  |                    |                   | <u>11,038,719</u>    |   |
| Ending   |                    |                   | <u>\$ 11,352,420</u> |   |

**City Of Aberdeen, Maryland**  
**Schedule Of Revenues And Expenditures - Budget And Actual - Water Fund**  
**Year Ended June 30, 2009**

|  | Original<br>Budget | Amended<br>Budget | Actual              | Variance With<br>Amended Budget<br>Positive<br>(Negative) |
|--|--------------------|-------------------|---------------------|---|
| <b>Operating revenues</b>  |                    |                   |                     |   |
| Utility usage charges  | \$ 2,022,801       | \$ 2,022,801      | \$ 1,923,726        | \$ (99,075)   |
| Service charges  | 40,000             | 40,000            | 54,845              | 14,845  |
| APG contract fees  | 106,914            | 106,914           | 107,896             | 982   |
| Water meter fees   | 10,000             | 10,000            | 12,323              | 2,323   |
| Miscellaneous income   | 500                | 500               | 3,098               | 2,598   |
| Tower rental income  | 23,519             | 23,519            | 13,191              | (10,328)  |
| Late penalty   | 20,228             | 20,228            | 25,559              | 5,331   |
|  | <u>2,223,962</u>   | <u>2,223,962</u>  | <u>2,140,638</u>    | <u>(83,324)</u>   |
| <b>Operating expenses</b>  |                    |                   |                     |   |
| Cost of service:   |                    |                   |                     |   |
| Salaries   | 290,003            | 290,003           | 461,029             | (171,026)   |
| Payroll costs  | 154,460            | 154,460           | 129,247             | 25,213  |
| Utilities  | 242,500            | 242,500           | 194,274             | 48,226  |
| Processing and testing   | 67,500             | 67,500            | 68,389              | (889)   |
| Maintenance  | 75,000             | 75,000            | 3,374               | 71,626  |
| Water purchases  | 280,000            | 280,000           | 216,626             | 63,374  |
| Other costs  | 5,000              | 5,000             | 5,614               | (614)   |
|  | <u>1,114,463</u>   | <u>1,114,463</u>  | <u>1,078,553</u>    | <u>35,910</u>   |
| Other expenses:  |                    |                   |                     |   |
| Salaries   | 35,375             | 35,375            | 35,652              | (277)   |
| Maintenance  | 15,000             | 15,000            | 21,380              | (6,380)   |
| Audit expense  | 4,500              | 4,500             | 9,727               | (5,227)   |
| Operating expenditures   | 121,860            | 121,860           | 127,389             | (5,529)   |
|  | <u>176,735</u>     | <u>176,735</u>    | <u>194,148</u>      | <u>(17,413)</u>   |
| <b>Operating income</b>  | <u>932,764</u>     | <u>932,764</u>    | <u>867,937</u>      | <u>(64,827)</u>   |
| <b>Non-operating revenues (expenses)</b>   |                    |                   |                     |   |
| Interest on savings  | 2,000              | 2,000             | 4,479               | 2,479   |
| Loan proceeds  | -                  | 2,781,271         | -                   | (2,781,271)   |
| Demand charge  | 100,000            | 100,000           | 94,355              | (5,645)   |
| Capital connection charges   | 462,000            | 462,000           | 11,224              | (450,776)   |
| Loss on disposal of capital assets   | -                  | -                 | (51,375)            | (51,375)  |
|  | <u>564,000</u>     | <u>3,345,271</u>  | <u>58,683</u>       | <u>(3,286,588)</u>  |
| <b>Debt service</b>  |                    |                   |                     |   |
| Principal  | 294,992            | 294,992           | 295,168             | (176)   |
| Interest   | 171,702            | 171,702           | 109,007             | 62,695  |
|  | <u>466,694</u>     | <u>466,694</u>    | <u>404,175</u>      | <u>62,519</u>   |
| <b>Capital expenditures</b>  |                    |                   |                     |   |
| Capital projects   | 980,070            | 3,761,341         | 1,757,630           | 2,003,711   |
| Capital maintenance  | 30,000             | 30,000            | -                   | 30,000  |
| Meter replacement program  | 20,000             | 20,000            | 24,011              | (4,011)   |
|  | <u>1,030,070</u>   | <u>3,811,341</u>  | <u>1,781,641</u>    | <u>2,029,700</u>  |
| <b>Excess (deficiency) of revenues over (under) expenditures (budgetary basis)</b> | <u>\$ -</u>        | <u>\$ -</u>       | <u>(1,259,196)</u>  | <u>\$ (1,259,196)</u>                                     |
| Adjustments to conform with generally accepted accounting principles (GAAP)        |                    |                   | 1,692,090           |   |
| Excess of revenue over expenditures (GAAP basis)                                   |                    |                   | <u>432,894</u>      |   |
| <b>Fund Balance:</b>   |                    |                   |                     |   |
| Beginning  |                    |                   | 3,042,234           |   |
| Ending   |                    |                   | <u>\$ 3,475,128</u> |   |

City Of Aberdeen, Maryland

Schedule Of Revenues And Expenditures - Budget And Actual - Stadium Fund  
Year Ended June 30, 2009

|  | Original<br>Budget | Amended<br>Budget | Actual              | Variance With<br>Amended Budget<br>Positive<br>(Negative) |
|--|--------------------|-------------------|---------------------|---|
| <b>Operating revenues</b>  |                    |                   |                     |   |
| Admissions and amusements tax  | \$ 200,000         | \$ 200,000        | \$ 192,582          | \$ (7,418)  |
| Other operating revenue  | 40,000             | 40,000            | 42,083              | 2,083   |
|  | <u>240,000</u>     | <u>240,000</u>    | <u>234,665</u>      | <u>(5,335)</u>  |
| <b>Operating expenses</b>  |                    |                   |                     |   |
| Property and casualty insurance  | 40,000             | 40,000            | 33,301              | 6,699   |
| Audit expenses   | 10,000             | 10,000            | 10,505              | (505)   |
| Other operating expenses   | 10,000             | 10,000            | 3,572               | 6,428   |
|  | <u>60,000</u>      | <u>60,000</u>     | <u>47,378</u>       | <u>12,622</u>   |
| <b>Operating income</b>  | <u>180,000</u>     | <u>180,000</u>    | <u>187,287</u>      | <u>7,287</u>  |
| <b>Non-operating revenues</b>  |                    |                   |                     |   |
| Interest on savings  | 2,000              | 2,000             | 1,909               | (91)  |
| Interest income on leases  | 124,853            | 124,853           | 8,227               | (116,626)   |
| Transfer from general fund   | 293,074            | 293,074           | 293,074             | -   |
| Leases & notes receivable principal receipts                                   | 114,403            | 114,403           | 76,945              | (37,458)  |
|  | <u>534,330</u>     | <u>534,330</u>    | <u>380,155</u>      | <u>(154,175)</u>  |
| <b>Debt service</b>  |                    |                   |                     |   |
| Principal  | 385,313            | 385,313           | 374,913             | 10,400  |
| Interest   | 329,017            | 329,017           | 323,216             | 5,801   |
|  | <u>714,330</u>     | <u>714,330</u>    | <u>698,129</u>      | <u>16,201</u>   |
| <b>Deficiency of revenues over<br/>expenditures (budgetary basis)</b>          | <u>\$ -</u>        | <u>\$ -</u>       | <u>(130,687)</u>    | <u>\$ (130,687)</u>                                       |
| Adjustments to conform with generally accepted<br>accounting principles (GAAP) |                    |                   | <u>(171,500)</u>    |   |
| Deficiency of revenue over expenditures (GAAP basis)                           |                    |                   | <u>(302,187)</u>    |   |
| <b>Fund Balance:</b>   |                    |                   |                     |   |
| Beginning  |                    |                   | <u>8,202,957</u>    |   |
| Ending   |                    |                   | <u>\$ 7,900,770</u> |   |

