

City of Aberdeen, Maryland

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2018

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October 23, 2018

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, 2018, is hereby submitted. City ordinances and State statutes require that the City of Aberdeen issue annually a report on its financial position and its activities. An independent firm of certified public accountants is selected by the City Council. Responsibility of both accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City's management. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner that presents fairly the financial position and results of operations of the various funds and account groups of the City government. All information necessary to enable the reader to gain an understanding of the City's government activities has been included.

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

City of Aberdeen's financial statements have been audited by RSM US LLP, Independent Certified Public Accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City of Aberdeen for the fiscal year ended June 30, 2018 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 unmodified opinion that the financial statements for City of Aberdeen for the fiscal year ended June 30, 2018 are fairly presented in conformity with GAAP. The auditor's report is presented as the first component of the financial section of this report.

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

PROFILE OF THE GOVERNMENT

The City of Aberdeen was incorporated in 1892. The City is a full service municipality providing water and wastewater utilities, public safety, planning, public works, and environmental and administrative services to a populous in excess of 16,000 citizens. Recent changes to the governmental structure of Aberdeen reflect that the City government operates with the Mayor and the Council serving as the legislative body, and the City Manager serves as the Chief Operating Officer.

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

Pursuant to City Charter, the City Manager presents the capital and operating budgets to the Mayor and 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 82 through 86 of this report.

FACTORS AFFECTING FINANCIAL CONDITION

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

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

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

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

Long-term financial planning – In October 2011, Fitch Ratings, and Standard and Poor's Rating Services assigned their AA rating to the City. In September 2014, Standard and Poor's upgraded the rating to AA+. In February 2018, Fitch Ratings upgraded the rating to AA+.

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

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to City of Aberdeen for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2017. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

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

ACKNOWLEDGMENTS

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

Respectfully submitted,



Randy Robertson
City Manager



Opiribo Jack, CPA
Director of Finance



Government Finance Officers Association

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

Presented to

**City of Aberdeen
Maryland**

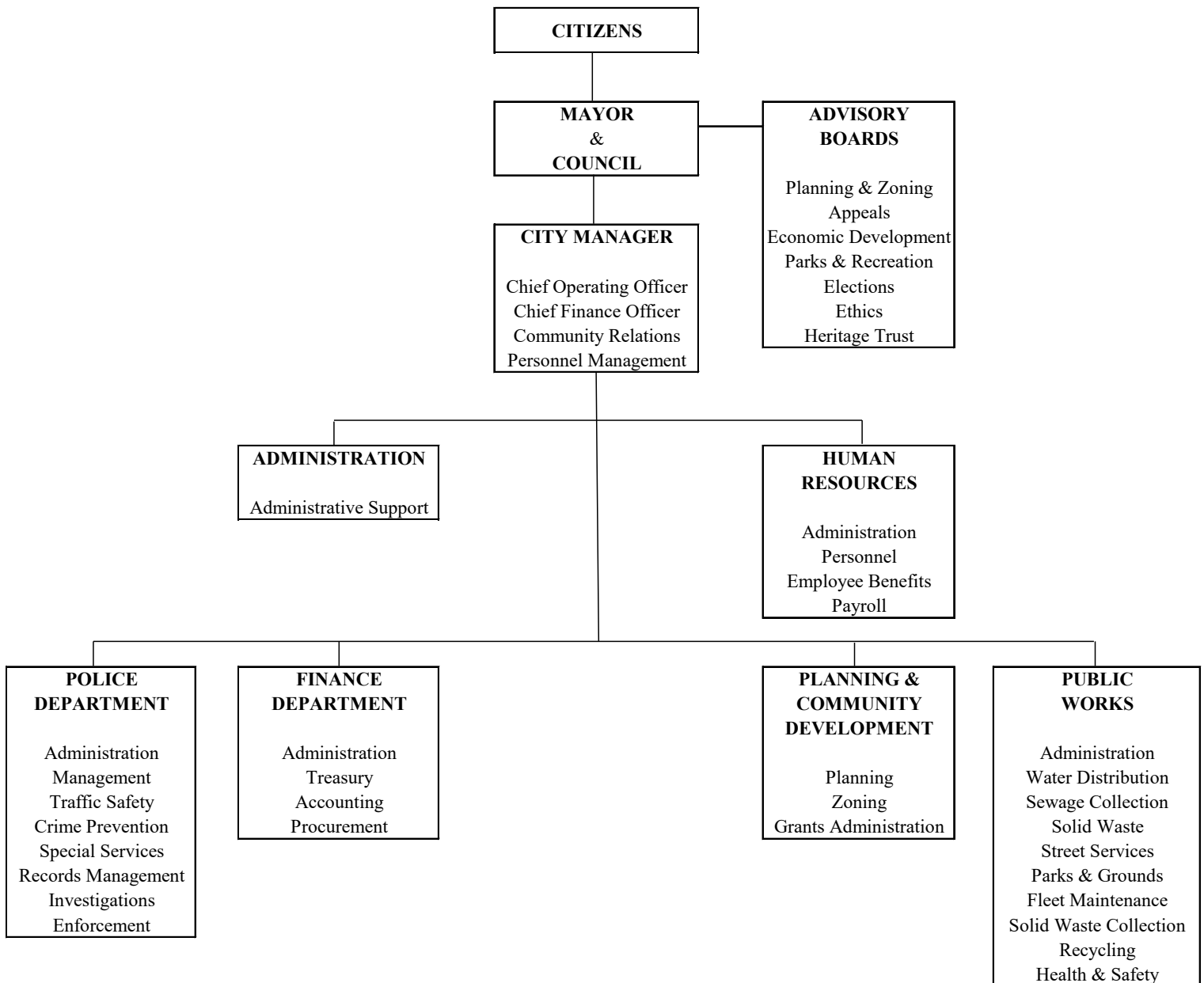
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

Executive Director/CEO

CITY OF ABERDEEN - ORGANIZATIONAL CHART



CITY OF ABERDEEN
HARFORD COUNTY, MARYLAND
GOVERNMENT ORGANIZATION

ELECTED AND APPOINTED OFFICIALS

AS OF JUNE 30, 2018

ELECTED OFFICIALS

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

APPOINTED OFFICIALS

City Manager	Mr. Randy Robertson
City Clerk	Mrs. Monica A. Correll
Director of Finance	Mr. Opiribo Jack
Police Chief	Mr. Henry Trabert
Director of Public Works	Mr. Kyle Torster
Director of Planning & Community Development	Mrs. Phyllis Grover
City Attorney	Council, Baradel, Kosmerl & Nolan, PA
Bond Counsel	Funk & Bolton P.A.

Independent Auditor's Report

RSM US LLP

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Emphasis of Matter

As discussed in Note 12, effective for fiscal years beginning after June 15, 2017, the City adopted the new accounting guidance of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 10 through 20, the Schedule of Changes in the City's Net Pension Liability and Related Ratios on pages 76 through 77, the Schedule of City Contributions – Pension on page 78, the Schedule of Changes in the City's Net OPEB Liability and Related Ratios on page 79, the Schedule of City Contributions – OPEB on page 80, and the Schedule of Investment Returns – Pension and OPEB on page 81, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

The other information, listed in the table of contents as the introductory and statistical sections, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2018, on our consideration of the City of Aberdeen, Maryland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Aberdeen, Maryland's internal control over financial reporting and compliance.

RSM US LLP

Frederick, Maryland
October 23, 2018

City of Aberdeen, Maryland

Management's Discussion and Analysis

June 30, 2018

Introduction

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

Financial Highlights

1. The City's assets plus deferred outflows exceeded its liabilities plus deferred inflows at the close of the most recent fiscal year by \$81.8 million (*net position*). Of this amount, \$18.3 million (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
2. The City's total net position increased \$2.0 million. Most of this increase is attributable to better than expected tax revenues, management fees, interest income, and savings in expenses.
3. The City's total long-term liabilities decreased by \$2.5 million during the current fiscal year from \$26.5 million to \$24.0 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 \$15.4 million. This represents an increase of \$1.8 million over the prior year. About 77% (\$11.9 million) is unassigned and is available for spending at the City's discretion.
5. At the end of the current fiscal year, unassigned fund balance for the General Fund was \$11.9 million or 75% of total General Fund expenditures.

Overview of the Financial Statements

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

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

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position and condition of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., uncollected taxes and earned but unused vacation leave).