# Statistical Section



## 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 Assets By Component  
Last Six Years  
(Accrual Basis of Accounting)**

Table 1

|  | <u>2009</u>          | <u>2008</u>          | <u>2007</u>          | <u>2006</u>          | <u>2005</u>          | <u>2004</u>          |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b>Governmental Activities</b>                   |                      |                      |                      |                      |                      |                      |
| Invested in Capital Assets, Net of Related Debt  | \$ 12,421,169        | \$ 10,795,988        | \$ 9,595,925         | \$ 10,431,798        | \$ 10,279,920        | \$ 11,682,443        |
| Restricted                                       | 426,970              | 392,998              | 932,988              | 702,871              | 822,018              | 706,096              |
| Unrestricted                                     | <u>2,586,480</u>     | <u>2,660,726</u>     | <u>1,643,724</u>     | <u>481,501</u>       | <u>401,623</u>       | <u>(45,535)</u>      |
| <b>Total Governmental Activities Net Assets</b>  | <u>15,434,619</u>    | <u>13,849,712</u>    | <u>12,172,637</u>    | <u>11,616,170</u>    | <u>11,503,561</u>    | <u>12,343,004</u>    |
| <b>Business-Type Activities</b>                  |                      |                      |                      |                      |                      |                      |
| Invested in Capital Assets, Net of Related Debt  | 22,250,352           | 20,368,984           | 19,771,744           | 19,513,200           | 19,310,251           | 18,423,963           |
| Unrestricted                                     | <u>477,966</u>       | <u>1,914,926</u>     | <u>1,898,230</u>     | <u>870,825</u>       | <u>1,909,540</u>     | <u>1,368,527</u>     |
| <b>Total Business-Type Activities Net Assets</b> | <u>22,728,318</u>    | <u>22,283,910</u>    | <u>21,669,974</u>    | <u>20,384,025</u>    | <u>21,219,791</u>    | <u>19,792,490</u>    |
| <b>Primary Government</b>                        |                      |                      |                      |                      |                      |                      |
| Invested in Capital Assets, Net of Related Debt  | 34,671,521           | 31,164,972           | 29,367,669           | 29,944,998           | 29,590,171           | 30,106,406           |
| Restricted                                       | 426,970              | 392,998              | 932,988              | 702,871              | 822,018              | 706,096              |
| Unrestricted                                     | <u>3,064,446</u>     | <u>4,575,652</u>     | <u>3,541,954</u>     | <u>1,352,326</u>     | <u>2,311,163</u>     | <u>1,322,992</u>     |
| <b>Total Primary Government Net Assets</b>       | <u>\$ 38,162,937</u> | <u>\$ 36,133,622</u> | <u>\$ 33,842,611</u> | <u>\$ 32,000,195</u> | <u>\$ 32,723,352</u> | <u>\$ 32,135,494</u> |

Source:

City financial records. The City implemented GASB Statement NO. 34 in Fiscal Year 2004; therefore, tables presenting government-wide information includes only data from 2004 to present.



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

Table 3

| <b>Fiscal<br/>Year</b> | <b>Property<br/>Tax</b> | <b>Income<br/>Tax</b> | <b>Admissions<br/>Tax</b> | <b>Other Local<br/>Taxes</b> | <b>Total</b> |
|------------------------|-------------------------|-----------------------|---------------------------|------------------------------|--------------|
| 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    |
| 2006                   | 5,122,663               | 883,318               | 46,692                    | 232,119                      | 6,284,792    |
| 2005                   | 4,641,710               | 1,085,574             | 45,299                    | 136,221                      | 5,908,804    |
| 2004                   | 4,419,323               | 1,174,569             | 55,077                    | 196,421                      | 5,845,390    |

Source:

City financial records. The City implemented GASB Statement NO. 34 in Fiscal Year 2004; therefore, tables presenting government-wide information includes only data from 2004 to present.

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

|                                    | Fiscal Year         |                     |                     |                     |                    |                     |                     |                       |                     |                     |
|------------------------------------|---------------------|---------------------|---------------------|---------------------|--------------------|---------------------|---------------------|-----------------------|---------------------|---------------------|
|                                    | 2009                | 2008                | 2007                | 2006                | 2005               | 2004                | 2003                | 2002                  | 2001                | 2000                |
| <b>General Fund</b>                |                     |                     |                     |                     |                    |                     |                     |                       |                     |                     |
| Reserved                           | \$ 70,413           | \$ 77,590           | \$ 75,471           | \$ 313,906          | \$ 351,020         | \$ 260,006          | \$ 286,517          | \$ 317,721            | \$ 341,646          | \$ 252,267          |
| Unreserved                         | 2,737,304           | 1,998,778           | 1,091,376           | 841,538             | 518,034            | 1,185,408           | 1,076,036           | 1,698,407             | 1,100,632           | 1,381,713           |
| <b>Total General Fund</b>          | <b>\$ 2,807,717</b> | <b>\$ 2,076,368</b> | <b>\$ 1,166,847</b> | <b>\$ 1,155,444</b> | <b>\$ 869,054</b>  | <b>\$ 1,445,414</b> | <b>\$ 1,362,553</b> | <b>\$ 2,016,128</b>   | <b>\$ 1,442,278</b> | <b>\$ 1,633,980</b> |
| <b>Special Revenue Fund</b>        |                     |                     |                     |                     |                    |                     |                     |                       |                     |                     |
| Reserved                           | \$ 406,910          | \$ 506,877          | \$ 509,250          | \$ 424,532          | \$ 463,243         | \$ 447,047          | \$ 447,047          | \$ 372,735            | \$ 342,671          | \$ 342,672          |
| Unreserved                         | 204,757             | 138,133             | 116,074             | 198,765             | 152,390            | 159,480             | -                   | 18,335                | -                   | -                   |
| <b>Total Special Revenue Fund</b>  | <b>\$ 611,667</b>   | <b>\$ 645,010</b>   | <b>\$ 625,324</b>   | <b>\$ 623,297</b>   | <b>\$ 615,633</b>  | <b>\$ 606,527</b>   | <b>\$ 447,047</b>   | <b>\$ 391,070</b>     | <b>\$ 342,671</b>   | <b>\$ 342,672</b>   |
| <b>Capital Projects Fund</b>       |                     |                     |                     |                     |                    |                     |                     |                       |                     |                     |
| Reserved                           | \$ 309,650          | \$ 489,785          | \$ 730,019          | \$ 390,253          | \$ 160,243         | \$ 177,715          | \$ 177,716          | \$ 174,029            | \$ 176,099          | \$ 297,645          |
| Unreserved                         | (23,226)            | (349,672)           | (325,717)           | (235,217)           | (184,525)          | (1,159,448)         | (1,081,561)         | (1,183,532)           | 288,332             | 793,304             |
| <b>Total Capital Projects Fund</b> | <b>\$ 286,424</b>   | <b>\$ 140,113</b>   | <b>\$ 404,302</b>   | <b>\$ 155,036</b>   | <b>\$ (24,282)</b> | <b>\$ (981,733)</b> | <b>\$ (903,845)</b> | <b>\$ (1,009,503)</b> | <b>\$ 464,431</b>   | <b>\$ 1,090,949</b> |