City of Aberdeen, Maryland

Management's Discussion and Analysis

June 30, 2018

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 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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

The City maintains three individual governmental funds – the General, Capital Projects, and Special Revenue funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for all three governmental funds.

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

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

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

City of Aberdeen, Maryland

Management's Discussion and Analysis

June 30, 2018

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are part of the basic financial statements and can be found on pages 32 to 75 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension and other post-employment (OPEB) benefits to its employees. Required supplementary information can be found on pages 76 to 81 of this report. Other supplementary information as noted in the table of contents can be found on pages 82 to 87 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's overall financial condition and position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$81.8 million at the close of the most recent fiscal year. The City of Aberdeen net position is divided into three categories – net investment in capital assets, restricted net position and unrestricted net position.

The largest portion of the City's net position (78%) reflects its investment in capital assets net of depreciation (e.g., land and improvements, buildings, machinery, equipment, vehicles, infrastructure, and improvements); less any un-matured debt used to acquire these assets. The debt used to acquire these assets must be repaid using other financial resources because the assets themselves cannot be used for repayment.

Restricted net position represents less than 1% of total net position. Restricted net position is resources that are subject to external restrictions on how they may be used.

Unrestricted net position of the government-wide financial statements has a balance of \$18.3 million (22% of total net position) that may be used to meet the government's ongoing obligations to citizens and creditors.

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

The City's net position experienced a 2.5% increase. Most of this increase is attributable to better than expected tax revenues, management fees, interest income, and savings in expenses.

City of Aberdeen, Maryland

Management's Discussion and Analysis

June 30, 2018

The following table summarizes the net position for governmental and business-type activities as of June 30, 2018 and 2017:

	Governmental Activities (000)		Business-type Activities (000)		Total (000)	
	2018	2017	2018	2017	2018	2017
Assets						
Current and other assets	\$ 16,941	\$ 15,607	\$ 6,461	\$ 7,690	\$ 23,402	\$ 23,297
Capital assets, net	26,599	26,044	56,594	57,200	83,193	83,244
Total assets	43,540	41,651	63,055	64,890	106,595	106,541
Deferred Outflows of Resources	1,590	2,075	55	58	1,645	2,133
Liabilities						
Long-term liabilities	7,843	8,835	16,118	17,704	23,961	26,539
Other liabilities	1,021	1,477	907	658	1,928	2,135
Total liabilities	8,864	10,312	17,025	18,362	25,889	28,674
Deferred Inflows of Resources	515	122	-	-	515	122
Net Position						
Net investment in capital assets	22,534	22,361	40,971	40,021	63,505	62,382
Restricted	42	-	-	-	42	-
Unrestricted	13,175	10,931	5,114	6,565	18,289	17,496
Total Net Position	\$ 35,751	\$ 33,292	\$ 46,085	\$ 46,586	\$ 81,836	\$ 79,878

City of Aberdeen, Maryland

Management's Discussion and Analysis

June 30, 2018

The following table indicates the changes in net position for governmental and business-type activities for the years ended June 30, 2018 and 2017:

	Governmental Activities (000)		Business-type Activities (000)		Total (000)	
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenues:						
Charges for service	\$ 3,022	\$ 3,006	\$ 6,249	\$ 7,502	\$ 9,271	\$ 10,508
Operating grants/contributions	2,195	2,265	120	120	2,315	2,385
Capital grants/contributions	1,165	796	456	967	1,621	1,763
General revenues:						
Property taxes	10,986	10,908	-	-	10,986	10,908
State shared/other local taxes	1,681	1,757	123	122	1,804	1,879
Miscellaneous	(269)	184	63	149	(206)	333
Total revenues	18,780	18,916	7,011	8,860	25,791	27,776
Program Expenses						
General government	3,813	4,050	-	-	3,813	4,050
Public safety	6,155	6,840	-	-	6,155	6,840
Public works	5,338	4,549	-	-	5,338	4,549
Parks and recreation	193	150	-	-	193	150
Interest on long-term debt	100	92	-	-	100	92
Utilities and other enterprise funds	-	-	8,234	7,830	8,234	7,830
Total expenses	15,599	15,681	8,234	7,830	23,833	23,511
Increase (decrease) in net position before transfers	3,181	3,235	(1,223)	1,030	1,958	4,265
Transfers	(722)	(1,222)	722	1,222	-	-
Increase (decrease) in net position	2,459	2,013	(501)	2,252	1,958	4,265
Net Position, July 1	33,292	31,279	46,586	44,334	79,878	75,613
Net Position, June 30	\$ 35,751	\$ 33,292	\$ 46,085	\$ 46,586	\$ 81,836	\$ 79,878

City of Aberdeen, Maryland

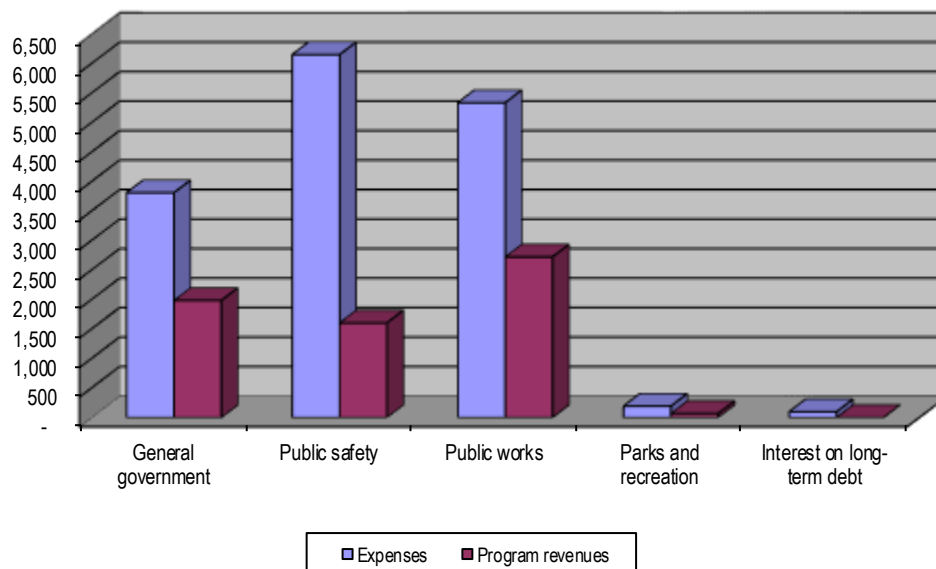
Management's Discussion and Analysis

June 30, 2018

Governmental activities: The increase in net position for governmental activities was \$2.5 million, which is \$446 thousand higher when compared to the 2017 increase of \$2.0 million. This increase largely resulted from decreased expenditures on public safety (\$685 thousand less than the prior year), general government (\$237 thousand less than the prior year), and contributions to other funds for capital improvements (\$500 thousand less than the prior year), partially offset by an increase in public works expenditures (\$789 thousand more than the prior year). Total revenues remained largely consistent with 2017 as an increase in capital grants and contributions (\$369 thousand more than the prior year) offset decreases in operating grants and contributions (\$70 thousand less than the prior year) and miscellaneous revenues (\$453 thousand less than the prior year). There were no other significant fluctuations compared to 2017.

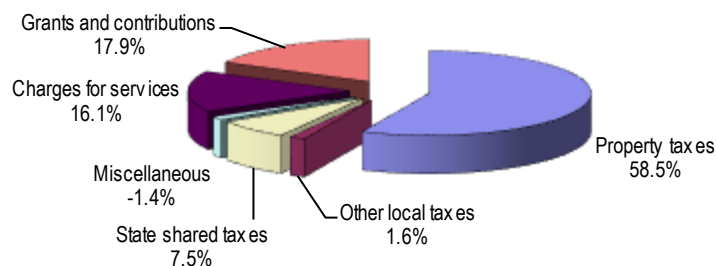
The following chart compares the Expenses and Program Revenues of the City's Governmental Activities:

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



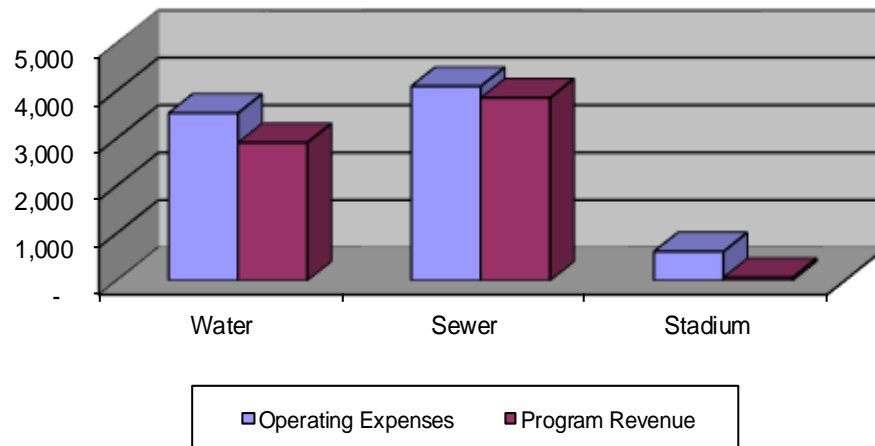
City of Aberdeen, Maryland Management's Discussion and Analysis June 30, 2018

Business-type activities: Business-type activities decreased the City's net position by \$501 thousand, which is \$2.8 million less than the increase from 2016 to 2017. Key elements of this decrease are as follows:

- Charges for services decreased \$1.3 million primarily due to a \$1.2 million decrease in revenue from capital connections during 2018.
- Capital grants and contributions decreased \$511 thousand due to a \$494 thousand state grant received in 2017 to fund stadium improvements, which was not received in 2018.
- Business-type expenses increased by \$404 thousand primarily due to increases in costs of services provided to customers.
- Miscellaneous revenues declined \$86 thousand, primarily due to a \$62 thousand loss on disposal of capital assets incurred in 2018.

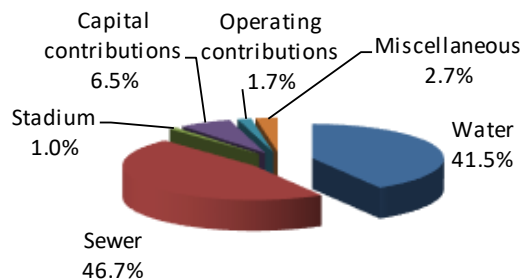
The following chart compares the Expenses and Program Revenues of the City's Business-Type Activities.

Expenses and Program Revenues Business-Type Activities (000)



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

Revenues by Source Business-Type Activities



City of Aberdeen, Maryland

Management's Discussion and Analysis

June 30, 2018

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending balances of \$15.4 million, an increase of \$1.8 million in comparison with the prior year. Approximately 77% of this total amount (\$11.9 million) constitutes unassigned fund balance, which represents working capital available to support governmental operating needs and future years' expenditures. The remainder of fund balance is classified to reflect constraints on the City's remaining fund balance, including: 1) non-spendable fund balance for other assets, including prepaid items, and inventory (\$21 thousand), 2) restricted for community development (\$42 thousand) and 3) assigned balances for general government, public safety, parks and recreation, storm water management and capital projects (\$3.4 million).

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$11.9 million, which represents 88% of total fund balance. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 75% of total General Fund expenditures, while total fund balance represents 85% of that same amount. The General Fund balance increased by \$278 thousand during the current fiscal year. The key elements are:

- Total revenues were higher than total expenditures by \$2.7 million.
- Total expenditures were \$1.6 million higher than 2017. Of this increase, approximately \$840 thousand is directly offset by a corresponding increase in other financing sources associated with acquisition of vehicles.
- Transfers out were \$3.4 million, which were made largely for the funding of capital projects in other funds. Transfers out were \$873 thousand higher than 2017.

Financial resources of the Capital Project Fund are used in the acquisition or construction of major capital projects not financed by the proprietary funds. At the end of the current fiscal year, fund balance of \$108 thousand was assigned to storm water management, and the remaining fund balance of \$1.7 million was assigned to capital projects for a total fund balance of \$1.8 million. The fund balance increased by \$1.3 million during the current fiscal year. The key elements are:

- Revenue was \$204 thousand more than 2017 due to increased grant revenue.
- Expenditures were \$72 thousand less than 2017 due to fewer public safety and public works projects.
- Total transfers in were \$2.7 million from the general fund for capital projects funding, an increase of \$1.4 million compared to 2017.

Proprietary funds. The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the three funds at the end of the year amounted to \$3.7 million for the Water Fund, \$1.2 million for the Sewer Fund, and \$247 thousand for the Stadium Fund. The total net position decreased by \$501 thousand. Other factors concerning these funds' finances have been addressed in the discussion of the City's business-type activities.

City of Aberdeen, Maryland

Management's Discussion and Analysis

June 30, 2018

General Fund Budgetary Highlights

The final budget for the General Fund expenditures was increased \$1.7 million (12%) over the original budget to adjust for situations arising during the year. The most significant increase relates to an \$840 thousand increase for the acquisition of police vehicles under capital lease, and another \$184 thousand for repayment of principal and interest on the capital leases.

APG management fees were \$207 thousand higher than budgeted due to higher than expected activity. Property taxes were \$133 thousand higher than budgeted due to higher growth and property values than initially assessed. Interest income was \$109 thousand higher than budgeted because of the better than expected performance on the City's investments.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2018, amounts to \$83.2 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, vehicles, infrastructure (including park facilities, roads, highways and bridges) and construction in progress. The total net decrease in the City's capital assets for the current fiscal year was \$51 thousand or 0.1% (a 2% increase for governmental activities and a 1% decrease for business-type activities). The major capital asset activities in the current year included the acquisition of police vehicles under capital lease of approximately \$840 thousand, a sewer main replacement totaling approximately \$602 thousand, sewer system improvements for approximately \$518 thousand, and street resurfacing for approximately \$498 thousand.

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

	Governmental Activities (000)		Business-type Activities (000)		Total (000)	
	2018	2017	2018	2017	2018	2017
Land	\$ 5,476	\$ 5,748	\$ 1,963	\$ 1,963	\$ 7,439	\$ 7,711
Buildings	4,424	4,743	12,626	13,138	17,050	17,881
Improvements other than buildings	359	380	1,450	1,558	1,809	1,938
Machinery and equipment	959	977	2,174	2,417	3,133	3,394
Vehicles	1,450	1,361	-	-	1,450	1,361
Recreational facilities	257	230	-	-	257	230
Infrastructure	12,887	12,518	-	-	12,887	12,518
Vehicles under capital lease	728	-	-	-	728	-
Water and sewer systems	-	-	38,042	37,857	38,042	37,857
Construction in progress	59	87	339	267	398	354
Total	\$ 26,599	\$ 26,044	\$ 56,594	\$ 57,200	\$ 83,193	\$ 83,244

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

City of Aberdeen, Maryland

Management's Discussion and Analysis

June 30, 2018

Long-term debt. At the end of the current fiscal year, the City had total long-term liabilities outstanding of \$24.0 million. The full faith and credit and unlimited taxing power of the City are irrevocably pledged to the levy and collection of taxes in order to provide for the payment of principal and interest due on the bonds.

City of Aberdeen's Outstanding Long-term Liabilities

	Governmental Activities (000)		Business-type Activities (000)		Total (000)	
	2018	2017	2018	2017	2018	2017
General obligation bonds	\$ 3,287	\$ 3,667	\$ 7,106	\$ 7,934	\$ 10,393	\$ 11,601
Notes payable	-	-	8,527	9,251	8,527	9,251
Capital lease	764	-	-	-	764	-
Compensated absences	589	551	146	146	735	697
Net pension liability	1,487	2,675	-	-	1,487	2,675
Net OPEB liability	1,703	1,927	297	321	2,000	2,248
Premiums (discounts), net	13	15	42	52	55	67
Total	\$ 7,843	\$ 8,835	\$ 16,118	\$ 17,704	\$ 23,961	\$ 26,539

During the current fiscal year, the City's total long-term liabilities decreased by \$2.5 million or 10%. The City has strictly adhered to its debt repayment amortization schedules.

The amount of general obligation debt the City 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, 2018. Additional information on the City's long-term liabilities can be found in Note 8 of this report.

Economic Factors and Next Year's Budgets and Rates

- Regional employment that also impacts the City has been stable and is expected to remain stable. The Harford County unemployment rate is 4.0% which is lower than the Maryland unemployment rate of 4.2%. Both the County and State unemployment rates are slightly higher than the National at 3.7%.
- Aberdeen Proving Ground (APG) is home to a workforce of 20,000+ employees. APG's mission is primarily RDT&E (Research, Development, Test and Evaluation) and features a large civilian based employment population working in highly skilled disciplines with advanced degrees. The installation continues to be postured for additional mission and job growth as APG expands its global presence in salient and relevant world issues.
- New construction, both residential and commercial, is expected to continue at a moderate rate, which will impact the real estate tax base.
- The real estate tax rate remains unchanged at \$0.6502 per \$100 of assessed value for the FY 2019 budget.
- The water and sewer base rates remain unchanged at \$19.09 and \$23.65, respectively, for the FY 2019 budget.