Source: City financial records.

Table 5  
**Changes in Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(Modified Accrual Basis of Accounting)**

|  | <u>2009</u>       | <u>2008</u>       | <u>2007</u>       | <u>2006</u>      | <u>2005</u>       | <u>2004</u>       | <u>2003</u>         | <u>2002</u>         | <u>2001</u>         | <u>2000</u>      |
|--|-------------------|-------------------|-------------------|------------------|-------------------|-------------------|---------------------|---------------------|---------------------|------------------|
| <b>Revenues</b>  |                   |                   |                   |                  |                   |                   |                     |                     |                     |                  |
| Taxes  | \$ 10,761,701     | \$ 10,288,820     | \$ 9,514,458      | \$ 6,978,414     | \$ 6,535,704      | \$ 5,984,439      | \$ 5,742,014        | \$ 5,410,870        | \$ 5,389,593        | \$ 5,286,479     |
| Licenses and permits   | 106,314           | 100,404           | 107,599           | 166,228          | 109,197           | 307,574           | 85,438              | 99,741              | 81,483              | 85,333           |
| Revenues from other agencies                                   | 1,582,144         | 1,191,511         | 943,894           | 926,400          | 1,113,234         | 899,330           | 1,030,952           | 978,932             | 1,467,980           | 681,456          |
| APG management fees  | 1,342,864         | 1,362,843         | 1,511,396         | 289,193          | 303,639           | 291,471           | 306,989             | 172,079             | 136,507             | 31,018           |
| Miscellaneous  | 570,917           | 1,163,612         | 408,206           | 1,179,693        | 393,592           | 479,243           | 508,811             | 420,670             | 415,051             | 560,010          |
| <b>Total Revenues</b>  | <b>14,363,940</b> | <b>14,107,190</b> | <b>12,485,553</b> | <b>9,539,926</b> | <b>8,455,366</b>  | <b>7,962,057</b>  | <b>7,674,204</b>    | <b>7,082,292</b>    | <b>7,490,614</b>    | <b>6,644,296</b> |
| <b>Expenditures</b>  |                   |                   |                   |                  |                   |                   |                     |                     |                     |                  |
| General government   | 1,982,372         | 1,750,112         | 1,609,401         | 1,347,777        | 1,607,596         | 1,149,418         | 1,268,895           | 1,516,234           | 3,906,041           | 3,011,910        |
| Public safety  | 4,264,153         | 4,046,493         | 3,945,451         | 3,261,424        | 2,867,065         | 2,768,517         | 2,717,707           | 2,525,187           | 2,444,144           | 2,229,164        |
| Public works   | 3,937,387         | 4,269,247         | 3,347,816         | 1,985,844        | 2,741,008         | 4,049,075         | 2,133,732           | 1,852,269           | 2,207,261           | 1,583,003        |
| Parks and recreation   | 72,092            | 64,574            | 54,308            | 39,576           | 63,494            | 81,752            | 156,148             | 120,828             | 35,311              | 68,703           |
| Miscellaneous  | 2,400,513         | 2,287,315         | 2,197,424         | 2,143,563        | 1,853,161         | 1,530,728         | 1,515,442           | 1,619,459           | 1,446,701           | 1,193,960        |
| Debt service   |                   |                   |                   |                  |                   |                   |                     |                     |                     |                  |
| Principal  | 405,899           | 364,413           | 327,694           | 324,621          | 299,655           | 245,613           | 267,874             | 165,153             | 144,643             | 92,905           |
| Interest   | 331,335           | 348,993           | 367,425           | 351,883          | 312,990           | 287,921           | 277,769             | 233,836             | 174,774             | 93,830           |
| Miscellaneous  |                   |                   |                   |                  |                   |                   |                     |                     |                     |                  |
| <b>Total Expenditures</b>                                      | <b>13,393,751</b> | <b>13,131,147</b> | <b>11,849,519</b> | <b>9,454,688</b> | <b>9,744,969</b>  | <b>10,113,024</b> | <b>8,337,567</b>    | <b>8,032,966</b>    | <b>10,358,875</b>   | <b>8,273,475</b> |
| Excess of revenues over (under) expenditures                   | 970,189           | 976,043           | 636,034           | 85,238           | (1,289,603)       | (2,150,967)       | (663,363)           | (950,674)           | (2,868,261)         | (1,629,179)      |
| <b>Other financing sources</b>                                 |                   |                   |                   |                  |                   |                   |                     |                     |                     |                  |
| Loan proceeds  | 167,202           | -                 | -                 | -                | 1,679,800         | 2,172,135         | 227,065             | -                   | 2,051,012           | 1,675,000        |
| Transfer in (out)  | (293,074)         | (311,025)         | (373,338)         | -                | -                 | -                 | 43,374              | -                   | -                   | -                |
| <b>Total other financing sources</b>                           | <b>(125,872)</b>  | <b>(311,025)</b>  | <b>(373,338)</b>  | <b>-</b>         | <b>1,679,800</b>  | <b>2,172,135</b>  | <b>270,439</b>      | <b>-</b>            | <b>2,051,012</b>    | <b>1,675,000</b> |
| <b>Net change in fund balances</b>                             | <b>\$ 844,317</b> | <b>\$ 665,018</b> | <b>\$ 262,696</b> | <b>\$ 85,238</b> | <b>\$ 390,197</b> | <b>\$ 21,168</b>  | <b>\$ (392,924)</b> | <b>\$ (950,674)</b> | <b>\$ (817,249)</b> | <b>\$ 45,821</b> |
| <b>Debt service as a percentage of noncapital expenditures</b> | <b>5.82%</b>      | <b>5.75%</b>      | <b>6.23%</b>      | <b>7.71%</b>     | <b>6.71%</b>      | <b>5.57%</b>      | <b>7.00%</b>        | <b>5.23%</b>        | <b>3.18%</b>        | <b>2.31%</b>     |

Source: City financial records.

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

Table 6

| <u>Fiscal<br/>Year</u> | <u>Property<br/>Tax</u> | <u>Income<br/>Tax</u> | <u>Highway<br/>User Tax</u> | <u>Admissions<br/>Tax</u> | <u>Other Local<br/>Taxes</u> | <u>Total</u>  |
|------------------------|-------------------------|-----------------------|-----------------------------|---------------------------|------------------------------|---------------|
| 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     |
| 2006                   | 5,122,663               | 873,499               | 725,447                     | 46,692                    | 210,113                      | 6,978,414     |
| 2005                   | 4,641,646               | 1,077,064             | 635,293                     | 45,299                    | 136,402                      | 6,535,704     |
| 2004                   | 4,399,430               | 820,935               | 509,779                     | 55,007                    | 199,288                      | 5,984,439     |
| 2003                   | 3,988,704               | 856,137               | 666,026                     | 61,949                    | 169,198                      | 5,742,014     |
| 2002                   | 3,634,611               | 846,130               | 642,024                     | 139,884                   | 148,221                      | 5,410,870     |
| 2001                   | 3,693,631               | 808,756               | 677,382                     | 49,142                    | 160,682                      | 5,389,593     |
| 2000                   | 3,748,846               | 727,759               | 627,392                     | 32,465                    | 150,017                      | 5,286,479     |

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

Source: City financial records.

Table 7

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

| Fiscal Year Ending June 30 | Real Property          |                            |                   | Personal Property |                        |                        | Total Assessed Property |                            |                        | Market Value Change |            |
|----------------------------|------------------------|----------------------------|-------------------|-------------------|------------------------|------------------------|-------------------------|----------------------------|------------------------|---------------------|------------|
|                            | Taxable Assessed Value | Estimated Actual Value (1) |                   | Assessed Value    | Estimated Actual Value |                        | Assessed Value          | Estimated Actual Value (1) |                        | Amount              | Percentage |
|                            |                        | Direct Rate                | Total Direct Rate |                   | Assessed Value         | Estimated Actual Value |                         | Assessed Value             | Estimated Actual Value |                     |            |
| 2009                       | 1,168,908,946          | 1,168,908,946              | 0.700             | 56,066,193        | 56,066,193             | 1,700                  | 1,224,975,139           | 1,224,975,139              | 1,109,510,661          | 115,464,478         | 10.41%     |
| 2008                       | 1,051,857,687          | 1,051,857,687              | 0.715             | 57,652,974        | 57,652,974             | 1,700                  | 1,109,510,661           | 1,109,510,661              | 993,091,669            | 150,609,144         | 31.70%     |
| 2007                       | 934,874,053            | 934,874,053                | 0.735             | 58,217,616        | 58,217,616             | 1,700                  | 993,091,669             | 993,091,669                | 842,482,525            | 150,609,144         | 17.88%     |
| 2006                       | 804,175,635            | 804,175,635                | 0.550             | 38,306,890        | 38,306,890             | 1,400                  | 842,482,525             | 842,482,525                | 762,620,140            | 79,862,385          | 10.47%     |
| 2005                       | 710,478,812            | 710,478,812                | 0.550             | 52,141,328        | 52,141,328             | 1,400                  | 762,620,140             | 762,620,140                | 747,577,040            | 15,043,100          | 2.01%      |
| 2004                       | 696,009,183            | 696,009,183                | 0.550             | 51,567,857        | 51,567,857             | 1,400                  | 747,577,040             | 747,577,040                | 708,458,090            | 39,118,950          | 5.52%      |
| 2003                       | 648,268,750            | 648,268,750                | 0.550             | 60,189,340        | 60,189,340             | 1,400                  | 708,458,090             | 708,458,090                | 693,582,396            | 14,875,694          | 2.14%      |
| 2002                       | 630,603,350            | 630,603,350                | 0.512             | 62,979,046        | 62,979,046             | 1,400                  | 693,582,396             | 693,582,396                | 632,019,184            | 61,563,212          | 9.74%      |
| 2001                       | 235,762,765            | 589,406,913                | 1.280             | 42,612,271        | 42,612,271             | 1,400                  | 278,375,036             | 632,019,184                | 5,500,579              | 5,500,579           | 0.88%      |
| 2000                       | 234,708,890            | 586,772,225                | 1.280             | 39,746,380        | 39,746,380             | 1,400                  | 274,455,270             | 626,518,605                | N/A                    | N/A                 | N/A        |

(1) For State and City real property purposes, real property was assessed at forty percent of market value for Fiscal Year 2001 and earlier. Beginning in fiscal year 2002, the assessment was increased to full market value.

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

| Fiscal<br>Year<br>Ending<br>June 30 | Real Property Tax Rate |                      |                   |                      |                   |
|-------------------------------------|------------------------|----------------------|-------------------|----------------------|-------------------|
|                                     | City of Aberdeen       |                      | Harford<br>County | State of<br>Maryland | Total<br>Tax Rate |
|                                     | General Fund           | Total<br>Direct Rate |                   |                      |                   |
| 2009                                | \$ 0.700               | \$ 0.700             | \$ 1.082          | \$ 0.112             | \$ 1.894          |
| 2008                                | 0.715                  | 0.715                | 1.082             | 0.112                | 1.909             |
| 2007                                | 0.735                  | 0.735                | 1.082             | 0.112                | 1.929             |
| 2006                                | 0.550                  | 0.550                | 1.092             | 0.112                | 1.754             |
| 2005                                | 0.550                  | 0.550                | 1.092             | 0.132                | 1.774             |
| 2004                                | 0.550                  | 0.550                | 1.092             | 0.132                | 1.774             |
| 2003                                | 0.550                  | 0.550                | 1.092             | 0.132                | 1.774             |
| 2002 (1)                            | 0.512                  | 0.512                | 1.092             | 0.084                | 1.688             |
| 2001                                | 1.280                  | 1.280                | 2.730             | 0.084                | 4.094             |
| 2000                                | 1.280                  | 1.280                | 2.730             | 0.210                | 4.220             |

| Fiscal<br>Year<br>Ending<br>June 30 | Personal Property Tax Rate |                      |                   |                      |                   |
|-------------------------------------|----------------------------|----------------------|-------------------|----------------------|-------------------|
|                                     | City of Aberdeen           |                      | Harford<br>County | State of<br>Maryland | Total<br>Tax Rate |
|                                     | General Fund               | Total<br>Direct Rate |                   |                      |                   |
| 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             |
| 2006                                | 1.400                      | 1.400                | 2.705             | -                    | 4.105             |
| 2005                                | 1.400                      | 1.400                | 2.730             | -                    | 4.130             |
| 2004                                | 1.400                      | 1.400                | 2.730             | -                    | 4.130             |
| 2003                                | 1.400                      | 1.400                | 2.730             | -                    | 4.130             |
| 2002                                | 1.400                      | 1.400                | 2.730             | -                    | 4.130             |
| 2001                                | 1.400                      | 1.400                | 2.730             | -                    | 4.130             |
| 2000                                | 1.400                      | 1.400                | 2.730             | -                    | 4.130             |

Source: City financial records.