The above factors were considered in preparing the City of Aberdeen's budget for fiscal year 2019.

**City of Aberdeen, Maryland
Management's Discussion and Analysis
June 30, 2018**

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Department of Finance, City of Aberdeen, 60 North Parke Street, Aberdeen, MD 21001 or by telephone at (410) 272-1600.

City of Aberdeen, Maryland

Statement of Net Position

June 30, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 13,207,065	\$ 4,876,820	\$ 18,083,885
Investments	1,969,098	-	1,969,098
Receivables, current	1,745,022	1,283,917	3,028,939
Prepays	4,197	-	4,197
Inventory	16,526	126,426	142,952
Receivables, noncurrent	-	174,181	174,181
Capital assets			
Nondepreciable assets	5,534,572	2,302,594	7,837,166
Net of accumulated depreciation	21,063,968	54,291,287	75,355,255
Total assets	43,540,448	63,055,225	106,595,673
Deferred Outflows of Resources			
Deferred charge on refunding	-	52,565	52,565
Deferred outflows for pension	1,577,738	-	1,577,738
Deferred outflows for OPEB	12,632	2,102	14,734
Total deferred outflows of resources	1,590,370	54,667	1,645,037
Liabilities			
Accounts payable	323,704	774,846	1,098,550
Accrued liabilities	160,744	115,704	276,448
Unearned revenue	311,127	15,801	326,928
Other liabilities	225,236	-	225,236
Noncurrent liabilities			
Due within one year	825,963	1,763,408	2,589,371
Due in more than one year	7,017,533	14,354,683	21,372,216
Total liabilities	8,864,307	17,024,442	25,888,749
Deferred Inflows of Resources			
Deferred inflows for pension	515,527	-	515,527
Total deferred inflows of resources	515,527	-	515,527
Net Position			
Net investment in capital assets	22,534,359	40,970,966	63,505,325
Restricted for community development	41,888	-	41,888
Unrestricted	13,174,737	5,114,484	18,289,221
Total net position	\$ 35,750,984	\$ 46,085,450	\$ 81,836,434

See Notes to Basic Financial Statements.

City of Aberdeen, Maryland

Statement of Activities

Year Ended June 30, 2018

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General government	\$ 3,813,228	\$ 317,947	\$ 765,160	\$ 393,025	\$ (2,337,096)	\$ -	\$ (2,337,096)
Public safety	6,155,080	66,254	1,429,613	109,241	(4,549,972)	-	(4,549,972)
Public works	5,337,873	2,638,231	-	592,323	(2,107,319)	-	(2,107,319)
Parks and recreation	193,215	-	-	70,466	(122,749)	-	(122,749)
Interest on long-term debt	100,073	-	-	-	(100,073)	-	(100,073)
Total governmental activities	15,599,469	3,022,432	2,194,773	1,165,055	(9,217,209)	-	(9,217,209)
Business-Type Activities							
Water	3,529,033	2,907,119	-	-	-	(621,914)	(621,914)
Sewer	4,092,786	3,275,193	120,000	456,175	-	(241,418)	(241,418)
Stadium	612,137	66,970	-	-	-	(545,167)	(545,167)
Total business-type activities	8,233,956	6,249,282	120,000	456,175	-	(1,408,499)	(1,408,499)
Total primary government	\$ 23,833,425	\$ 9,271,714	\$ 2,314,773	\$ 1,621,230	(9,217,209)	(1,408,499)	(10,625,708)
General revenues							
Property tax					10,985,691	-	10,985,691
Income tax – shared					1,410,686	-	1,410,686
Admission and amusements tax – shared					-	123,253	123,253
Other local taxes					270,245	-	270,245
Interest earnings					118,896	38,421	157,317
Loss on disposal of capital assets					(387,830)	(61,693)	(449,523)
Gain on sale of property					-	86,621	86,621
Transfers					(721,722)	721,722	-
Total general revenues and transfers					11,675,966	908,324	12,584,290
Change in net position					2,458,757	(500,175)	1,958,582
Net position							
Beginning, as restated (Note 12)					33,292,227	46,585,625	79,877,852
Ending					\$ 35,750,984	\$ 46,085,450	\$ 81,836,434

See Notes to Basic Financial Statements.

City of Aberdeen, Maryland

Balance Sheet – Governmental Funds
June 30, 2018

	General Fund	Special Revenue Fund	Capital Projects Fund	Governmental Funds
Assets				
Cash and cash equivalents	\$ 11,393,539	\$ 27,799	\$ 1,785,727	\$ 13,207,065
Investments	1,969,098	-	-	1,969,098
Receivables (net of allowance for uncollectibles)	1,609,203	48,688	87,131	1,745,022
Prepays	4,197	-	-	4,197
Inventory	16,526	-	-	16,526
Total assets	\$ 14,992,563	\$ 76,487	\$ 1,872,858	\$ 16,941,908
Liabilities				
Accounts payable	\$ 286,854	\$ -	\$ 36,850	\$ 323,704
Accrued liabilities	160,744	-	-	160,744
Unearned revenue	311,127	-	-	311,127
Other liabilities	225,236	-	-	225,236
Total liabilities	983,961	-	36,850	1,020,811
Deferred Inflows of Resources				
Unavailable revenue – property taxes and grants	535,439	6,800	-	542,239
Total deferred inflows of resources	535,439	6,800	-	542,239
Fund Balances				
Non-spendable				
Prepays	4,197	-	-	4,197
Inventory	16,526	-	-	16,526
Restricted				
Community development	-	41,888	-	41,888
Assigned				
General government	1,524,385	-	-	1,524,385
Public safety	3,989	-	-	3,989
Parks and recreation	19,578	-	-	19,578
Stormwater management	-	-	108,155	108,155
Capital projects	-	-	1,727,853	1,727,853
Unassigned	11,904,488	27,799	-	11,932,287
Total fund balances	13,473,163	69,687	1,836,008	15,378,858
Total liabilities, deferred inflows of resources and fund balances	\$ 14,992,563	\$ 76,487	\$ 1,872,858	\$ 16,941,908

See Notes to Basic Financial Statements.

City of Aberdeen, Maryland

**Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2018**

Fund Balances – Total Governmental Funds		\$ 15,378,858
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Amounts Reported for Governmental Activities in the Statement of Net
Position are Different Because:

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

Cost of capital assets	\$ 48,975,904	
Accumulated depreciation	(22,377,364)	
	<hr/>	26,598,540

Long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		542,239
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Deferred outflows not included in the governmental funds:

Pension	1,577,738	
OPEB	12,632	
	<hr/>	1,590,370

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

General obligation bonds payable	(3,286,700)	
Capital leases	(764,194)	
Net pension liability	(1,487,226)	
Net OPEB liability	(1,703,199)	
Accumulated unused compensated absences	(588,890)	
Bond premiums	(13,287)	
	<hr/>	(7,843,496)

Deferred inflows not included in the governmental funds:

Pension		(515,527)
		<hr/>

Net position of governmental activities		<u><u>\$ 35,750,984</u></u>
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See Notes to Basic Financial Statements.