(1) For State, County and Town real property purposes, real property was assessed at forty percent of market value for fiscal year 2001 and earlier. In fiscal year 2002 and later, real property was assessed at market value and tax rates were adjusted proportionately.

**Principal Property Tax Payers  
Current Fiscal Year and Nine Years Ago**

Table 9

| Taxpayer                             | 2009                   |                              |                       |                                |
|--------------------------------------|------------------------|------------------------------|-----------------------|--------------------------------|
|                                      | Real Estate Assessment | Personal Property Assessment | Total Assessment      | Percentage of Total Assessment |
| Inland American Aberdeen             | \$ 28,154,900          | \$ -                         | \$ 28,154,900         | 2.30%                          |
| 913 Old Philadelphia Road LLC        | 23,685,400             | -                            | 23,685,400            | 1.93%                          |
| Frito-Lay                            | 17,774,200             | 4,450,540                    | 22,224,740            | 1.81%                          |
| Medline Industries Inc.              | 16,826,300             | -                            | 16,826,300            | 1.37%                          |
| State of Wisconsin Investment Board  | 15,257,500             | -                            | 15,257,500            | 1.25%                          |
| Wal-Mart Real Estate                 | 13,720,600             | 1,529,400                    | 15,250,000            | 1.24%                          |
| Prologis-Exchange MD                 | 9,800,000              | -                            | 9,800,000             | 0.80%                          |
| Aberdeen Marketplace, Inc.           | 9,249,000              | 1,691,900                    | 10,940,900            | 0.89%                          |
| One Thousand and One Partnership     | 8,308,300              | -                            | 8,308,300             | 0.68%                          |
| Catellus Land and Development        | 25,248,200             | -                            | 25,248,200            | 2.06%                          |
| Aberdeen Hotels - Baseball Park, LLC | 16,429,800             | -                            | 16,429,800            | 1.34%                          |
| <b>TOTAL</b>                         | <b>\$ 184,454,200</b>  | <b>\$ 7,671,840</b>          | <b>\$ 192,126,040</b> | <b>15.68%</b>                  |

| Taxpayer                           | 2000                   |                              |                      |                                |
|------------------------------------|------------------------|------------------------------|----------------------|--------------------------------|
|                                    | Real Estate Assessment | Personal Property Assessment | Total Assessment     | Percentage of Total Assessment |
| Metropolitan Life Insurance/Pier I | \$ 8,818,680           | N/A                          | \$ 8,818,680         | 3.21%                          |
| Frito-Lay, Inc.                    | 5,848,640              | N/A                          | 5,848,640            | 2.13%                          |
| Wagner/Kinsley Ptnr./Camden Cold   | 3,187,680              | N/A                          | 3,187,680            | 1.16%                          |
| One Thousand & One Ptnr            | 3,077,200              | N/A                          | 3,077,200            | 1.12%                          |
| Colgate Investments                | 2,722,760              | N/A                          | 2,722,760            | 0.99%                          |
| Aberdeen Marketplace, Inc.         | 2,674,880              | N/A                          | 2,674,880            | 0.97%                          |
| Fast Food Merchandisers            | 2,430,880              | N/A                          | 2,430,880            | 0.89%                          |
| Stancill's, Inc.                   | 2,150,560              | N/A                          | 2,150,560            | 0.78%                          |
| WalMart Stores, Inc.               | 2,145,200              | N/A                          | 2,145,200            | 0.78%                          |
| Aberdeen Hotel Ltd. Ptnr           | 1,922,280              | N/A                          | 1,922,280            | 0.70%                          |
| <b>TOTAL</b>                       | <b>\$ 34,978,760</b>   | <b>N/A</b>                   | <b>\$ 34,978,760</b> | <b>12.74%</b>                  |

Source: City financial records.

N/A - Currently not available

Property Tax Levies and Collections  
Last Ten Fiscal Years

Table 10

| Fiscal<br>Year<br>Ending<br>June 30 | Total<br>Tax<br>Levy | Current<br>Tax<br>Collections | Percent of                    |                                  | Total<br>Tax<br>Collections | Percent of                  |                      | Outstanding<br>Delinquent<br>Taxes | Percent of<br>Delinquent<br>Taxes<br>to Total<br>Tax Levy |
|-------------------------------------|----------------------|-------------------------------|-------------------------------|----------------------------------|-----------------------------|-----------------------------|----------------------|------------------------------------|---|
|                                     |                      |                               | Current<br>Taxes<br>Collected | Delinquent<br>Tax<br>Collections |                             | Total<br>Tax<br>Collections | Total<br>Tax<br>Levy |                                    |   |
| 2009                                | \$ 9,116,713         | \$ 9,069,347                  | 99.48%                        | \$ 59,128                        | 9,128,476                   | 100.13%                     | \$ 171,960           | 1.89%                              |   |
| 2008                                | 8,470,443            | 8,351,509                     | 98.60%                        | 26,808                           | 8,378,317                   | 98.91%                      | 111,714              | 1.32%                              |   |
| 2007                                | 7,419,615            | 7,338,288                     | 98.90%                        | 1,009                            | 7,339,297                   | 98.92%                      | 57,195               | 0.77%                              |   |
| 2006                                | 5,133,979            | 5,079,671                     | 98.94%                        | 43,474                           | 5,123,145                   | 99.79%                      | 44,465               | 0.87%                              |   |
| 2005                                | 4,872,985            | 4,786,003                     | 98.22%                        | 39,890                           | 4,825,893                   | 99.03%                      | 87,939               | 1.80%                              |   |
| 2004                                | 4,543,716            | 4,476,131                     | 98.51%                        | 21,098                           | 4,497,229                   | 98.98%                      | 38,468               | 0.85%                              |   |
| 2003                                | 4,089,560            | 4,038,691                     | 98.76%                        | 168,737                          | 4,207,428                   | 102.88%                     | 42,822               | 1.05%                              |   |
| 2002                                | 4,034,820            | 3,748,146                     | 92.89%                        | 10,929                           | 3,759,075                   | 93.17%                      | 162,513              | 4.03%                              |   |
| 2001                                | 3,797,501            | 3,693,631                     | 97.26%                        | 11,835                           | 3,705,466                   | 97.58%                      | 41,910               | 1.10%                              |   |
| 2000                                | 3,727,400            | 3,748,846                     | 100.58%                       | 5,053                            | 3,753,899                   | 100.71%                     | 122,355              | 3.28%                              |   |

Source: City financial records.