City of Aberdeen, Maryland

**Statement of Revenues, Expenditures, and Changes
in Fund Balances – Governmental Funds
Year Ended June 30, 2018**

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
Revenues				
Taxes	\$ 12,597,008	\$ -	\$ -	\$ 12,597,008
Licenses and permits	168,860	-	-	168,860
Intergovernmental	2,789,030	269,897	176,565	3,235,492
APG management fees	2,413,303	-	-	2,413,303
Miscellaneous	668,406	-	63,210	731,616
Total revenues	18,636,607	269,897	239,775	19,146,279
Expenditures				
Current:				
General government	2,412,124	110,289	116,735	2,639,148
Public safety	5,314,162	-	-	5,314,162
Public works	4,263,653	-	1,450,584	5,714,237
Parks and recreation	212,601	-	-	212,601
Miscellaneous	3,163,131	-	-	3,163,131
Debt service:				
Principal	455,997	-	-	455,997
Interest and fees	102,302	-	-	102,302
Total expenditures	15,923,970	110,289	1,567,319	17,601,578
Excess (deficiency) of revenue over (under) expenditures	2,712,637	159,608	(1,327,544)	1,544,701
Other Financing Sources (Uses)				
Transfers in (out)	(3,381,680)	-	2,659,958	(721,722)
Proceeds from sale of capital assets	106,572	-	-	106,572
Proceeds from capital leases	839,991	-	-	839,991
Total other financing sources (uses)	(2,435,117)	-	2,659,958	224,841
Net change in fund balances	277,520	159,608	1,332,414	1,769,542
Fund Balances				
Beginning	13,195,643	(89,921)	503,594	13,609,316
Ending	<u>\$ 13,473,163</u>	<u>\$ 69,687</u>	<u>\$ 1,836,008</u>	<u>\$ 15,378,858</u>

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, 2018**

Net Change in Fund Balances – Total Governmental Funds	\$ 1,769,542
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Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

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

Capital outlays	2,411,381
Depreciation expense	(1,362,188)

In the statement of activities, only the gain/loss on the disposition of capital assets is reported, whereas in the governmental funds, the entire proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balances by costs of the capital assets of \$1,089,872 disposed, less accumulated depreciation of \$595,470.

(494,402)

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

Compensated absences	(38,342)
Pension expense, including pension related deferrals	296,967
OPEB expense, including related deferrals	236,065

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

Principal repayments	455,997
Issuance of capital leases	(839,991)
Amortization of premiums	2,229

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.

21,499

Change in net position of governmental activities

\$ 2,458,757

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, 2018**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 12,395,931	\$ 12,395,931	\$ 12,597,008	\$ 201,077
Licenses and permits	105,100	105,100	168,860	63,760
Intergovernmental	2,736,356	2,965,856	2,789,030	(176,826)
APG management fees	750,000	750,000	957,345	207,345
Miscellaneous	336,484	382,284	668,406	286,122
Total revenues	16,323,871	16,599,171	17,180,649	581,478
Expenditures				
General government	2,449,351	2,594,051	2,427,224	166,827
Public safety	4,524,893	5,410,684	5,233,592	177,092
Public works	2,779,719	2,929,719	2,807,695	122,024
Parks and recreation	140,750	329,290	227,142	102,148
Miscellaneous	3,550,962	3,656,962	3,129,982	526,980
Debt service				
Principal	380,200	528,200	455,997	72,203
Interest	89,436	125,436	102,302	23,134
Total expenditures	13,915,311	15,574,342	14,383,934	1,190,408
Other Financing Sources (Uses)				
Transfers out	(3,302,560)	(3,381,680)	(3,381,680)	-
Proceeds from capital leases	-	839,991	839,991	-
Appropriation of fund balance	894,000	1,516,860	-	(1,516,860)
Total other financing uses	(2,408,560)	(1,024,829)	(2,541,689)	(1,516,860)
Net change in fund balance – budgetary basis	\$ -	\$ -	255,026	\$ 255,026
Adjustments to Conform with Generally Accepted Accounting Principles (GAAP)			22,494	
Net Change in Fund Balance – GAAP Basis			277,520	
Fund Balance				
Beginning			13,195,643	
Ending			<u>\$ 13,473,163</u>	

See Notes to Basic Financial Statements.

City of Aberdeen, Maryland

Statement of Net Position – Proprietary Funds

June 30, 2018

	Business-Type Activities – Enterprise Funds			
	Water Utility	Sewer Utility	Stadium	Total
Assets				
Current assets				
Cash and cash equivalents	\$ 3,757,377	\$ 826,669	\$ 292,774	\$ 4,876,820
Receivables, current	500,975	780,465	2,477	1,283,917
Inventory	82,252	44,174	-	126,426
Total current assets	4,340,604	1,651,308	295,251	6,287,163
Noncurrent assets				
Receivables, noncurrent	-	174,181	-	174,181
Capital assets, net	9,695,060	34,177,829	12,720,992	56,593,881
Total noncurrent assets	9,695,060	34,352,010	12,720,992	56,768,062
Total assets	14,035,664	36,003,318	13,016,243	63,055,225
Deferred Outflows of Resources				
Deferred outflows for OPEB	688	1,414	-	2,102
Deferred charge on refunding	52,565	-	-	52,565
	53,253	1,414	-	54,667
Liabilities				
Current liabilities				
Accounts payable	480,483	256,070	38,293	774,846
Accrued liabilities	41,079	67,546	7,079	115,704
Unearned revenue	-	12,911	2,890	15,801
Notes payable	-	687,799	-	687,799
Bonds payable	429,316	-	568,583	997,899
Compensated absences	18,210	59,500	-	77,710
Total current liabilities	969,088	1,083,826	616,845	2,669,759
Noncurrent liabilities				
Notes payable	-	7,839,399	-	7,839,399
Bonds payable	4,907,372	-	1,243,011	6,150,383
Compensated absences	9,636	58,259	-	67,895
OPEB liabilities	88,258	208,748	-	297,006
Total noncurrent liabilities	5,005,266	8,106,406	1,243,011	14,354,683
Total liabilities	5,974,354	9,190,232	1,859,856	17,024,442
Net Position				
Net investment in capital assets	4,410,937	25,650,631	10,909,398	40,970,966
Unrestricted	3,703,626	1,163,869	246,989	5,114,484
Total net position	\$ 8,114,563	\$ 26,814,500	\$ 11,156,387	\$ 46,085,450

See Notes to Basic Financial Statements.

City of Aberdeen, Maryland

Statement of Revenues, Expenses, and Changes in
Fund Net Position – Proprietary Funds
Year Ended June 30, 2018

	Business-Type Activities – Enterprise Funds			
	Water Utility	Sewer Utility	Stadium	Total
Operating Revenues				
Charges for services	\$ 2,651,272	\$ 3,070,638	\$ -	\$ 5,721,910
Other operating revenues	242,104	303,194	189,798	735,096
Miscellaneous	13,743	21,361	425	35,529
	<u>2,907,119</u>	<u>3,395,193</u>	<u>190,223</u>	<u>6,492,535</u>
Operating Expenses				
Cost of service	2,424,499	2,392,806	148,913	4,966,218
Other operating expenses	321,645	398,404	-	720,049
Depreciation	603,000	1,196,543	419,251	2,218,794
	<u>3,349,144</u>	<u>3,987,753</u>	<u>568,164</u>	<u>7,905,061</u>
Operating loss	<u>(442,025)</u>	<u>(592,560)</u>	<u>(377,941)</u>	<u>(1,412,526)</u>
Non-Operating Revenues (Expenses)				
Investment interest	494	591	-	1,085
Interest income on notes receivable	-	-	37,336	37,336
Gain on sale of property	-	-	86,621	86,621
Loss on disposal of capital assets	(6,667)	(55,026)	-	(61,693)
Interest expense	(179,889)	(105,033)	(43,973)	(328,895)
	<u>(186,062)</u>	<u>(159,468)</u>	<u>79,984</u>	<u>(265,546)</u>
Loss before transfers and capital grants and contributions	<u>(628,087)</u>	<u>(752,028)</u>	<u>(297,957)</u>	<u>(1,678,072)</u>
Transfers in	-	-	721,722	721,722
Capital grants and contributions	-	456,175	-	456,175
	<u>-</u>	<u>456,175</u>	<u>-</u>	<u>456,175</u>
Change in net position	<u>(628,087)</u>	<u>(295,853)</u>	<u>423,765</u>	<u>(500,175)</u>
Net Position				
Beginning, as restated (Note 12)	<u>8,742,650</u>	<u>27,110,353</u>	<u>10,732,622</u>	<u>46,585,625</u>
Ending	<u>\$ 8,114,563</u>	<u>\$ 26,814,500</u>	<u>\$ 11,156,387</u>	<u>\$ 46,085,450</u>

See Notes to Basic Financial Statements.

City of Aberdeen, Maryland

Statement of Cash Flows – Proprietary Funds

Year Ended June 30, 2018

	Business-Type Activities – Enterprise Funds			
	Water Utility	Sewer Utility	Stadium	Total
Cash Flows from Operating Activities				
Receipts from customers and users	\$ 2,898,593	\$ 3,236,645	\$ 69,860	\$ 6,205,098
Receipts from other sources	-	94,826	121,775	216,601
Payments to employees	(555,037)	(1,198,252)	-	(1,753,289)
Payments to suppliers	(2,027,082)	(1,546,519)	(139,744)	(3,713,345)
Net cash provided by operating activities	316,474	586,700	51,891	955,065
Cash Flows from Non-Capital Financing Activities				
Internal activity receipts from other funds	178,881	34,909	28,538	242,328
Internal activity disbursements to other funds	(178,881)	(34,909)	(578,037)	(791,827)
Transfers in	-	-	721,722	721,722
Net cash provided by non-capital financing activities	-	-	172,223	172,223
Cash Flows from Capital and Related Financing Activities				
Principal payments on notes payable	-	(724,281)	-	(724,281)
Principal payments on bonds payable	(292,700)	-	(535,000)	(827,700)
Interest paid	(176,762)	(109,760)	(54,572)	(341,094)
Capital grants and contributions	-	456,175	493,590	949,765
Purchase of capital assets	(212,684)	(1,442,736)	(18,785)	(1,674,205)
Net cash used in capital and related financing activities	(682,146)	(1,820,602)	(114,767)	(2,617,515)
Cash Flows from Investing Activities				
Investment earnings	494	591	-	1,085
Principal collections on notes receivable	-	-	86,621	86,621
Interest received on notes receivable	-	-	37,336	37,336
Net cash provided by investing activities	494	591	123,957	125,042
Net increase (decrease) in cash and cash equivalents	(365,178)	(1,233,311)	233,304	(1,365,185)
Cash and Cash Equivalents				
Beginning of year	4,122,555	2,059,980	59,470	6,242,005
End of year	\$ 3,757,377	\$ 826,669	\$ 292,774	\$ 4,876,820
Reconciliation of Operating Loss to Net Cash				
Provided by Operating Activities				
Operating loss	\$ (442,025)	\$ (592,560)	\$ (377,941)	\$ (1,412,526)
Adjustments to reconcile operating loss to net cash provided by operating activities:				
Depreciation	603,000	1,196,543	419,251	2,218,794
Net OPEB expense adjustment for changes in net OPEB liability and other OPEB related deferred outflows	(17,362)	(8,235)	-	(25,597)
Changes in assets and liabilities:				
Receivables	(8,526)	(76,634)	2,353	(82,807)
Inventory	1,833	121	-	1,954
Accounts payable	160,889	66,782	5,338	233,009
Accrued liabilities	2,731	3,699	-	6,430
Deferred revenue	-	12,911	2,890	15,801
Compensated absences	15,934	(15,927)	-	7
Net cash provided by operating activities	\$ 316,474	\$ 586,700	\$ 51,891	\$ 955,065
Supplemental Schedule of Non-cash Capital and Related Financing Activities				
Decrease in capital grants and contributions receivable	\$ -	\$ -	\$ (493,590)	\$ (493,590)

See Notes to Basic Financial Statements.

City of Aberdeen, Maryland

**Statement of Fiduciary Net Position and Changes in Fiduciary Net Position
As of and Year Ended June 30, 2018**

	Pension and Other Post Employment Benefits Trusts
Assets	
Investments at fair-value	
Pooled separate accounts	\$ 13,619,019
Insurance contract, at cost	<u>1,252,327</u>
Total assets	<u><u>\$ 14,871,346</u></u>
Net Position	
Restricted for pension/other post-employment benefits	<u><u>\$ 14,871,346</u></u>
Additions	
Contributions	
Employer contributions	\$ 1,273,694
Plan member contributions	<u>165,710</u>
	1,439,404
Net investment income	<u>963,036</u>
Total additions	<u><u>2,402,440</u></u>
Deductions	
Benefit payments	799,615
Administrative expenses and other	<u>69,250</u>
Total deductions	<u><u>868,865</u></u>
Change in net position	1,533,575
Net Position – Beginning	<u>13,337,771</u>
Net Position – Ending	<u><u>\$ 14,871,346</u></u>

See Notes to Basic Financial Statements.

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

B. Government-Wide and Fund Financial Statements

Government-wide financial statements: The government-wide financial statements report information on all of the non-fiduciary activities of the City. The effect of inter-fund financial transactions has been removed from these statements. However, interfund services provided and used are not eliminated in the process of consolidation. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

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

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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

C. Fund Accounting

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

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

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

While the Special Revenue Fund and Capital Project Fund do not meet the criteria for a major fund set forth by the Codification, the City has elected to present these funds as a major fund due to public interest.

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

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

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

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

D. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are susceptible to accrual, i.e. as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers enterprise zone tax credit revenues and Aberdeen Proving Ground water and sewer system (APG) contract revenues to be available if they are collected within 90 days of the end of the current fiscal period, while all other revenues are considered to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

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

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

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

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

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

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

E. Use of Estimates

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

F. Budgetary Data

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

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

Expenditures may not exceed appropriations at the general classification level without approval from the Council. The City Manager may approve transfers between departments throughout the year. As a practical matter, the City Manager notifies the City Council periodically of any such transfers. Unexpended and unencumbered appropriations lapse at year-end.

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

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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

	Revenues	Expenditures and Encumbrances	Other Financing Sources (Uses)	Current Year Effect on Fund Balance
General Fund				
Budgetary basis	\$ 17,180,649	\$ 14,383,934	\$ (2,541,689)	\$ 255,026
Reimbursable salaries, including OPEB, under APG contract	1,455,958	1,455,958	-	-
Decrease in encumbrances	-	50,929	-	(50,929)
Proceeds from sale of capital assets	-	-	106,572	106,572
Increase in allowance for uncollectible receivables	-	30,919	-	(30,919)
Decrease in prepaid expenditures	-	2,230	-	(2,230)
Modified accrual basis	\$ 18,636,607	\$ 15,923,970	\$ (2,435,117)	\$ 277,520
Capital Projects Fund				
Budgetary basis	\$ 239,775	\$ 1,664,933	\$ 2,659,958	\$ 1,234,800
Increase in encumbrances	-	(97,614)	-	97,614
Modified accrual basis	\$ 239,775	\$ 1,567,319	\$ 2,659,958	\$ 1,332,414

G. Cash, Cash Equivalents and Investments

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

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

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

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

H. Receivables

Receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history, and current economic conditions. As of June 30, 2018, management has provided an allowance for uncollectible delinquent personal property taxes in the amount of \$104,930. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received.

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

I. Notes Receivable

Notes receivable recorded in the Stadium Fund represent a land contract and ground lease for two land lots. Since the City's receivables are subject to future subordination, the profit on Lot 3 and 6 are being recognized under the cost recovery method. Under the cost recovery method, no profit is recognized until cash payments by Ripken Baseball Academy, LLC (Ripken Baseball) and affiliated entities, including principal and interest, exceed the City's cost of the property. Gross profit not yet recognized is offset against the related receivable on the balance sheet. Considering cash payments have now exceeded the City's cost of the property, principal collections reduce the related receivable and result in a corresponding amount of profit recognition. The profit earned has been recorded as gain on sale of property in the statement of revenues, expenses, and changes in fund net position – proprietary funds.

J. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2018, 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 valued at the lower of cost, on the first-in, first-out basis, or market. Inventory consists of chemicals and repair parts used in the operation of the municipal water system and sewer system. Inventory in the General Fund consists of parts for storm drain frames and grates and is recorded under the consumption method, an expenditure when used, and is equally offset by a fund balance reserve in the fund financial statements which indicates that inventory does not constitute "available spendable resources" even though it is a component of net current assets.

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 and in the proprietary funds financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$1,000 for land, buildings, improvements, and equipment, and \$5,000 for infrastructure and an initial useful life in excess of three years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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. During the year ended June 30, 2018, the City adopted GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. Accordingly, interest on debt during the construction period is no longer capitalized, effective for the year ended June 30, 2018.

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

<u>Assets</u>	<u>Years</u>
Machinery, equipment and vehicles	3 – 15 years
Recreational facilities	5 – 10 years
Improvements other than buildings	5 – 15 years
Infrastructure	20 – 50 years
Buildings	40 – 50 years
Water and sewer systems	40 – 50 years

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

M. Deferred Outflows of Resources

In addition to assets, the statement of net position or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City's deferred outflows consist of net charge on refunding of debt, and changes to pension and OPEB expenses. Deferred outflows of resources relating to pensions and OPEB are described in Notes 9 and 11, respectively. Net charge on refunding is being amortized over the term of the respective bond using the straight-line method. Contributions to the City's pensions plans made subsequent to the measurement date will be recognized as a decrease of the net pension liability in the City's subsequent year. Other pension and OPEB related deferred outflows are amortized into pension and OPEB expense, respectively, over a period of approximately five years.