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

Table 11

| Fiscal<br>Year<br>Ending<br>June 30 | Governmental Activities        |                  | Business-Type Activities       |                  | Total<br>Primary<br>Government | Percentage<br>of Personal<br>Income | Per Capita |
|-------------------------------------|--------------------------------|------------------|--------------------------------|------------------|--------------------------------|-------------------------------------|------------|
|                                     | General<br>Obligation<br>Bonds | Loans<br>Payable | General<br>Obligation<br>Bonds | Loans<br>Payable |                                |                                     |            |
| 2009                                | \$ 5,175,700                   | \$ 911,010       | \$ 8,745,300                   | \$ 1,643,797     | \$ 16,475,807                  | 0.00%                               | \$ 1,168   |
| 2008                                | 5,372,000                      | 1,088,819        | 9,201,800                      | 1,942,855        | 17,605,474                     | 0.00%                               | 1,258      |
| 2007                                | 5,561,500                      | 1,263,732        | 6,560,900                      | 2,229,186        | 15,615,318                     | 0.00%                               | 1,092      |
| 2006                                | 5,738,600                      | 1,271,042        | 6,878,400                      | 2,495,371        | 16,383,413                     | 0.00%                               | 1,179      |
| 2005                                | 5,910,500                      | 1,423,763        | 7,189,600                      | 2,756,358        | 17,280,221                     | 0.00%                               | 1,243      |
| 2004                                | 5,429,478                      | 524,640          | 7,486,200                      | 5,210,914        | 18,651,232                     | 0.00%                               | 1,342      |
| 2003                                | 3,746,800                      | 264,845          | 7,769,000                      | 6,148,147        | 17,928,792                     | 0.00%                               | 1,290      |
| 2002                                | 3,656,018                      | 396,436          | 7,840,286                      | 4,341,517        | 16,234,257                     | 0.00%                               | 1,168      |
| 2001                                | 3,739,180                      | 478,457          | 4,432,530                      | 4,528,662        | 13,178,829                     | 0.00%                               | 948        |
| 2000                                | 1,883,795                      | 427,473          | 1,473,169                      | 3,459,106        | 7,243,543                      | 0.00%                               | 521        |

N/A: Data currently not available

Source: City financial records.

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

| Fiscal Year Ending June 30 | Population | Estimated Actual Value (2) | Gross Bonded Debt (1) | Debt Payable From Enterprise Revenue | Net Bonded Debt (1) | Ratio of Net Bonded Debt To Assessed Value | Net Bonded Debt Per Capita |
|----------------------------|------------|----------------------------|-----------------------|--------------------------------------|---------------------|--|----------------------------|
| 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                        |
| 2006                       | 13,900     | 842,482,525                | 16,383,413            | 9,373,771                            | 7,009,642           | 0.83%                                      | 504                        |
| 2005                       | 13,900     | 762,620,140                | 17,280,221            | 9,945,958                            | 7,334,263           | 0.96%                                      | 528                        |
| 2004                       | 13,900     | 747,577,040                | 18,651,232            | 12,697,114                           | 5,954,118           | 0.80%                                      | 428                        |
| 2003                       | 13,900     | 708,458,090                | 17,928,792            | 13,917,147                           | 4,011,645           | 0.57%                                      | 289                        |
| 2002                       | 13,900     | 693,562,396                | 16,234,255            | 12,181,801                           | 4,052,454           | 0.58%                                      | 292                        |
| 2001                       | 13,900     | 632,019,184                | 13,195,628            | 3,764,000                            | 9,431,628           | 1.49%                                      | 679                        |
| 2000                       | 13,900     | 626,518,605                | 7,260,725             | 4,932,275                            | 2,328,450           | 0.37%                                      | 168                        |

(1) During the previous ten fiscal years, the City has entered into no general obligation bonded debt.

This schedule includes all debt payable from general tax revenues.

(2) Table 7

Source: City financial records.

**Computation of Legal Debt Margin and  
Computation of Direct and Overlapping Debt  
June 30, 2009**

Table 13

**COMPUTATION OF LEGAL DEBT MARGIN**

|   |                         |
|---|-------------------------|
| <b>TOTAL ASSESSED VALUE OF PROPERTY</b> | <b>\$ 1,224,975,139</b> |
| Debt limit 15%                          | 183,746,271             |
| Amount of debt applicable to debt limit | 16,475,807              |
| <b>LEGAL DEBT MARGIN</b>                | <b>\$ 167,270,464</b>   |

**COMPUTATION OF DIRECT AND OVERLAPPING DEBT**

|  | Net Debt<br>Outstanding  | Percentage<br>Applicable to<br>the Town | Share of Debt<br>Outstanding |
|--|--------------------------|---|------------------------------|
| <b>DIRECT DEBT OF THE CITY</b>               | \$ 16,475,807            | 100.00%                                 | \$ 16,475,807                |
| Indirect debt:                               |                          |   |                              |
| Harford County                               | 331,988,484 <sup>2</sup> | 6.45% <sup>1</sup>                      | 21,413,257                   |
| <b>TOTAL DIRECT AND<br/>OVERLAPPING DEBT</b> | <b>\$ 348,464,291</b>    |   | <b>\$ 37,889,064</b>         |

<sup>1</sup> Rate of assessed value in the City  
to total assessed value of the County

|                   |
|-------------------|
| \$ 1,224,975,139  |
| \$ 19,003,866,943 |

<sup>2</sup> 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           |                       |                       |                       |                      |                      |                      |                      |                      |                      |
|--|-----------------------|-----------------------|-----------------------|-----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|  | <u>2009</u>           | <u>2008</u>           | <u>2007</u>           | <u>2006</u>           | <u>2005</u>          | <u>2004</u>          | <u>2003</u>          | <u>2002</u>          | <u>2001</u>          | <u>2000</u>          |
| Debt Limit   | \$ 183,746,271        | \$ 166,426,599        | \$ 148,963,750        | \$ 126,372,379        | \$ 114,393,021       | \$ 112,136,556       | \$ 106,268,714       | \$ 104,037,359       | \$ 41,756,255        | \$ 41,168,291        |
| Total net debt applicable to limit                                   | <u>16,475,807</u>     | <u>17,605,474</u>     | <u>15,615,318</u>     | <u>16,383,413</u>     | <u>17,280,221</u>    | <u>18,651,232</u>    | <u>17,928,792</u>    | <u>16,234,257</u>    | <u>13,178,829</u>    | <u>7,243,543</u>     |
| Legal debt margin  | <u>\$ 167,270,464</u> | <u>\$ 148,821,125</u> | <u>\$ 133,348,432</u> | <u>\$ 109,988,966</u> | <u>\$ 97,112,800</u> | <u>\$ 93,485,324</u> | <u>\$ 88,339,922</u> | <u>\$ 87,803,102</u> | <u>\$ 28,577,426</u> | <u>\$ 33,924,748</u> |
| Total net debt applicable to the limit as a percentage of debt limit | 8.97%                 | 10.58%                | 10.48%                | 12.96%                | 15.11%               | 16.63%               | 16.87%               | 15.60%               | 31.56%               | 17.59%               |

Source: City financial records.

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

Table 15

| <b>Fiscal<br/>Year<br/>Ending<br/>June 30</b> | <b>(1)<br/>Estimated<br/>Population</b> | <b>(2)<br/>Per Capita<br/>Income</b> | <b>(2)<br/>Personal Income<br/>(000s)</b> | <b>(2)<br/>Median<br/>Age</b> | <b>(2)<br/>School<br/>Enrollment</b> | <b>(2)<br/>Unemployment<br/>Rate</b> |
|---|---|--------------------------------------|---|-------------------------------|--------------------------------------|--------------------------------------|
| 2009  | 14,100                                  | N/A                                  | N/A                                       | N/A                           | 38,610                               | 7.7%                                 |
| 2008  | 14,000                                  | N/A                                  | N/A                                       | N/A                           | 39,175                               | 4.1%                                 |
| 2007  | 14,300                                  | 43,106                               | 10,319,796                                | 37.7                          | 39,582                               | 3.8%                                 |
| 2006  | 13,900                                  | 40,609                               | 9,728,548                                 | 37.5                          | 40,212                               | 3.7%                                 |
| 2005  | 13,900                                  | 38,595                               | 9,218,447                                 | 37.2                          | 40,313                               | 4.1%                                 |
| 2004  | 13,900                                  | 36,664                               | 8,618,412                                 | 36.8                          | 40,204                               | 4.0%                                 |
| 2003  | 13,900                                  | 34,887                               | 8,081,911                                 | 37.2                          | 40,264                               | 4.7%                                 |
| 2002  | 13,900                                  | 33,692                               | 7,657,674                                 | 37.0                          | 39,995                               | 4.3%                                 |
| 2001  | 13,900                                  | 32,737                               | 7,289,414                                 | 36.6                          | 39,562                               | 4.3%                                 |
| 2000  | 13,900                                  | 31,316                               | 6,874,449                                 | 36.2                          | 39,348                               | 3.9%                                 |

(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, 2009. Income and Median Age information were not available.

**Principal Employers  
Current Year**

Table 16

**2009**

| <b>Company</b>  | <b>Number<br/>Employed</b> | <b>Percentage<br/>of Total County<br/>Employment</b> | <b>Product/<br/>Service</b> |
|---|----------------------------|--|-----------------------------|
| U.S. Army Aberdeen Proving Ground                                     | 12,200                     | 16.74%   | Government                  |
| Harford County Public Schools   | 5,333                      | 7.32%  | Government                  |
| Upper Chesapeake Health   | 1,932                      | 2.65%  | Healthcare                  |
| Harford County Government   | 1,608                      | 2.21%  | Government                  |
| Rite Aid Mid-Atlantic Customer Dist. Ctr.                             | 1,270                      | 1.74%  | Retailer                    |
| Harford Community College   | 1,219                      | 1.67%  | Education                   |
| SAIC  | 788                        | 1.08%  | Technology                  |
| Kliens Supermarkets   | 663                        | 0.91%  | Technology                  |
| Jacobs Technology   | 656                        | 0.90%  | Technology                  |
| Saks Fifth Avenue   | 520                        | 0.71%  | Manufacturing               |
| <b>TOTAL</b>  | <b>26,189</b>              | <b>35.93%</b>  |                             |
| Total Employees in Harford County<br>(Data available for county only) | <u>72,895</u>              |  |                             |

**2000**

| <b>Company</b>  | <b>Number<br/>Employed</b> | <b>Percentage<br/>of Total County<br/>Employment</b> | <b>Product/<br/>Service</b> |
|---|----------------------------|--|-----------------------------|
| U.S. Army Aberdeen Proving Ground                                     | 11,742                     | 21.20%   | Government                  |
| Harford County Public Schools   | 4,571                      | 8.25%  | Government                  |
| Upper Chesapeake Health   | 1,821                      | 3.29%  | Healthcare                  |
| Harford County Government   | 1,280                      | 2.31%  | Government                  |
| Saks Fifth Avenue   | 560                        | 1.01%  | Retailer                    |
| Frito-Lay   | 546                        | 0.99%  | Manufacturing               |
| Old Line Plastics, Inc  | 330                        | 0.60%  | Manufacturing               |
| The GAP-Atlantic Dist. Ctr.   | 330                        | 0.60%  | Retailer                    |
| Johnson Controls  | 320                        | 0.58%  | Manufacturing               |
| Alcore, Inc.  | 210                        | 0.38%  | Manufacturing               |
| <b>TOTAL</b>  | <b>21,710</b>              | <b>29.78%</b>  |                             |
| Total Employees in Harford County<br>(Data available for county only) | <u>55,380</u>              |  |                             |

Source:  
Harford County CAFR

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

Table 17

| <u>Function</u>                    | <u>Full-time Equivalent City Government Employees by Function</u> |             |             |             |             |             |             |             |             |             |
|------------------------------------|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|                                    | <u>2009</u>   | <u>2008</u> | <u>2007</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> | <u>2002</u> | <u>2001</u> | <u>2000</u> |
| <b>General Government</b>          |   |             |             |             |             |             |             |             |             |             |
| Mayor and Council                  | 5   | 5           | 5           | 5           | 5           | 5           | 5           | 5           | 5           | 5           |
| Administration                     | 5   | 4           | 4           | 5           | 3           | 3           | 3           | 3           | 2           | 2           |
| Finance                            | 6   | 7           | 7           | 6           | 6           | 6           | 6           | 6           | 6           | 6           |
| Planning                           | 4   | 4           | 4           | 3           | 3           | 2           | 2           | 2           | 2           | 2           |
| Human Resources                    | 1   | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           |
| Building Custodian                 | 1   | 1           | 1           | -           | -           | -           | -           | -           | -           | -           |
| <b>Public Safety</b>               |   |             |             |             |             |             |             |             |             |             |
| Police                             |   |             |             |             |             |             |             |             |             |             |
| Officers                           | 46  | 46          | 45          | 41          | 39          | 39          | 39          | 39          | 39          | 39          |
| Civilians                          | 14  | 17          | 14          | 14          | 12          | 12          | 12          | 12          | 12          | 12          |
| Building (Construction) Inspection | 1   | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           |
| <b>Public Works</b>                | 78  | 74          | 73          | 69          | 54          | 40          | 40          | 40          | 40          | 40          |
| Sanitation                         | 8   | 8           | 7           | 7           | 7           | -           | -           | -           | -           | -           |
| Parks and Recreation               | -   | -           | -           | -           | -           | -           | -           | -           | -           | -           |
| <b>Total</b>                       | <b>169</b>  | <b>168</b>  | <b>161</b>  | <b>152</b>  | <b>131</b>  | <b>109</b>  | <b>109</b>  | <b>109</b>  | <b>108</b>  | <b>108</b>  |