N. Unearned Revenue

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

O. Inter-Fund Transactions

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

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

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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.

P. Long-Term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the term of the bonds using the bond-outstanding method which approximates the effective interest method. Bonds payable are reported net of the applicable unamortized bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid bond insurance costs are reported as prepaid items and amortized over the term of the related debt using the straight-line method.

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

Q. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Pension Plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the Pension Plans. For this purpose, benefit payments (including refunds of plan member contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value and amortized cost.

R. Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the single-employer defined benefit plan (OPEB plan) and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. For this purpose, the OPEB plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

S. Compensated Absences

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

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

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

T. Deferred Inflows of Resources

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. One item which qualifies for reporting in this category, which arises only under the modified accrual basis of accounting, is unavailable revenue. Accordingly, it is only reported in the governmental funds balance sheet. The City reports unavailable revenues from property taxes, grants and other revenue. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows of resources also include items relating to pensions as described in Note 9. Pension related deferred inflows are amortized into pension expense over a period of approximately five years. There are no deferred inflows relating to the OPEB plan as of June 30, 2018.

U. Fund Balance

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

The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Restricted fund balance are amounts that are restricted to specific purposes when the constraints are externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provision or enabling legislation. Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action such as City charter, ordinance, and resolution, of the City's highest level of decision-making authority, the Mayor and City Council, are to be reported as committed fund balance. The same type of action would be required to modify or rescind the commitments. Amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed, are to be reported as assigned fund balance. The authority for assigning fund balance rests with the City Manager or his or her designee as specified in the City's Fund Balance Policy. City policy requires a minimum unassigned fund balance in the general fund of 15% and a maximum of 50% of general fund revenue measured on a GAAP basis. At June 30, 2018, unassigned fund balance is 64% of general fund revenue. Unassigned fund balance is the residual classification for the General Fund.

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

V. Net Position

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

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 2. Cash, Cash Equivalents and Investments

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

The City invests primarily in the MLGIP. The MLGIP was established in 1982 under Article 95 Section 22G of the Code and is under the administrative control of the State Treasurer. The MLGIP seeks to maintain a constant unit value of \$1.00 per unit. Unit value is computed using the amortized cost method. In addition, the net asset value (NAV) of the pool, marked to market, is calculated and maintained on a weekly basis to ensure an amortized cost pursuant to Rule 2(a)-7 under the Investment Company Act of 1940. The City also holds investments in U.S. Treasury and U.S. Agency Securities, which mature between July 2018 and August 2023 with interest rates ranging from 0.875% to 5.250%. Additionally, the City holds money market mutual funds, which are valued at NAV. Similar to the MLGIP, the funds seek to maintain a constant unit value of \$1.00 per unit.

Investment types within the pension and OPEB trusts' investment portfolios are not limited by statute.

At June 30, 2018, the City had the following:

	Cash and Cash Equivalents	Investments
Cash	\$ 8,839,138	\$ -
Maryland Local Government Investment Pool	9,244,747	-
Money market mutual funds	-	50,071
U.S. Treasury and U.S. Agency Securities	-	1,919,027
Pension Trust – Pooled separate accounts	-	11,881,392
OPEB Trust – Pooled separate accounts	-	1,737,627
Pension Trust – Insurance contract, at cost	-	1,252,327
	<u>\$ 18,083,885</u>	<u>\$ 16,840,444</u>

Interest rate risk – In accordance with its investment policy for its operating funds, the City manages its exposure to declines in fair value due to rising interest rates by limiting the maturity of securities to no more than five years from the date of purchase, unless it is matched to a specific cash flow requirement. There is no limit on the maturity dates for the pension and OPEB trust funds. The City was not compliant with its investment policy as of June 30, 2018, as one investment had a maturity date in excess of the five years from the date of purchase.

Credit risk – Investments in the MLGIP are not evidenced by securities. The investment pool, not the participating governments, faces the custodial credit risk. The State Treasurer of Maryland exercises oversight responsibility over the MLGIP. A single financial institution is contracted to operate the MLGIP. In addition, the State Treasurer has established an advisory board composed of MLGIP participants to review the activities of the contractor quarterly and provide suggestions to enhance the return on investments. The MLGIP uses the amortized cost method to compute unit value rather than market value to report net assets. Accordingly, the fair value of the position in the MLGIP is the same as the value of the MLGIP shares. The MLGIP is rated “AAAm” by Standard and Poor’s. The City’s investments in long-term U.S. Treasury Securities are rated AA+ by Standard and Poor’s and short-term U.S. Treasury Securities are rated A-1+ by the same agency. All of the City’s holdings of U.S. Agency Securities are rated AA+ by Standard and Poor’s.

Concentration of credit risk – The City’s investment policy states that the City will diversify its investments by security type and institution. With the exception of the U.S. Treasury Securities and authorized pools, no more than 50% of the City’s total investments portfolio will be invested in a single security type or with a single financial institution.

City of Aberdeen, Maryland

Notes to Basic Financial Statements

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

Custodial credit risk – In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy states that collateralization is required on two types of investments, certificates of deposit and repurchase agreements, with a collateralization level of 102%. At June 30, 2018, all of the City's deposits were either covered by federal depository insurance or were covered by collateral held by the bank's agent in the City's name and the City was in compliance with the collateralization level required by its investment policy.

The Pension Trusts' and the OPEB Trust's investments include separate and guaranteed accounts held by Principal Financial Group and ICMA Retirement Corporation, agents of the plans. Plan investments include various types of pooled separate accounts and investment contracts which are not rated as to credit risks. 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.

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

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

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

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

As of June 30, 2018, the City had the following:

<u>Investments by Fair Value Level</u>	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
U.S. Treasury and Agency Securities	\$ 1,919,027	\$ 1,919,027	\$ -	\$ -
<u>Investments Measured at NAV</u>				
Money market mutual funds	50,071			
OPEB Trust – Pooled Separate Accounts	1,737,627			
Pension Trust – Pooled Separate Accounts	11,881,392			
<u>Investment Carried at Amortized Cost</u>				
Pension Trust – Insurance contract	1,252,327			
Total Investments	\$ 16,840,444			

City of Aberdeen, Maryland

Notes to Basic Financial Statements

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

The U.S. Treasury obligations and U.S. Government Agency Securities are valued at fair value based upon quoted prices in active markets and accordingly are classified within Level 1 of the valuation hierarchy.

The unallocated investment contract is recorded at contract value, a cost-based measure. The Trusts' investments in pooled separate accounts are stated at fair value based on quoted market prices of the investments held in each account as determined by Principal Life Insurance Company and ICMA Retirement Corporation. Pooled separate accounts are valued using the NAV of the fund. The NAV is based on the fair value of the underlying assets owned by the fund, minus the liabilities, and then divided by the number of shares or units outstanding. The valuation method for investments measured at the NAV per share, or equivalent, is presented below:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Money market mutual funds	\$ 50,071	\$ -	Daily	None
Fixed income – OPEB Trust	1,737,627	-	Daily	1 day
Domestic equity – Pension Trust	4,897,239	-	Daily	None
International equity – Pension Trust	2,093,165	-	Daily	None
Fixed income – Pension Trust	4,156,489	-	Daily	None
Real estate – Pension Trust	734,499	-	Daily	None
Total investments measured at NAV	<u>\$ 13,669,090</u>	<u>\$ -</u>		

Note 3. Notes Receivable

In September 2006, the City entered into a land contract with Ripken Baseball whereby the City will sell to Ripken Baseball Lot 3 within the stadium complex. This contract supersedes two ground leases previously entered into by the City and Ripken Baseball, but leaves the repayment terms of the original lease unchanged. Under the contract, Ripken Baseball received credit for all payments made under the respective ground leases and made the effective date of the contract that of which the ground leases were entered into. Ripken Baseball exercised an option to reduce payments on Lot 3 by real estate taxes paid on the property annually. The City estimates total future real estate taxes to reduce future principal payments by approximately \$99,000.

Additionally, the City previously entered into a ground lease with Cal Ripken Sr. Foundation for the lease of Lot 6. The terms of the lease provided Cal Ripken Sr. Foundation with an option to apply real property tax payments towards the purchase of the lot. During the year ended June 30, 2018, cumulative real property tax payments of \$188,855 exceeded the purchase option price of \$165,530, and the early purchase option was exercised for no additional consideration. Accordingly, there are no amounts receivable or deferred profit and unearned interest related to Lot 6 as of June 30, 2018.