Source: City Fiscal Year Budgets

Operating Indicators By Function  
Last Ten Fiscal Years

| Function   | 2009          | 2008          | 2007          | 2006          | 2005          | 2004          | 2003          | 2002         | 2001          | 2000          |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|--------------|---------------|---------------|
| <b>General Government</b>                            |               |               |               |               |               |               |               |              |               |               |
| Construction Permits Issued                          | 306           | 460           | 588           | 626           | 215           | 284           | 115           | 63           | 72            | 101           |
| Estimated Value of Construction                      | \$ 32,886,480 | \$ 17,348,304 | \$ 45,420,588 | \$ 29,979,342 | \$ 60,960,339 | \$ 25,312,583 | \$ 26,123,000 | \$ 9,200,660 | \$ 50,251,951 | \$ 30,390,093 |
| <b>Public Safety</b>                                 |               |               |               |               |               |               |               |              |               |               |
| Traffic Contacts                                     | 5,741         | 4,180         | 3,504         | 3,478         | 2,995         | 3,236         | 3,295         | 3,991        | 2,960         | 1,981         |
| Calls for Service                                    | 49,969        | 52,550        | 46,729        | 46,029        | 42,721        | 42,715        | 38,725        | 40,856       | 31,732        | 21,959        |
| <b>Public Works</b>                                  |               |               |               |               |               |               |               |              |               |               |
| Street Resurfacing (miles)                           | 2.05          | 2.22          | 1.22          | 1.40          | 1.46          | 1.04          | 1.06          | 2.10         | 1.74          | 1.57          |
| Sidewalk Replacement/Repair (miles)                  | 0.08          | 0.03          | 0.03          | 0.02          | -             | -             | -             | 0.09         | 0.05          | 0.04          |
| Stormwater Ponds Managed                             | 10            | 10            | 2             | 3             | 2             | 2             | 18            | 1            | 3             | 5             |
| <b>Recreation</b>                                    |               |               |               |               |               |               |               |              |               |               |
| Number of Activity Sessions Offered                  | -             | -             | -             | -             | -             | -             | -             | -            | -             | -             |
| Preschool Activities                                 | -             | -             | -             | -             | -             | -             | -             | -            | -             | -             |
| Youth Activities                                     | -             | -             | -             | -             | -             | -             | -             | -            | -             | -             |
| Adult Activities                                     | -             | -             | -             | -             | -             | -             | -             | -            | -             | -             |
| Total Number of Activity Sessions Offered            | -             | -             | -             | -             | -             | -             | -             | -            | -             | -             |
| <b>Program Participants</b>                          |               |               |               |               |               |               |               |              |               |               |
| Preschool Activities                                 | -             | -             | -             | -             | -             | -             | -             | -            | -             | -             |
| Youth Activities                                     | -             | -             | -             | -             | -             | -             | -             | -            | -             | -             |
| Adult Activities                                     | -             | -             | -             | -             | -             | -             | -             | -            | -             | -             |
| Total Program Participants                           | -             | -             | -             | -             | -             | -             | -             | -            | -             | -             |
| <b>Water</b>   |               |               |               |               |               |               |               |              |               |               |
| New Connections                                      | 19            | 25            | 134           | 38            | 47            | 43            | -             | -            | -             | -             |
| Water Main/Lateral Breaks                            | 54.0          | 26.0          | 145.0         | -             | -             | -             | -             | -            | -             | -             |
| Average Daily Consumption (millions of gallons)      | 1,410         | 1,502         | 1,531         | 1,540         | 1,473         | 1,545         | 1,638         | 1,602        | 1,681         | 1,673         |
| <b>Sewer</b>   |               |               |               |               |               |               |               |              |               |               |
| Sewer Main/Lateral Breaks                            | 10.0          | 6.0           | 5.0           | -             | -             | -             | -             | -            | -             | -             |
| Average Daily Sewage Treatment (millions of gallons) | 1.69          | 1.76          | 1.90          | 2.02          | 1.82          | 1.91          | 2.18          | 1.53         | 1.49          | 1.59          |

Source: Various City departments

Table 19

**Capital Asset Statistics By Function  
Last Ten years**

| <u>Function</u>                                       | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> | <u>2002</u> | <u>2001</u> | <u>2000</u> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Public Safety - Police</b>                         |             |             |             |             |             |             |             |             |             |             |
| Stations  | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           |
| Vehicles  | 53          | 52          | 48          | 47          | 40          | 40          | 40          | 38          | -           | -           |
| <b>Highways and Streets</b>                           |             |             |             |             |             |             |             |             |             |             |
| Streets (miles)                                       | 72.67       | 72.67       | 72.55       | 71.47       | 68.76       | 68.42       | 67.77       | 67.57       | 67.44       | 67.11       |
| Storm Sewers (miles)                                  | 15.00       | 15.00       | 14.25       | 13.24       | 12.76       | 12.70       | 12.58       | 12.54       | 12.51       | 12.45       |
| Catch Basins  | 1,013       | 1,013       | 1,009       | 942         | 906         | 902         | 896         | 892         | 890         | 886         |
| Street Lights   | 1,753       | 1,748       | 1,717       | -           | -           | -           | -           | -           | -           | -           |
| <b>Culture and Recreation</b>                         |             |             |             |             |             |             |             |             |             |             |
| Number of Parks/Playgrounds                           | 8           | 8           | 8           | 8           | 8           | 8           | 8           | 8           | 6           | 6           |
| Park Acreage  | 36.98       | 34.06       | 34.06       | 34.06       | 34.06       | 34.06       | 34.06       | 34.06       | 33.32       | 33.32       |
| Tennis Courts   | 1           | 2           | 2           | 2           | 2           | 2           | 2           | 2           | -           | -           |
| <b>Water</b>  |             |             |             |             |             |             |             |             |             |             |
| Treatment Plants                                      | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           |
| Wells   | 16          | 16          | 17          | 13          | 13          | 12          | 11          | 11          | 11          | 11          |
| Reservoirs  | -           | -           | -           | -           | -           | -           | -           | -           | -           | -           |
| Water Towers  | 4           | 4           | 4           | 4           | 4           | 4           | 4           | 4           | 4           | 4           |
| Pumping Stations                                      | 4           | 4           | 4           | 4           | 4           | 4           | 4           | 4           | 4           | 4           |
| Maximum Daily Capacity<br>(million gallons)           | 2.50        | 2.50        | 2.50        | 2.37        | 2.21        | 2.16        | 2.47        | 2.26        | 2.25        | 2.27        |
| Number of Customer Accounts                           | 4,963       | 4,773       | 4,758       | 4,720       | 4,727       | 4,624       | 4,525       | 4,461       | 4,438       | 4,369       |
| Water Mains (miles)                                   | 66.23       | 66.23       | 65.30       | 64.32       | 61.88       | 61.59       | 60.99       | 60.81       | 60.70       | 60.39       |
| Fire Hydrants   | 502         | 502         | 483         | 470         | 453         | 451         | 447         | 446         | 445         | 443         |
| <b>Wastewater</b>                                     |             |             |             |             |             |             |             |             |             |             |
| Treatment Plants                                      | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           |
| Maximum Daily Treatment Capacity<br>(million gallons) | 4.00        | 4.00        | 4.00        | 4.21        | 4.01        | 3.92        | 4.38        | 2.66        | 2.61        | 2.92        |
| Pumping Stations                                      | 10          | 10          | 10          | 10          | 9           | 10          | 10          | 10          | 9           | 9           |
| Sanitary Sewers (miles)                               | 68.54       | 68.54       | 68.10       | 67.54       | 64.97       | 64.67       | 64.03       | 63.01       | 63.73       | 63.41       |

Source: Various city departments