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, 2018, is as follows:

	Notes Receivable	Less Deferred Profit and Unearned Interest	Notes Receivable, Net
Lot 3; original receivable amount \$1,507,118 and an original deferred profit of \$(522,020) amortized over 20 years plus interest ranging from 4.77% to 6.81%; combined monthly installments of principal and interest of \$10,977; due May 2023	\$ 548,535	\$ (548,535)	\$ -

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

Years Ending June 30,

2019	\$ 91,773
2020	106,252
2021	113,061
2022	120,314
2023	117,135
	<u>\$ 548,535</u>

Note 4. Receivables and Payables

Receivables by fund at June 30, 2018, consist of the following:

	General	Special Revenue	Capital Projects	Water Utility	Sewer Utility	Stadium	Total
Receivables							
Taxes	\$ 195,905	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 195,905
Intergovernmental	954,174	48,688	87,131	-	25,174	2,308	1,117,475
Charges for services	-	-	-	264,064	373,076	-	637,140
Assessments/improvements	-	-	-	-	185,813	-	185,813
Other	564,054	-	-	236,911	370,583	169	1,171,717
Gross receivables	1,714,133	48,688	87,131	500,975	954,646	2,477	3,308,050
Allowance for uncollectibles	(104,930)	-	-	-	-	-	(104,930)
	<u>\$ 1,609,203</u>	<u>\$ 48,688</u>	<u>\$ 87,131</u>	<u>\$ 500,975</u>	<u>\$ 954,646</u>	<u>\$ 2,477</u>	<u>\$ 3,203,120</u>

Accrued and other liabilities by fund at June 30, 2018, consist of the following:

	General	Special Revenue	Capital Projects	Water Utility	Sewer Utility	Stadium	Total
Accrued liabilities							
Interest	\$ -	\$ -	\$ -	\$ 28,166	\$ 41,214	\$ 7,079	\$ 76,459
Payroll	160,744	-	-	12,913	26,332	-	199,989
	<u>\$ 160,744</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,079</u>	<u>\$ 67,546</u>	<u>\$ 7,079</u>	<u>\$ 276,448</u>
Other liabilities							
Payroll withholdings	\$ 5,154	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,154
Performance bonds	105,635	-	-	-	-	-	105,635
Seized property	99,586	-	-	-	-	-	99,586
Other	14,861	-	-	-	-	-	14,861
	<u>\$ 225,236</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 225,236</u>

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 5. Interfund Receivables, Payables and Transfers

As of June 30, 2018, there are no receivable or payable balances between funds.

Transfers from the General Fund to the Capital Projects Fund were made for capital projects and the Stadium Fund for debt service and stadium improvements. Interfund transfers for the year ended June 30, 2018, consisted of the following:

	Transfers In	
	Capital Projects Fund	Stadium Fund
Transfers out		
General fund		
	\$ 2,659,958	\$ 721,722
	\$ 3,381,680	

Note 6. Capital Assets

Capital assets activity for the year ended June 30, 2018, is as follows:

	Balance, July 1, 2017	Additions	Deletions	Transfers	Balance, June 30, 2018
Governmental activities					
Capital assets not being depreciated					
Land	\$ 5,747,578	\$ -	\$ (271,977)	\$ -	\$ 5,475,601
Construction in process	86,886	58,971	-	(86,886)	58,971
	<u>5,834,464</u>	<u>58,971</u>	<u>(271,977)</u>	<u>(86,886)</u>	<u>5,534,572</u>
Capital assets being depreciated					
Buildings	11,402,483	67,572	(211,822)	-	11,258,233
Improvements other than buildings	440,530	-	-	-	440,530
Machinery and equipment	5,427,010	273,514	(230,314)	-	5,470,210
Vehicles	3,266,835	391,964	(375,759)	-	3,283,040
Recreational facilities	670,608	76,207	-	-	746,815
Infrastructure	20,612,465	703,162	-	86,886	21,402,513
Vehicles under capital lease	-	839,991	-	-	839,991
	<u>41,819,931</u>	<u>2,352,410</u>	<u>(817,895)</u>	<u>86,886</u>	<u>43,441,332</u>
Accumulated depreciation for					
Buildings	(6,659,123)	(192,554)	17,903	-	(6,833,774)
Improvements other than buildings	(61,109)	(20,970)	-	-	(82,079)
Machinery and equipment	(4,449,503)	(263,451)	201,808	-	(4,511,146)
Vehicles	(1,905,803)	(302,969)	375,759	-	(1,833,013)
Recreational facilities	(440,551)	(49,091)	-	-	(489,642)
Infrastructure	(8,094,557)	(421,154)	-	-	(8,515,711)
Vehicles under capital lease	-	(111,999)	-	-	(111,999)
	<u>(21,610,646)</u>	<u>(1,362,188)</u>	<u>595,470</u>	<u>-</u>	<u>(22,377,364)</u>
Total depreciable assets, net	<u>20,209,285</u>	<u>990,222</u>	<u>(222,425)</u>	<u>86,886</u>	<u>21,063,968</u>
Governmental activities capital assets, net	<u>\$ 26,043,749</u>	<u>\$ 1,049,193</u>	<u>\$ (494,402)</u>	<u>\$ -</u>	<u>\$ 26,598,540</u>

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 6. Capital Assets (Continued)

	Balance, July 1, 2017	Additions	Deletions	Transfers	Balance, June 30, 2018
Business-type activities					
Capital assets not being depreciated					
Land	\$ 1,963,416	\$ -	\$ -	\$ -	\$ 1,963,416
Construction in process	267,386	161,814	-	(90,022)	339,178
	<u>2,230,802</u>	<u>161,814</u>	<u>-</u>	<u>(90,022)</u>	<u>2,302,594</u>
Capital assets being depreciated					
Buildings	24,473,309	-	-	-	24,473,309
Improvements other than buildings	1,697,984	-	-	-	1,697,984
Machinery and equipment	12,670,221	163,893	(249,449)	56,429	12,641,094
Water systems	16,298,845	-	-	-	16,298,845
Sewer system	33,311,644	1,348,498	-	33,593	34,693,735
	<u>88,452,003</u>	<u>1,512,391</u>	<u>(249,449)</u>	<u>90,022</u>	<u>89,804,967</u>
Accumulated depreciation for					
Buildings	(11,335,340)	(511,301)	-	-	(11,846,641)
Improvements other than buildings	(140,435)	(107,777)	-	-	(248,212)
Machinery and equipment	(10,252,930)	(401,921)	187,756	-	(10,467,095)
Water systems	(6,960,982)	(483,893)	-	-	(7,444,875)
Sewer system	(4,792,955)	(713,902)	-	-	(5,506,857)
	<u>(33,482,642)</u>	<u>(2,218,794)</u>	<u>187,756</u>	<u>-</u>	<u>(35,513,680)</u>
Total depreciable assets, net	<u>54,969,361</u>	<u>(706,403)</u>	<u>(61,693)</u>	<u>90,022</u>	<u>54,291,287</u>
Business-type activities capital assets, net	<u>\$ 57,200,163</u>	<u>\$ (544,589)</u>	<u>\$ (61,693)</u>	<u>\$ -</u>	<u>\$ 56,593,881</u>

Depreciation expense was charged in the statement of activities for the year ended June 30, 2018, as follows:

Governmental activities	
General government	\$ 711,339
Public safety	271,409
Public works	321,856
Recreation	57,584
	<u>\$ 1,362,188</u>
Business-type activities	
Water utility	\$ 603,000
Sewer utility	1,196,543
Stadium	419,251
	<u>\$ 2,218,794</u>

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 7. Tax Abatements

As of June 30, 2018, the City provides tax abatements through two programs: the Low and Moderate Income Housing Program and the Enterprise Zone Tax Credit Program.

The Low and Moderate Income Housing Program provides real property tax abatements to encourage low and moderate income housing, under Section 7-505 of the Maryland Tax-Property Code. Abatements are obtained through application by the property owners, including proof that the construction/rehabilitations have been made, and could be up to 100% of the additional property tax resulting from the increase in assessed value as a result of the improvements. The amount of the abatement is deducted from the recipient's tax bill.

The Enterprise Zone Tax Credit Program provides tax incentives to businesses and property-owners located in some economically distressed communities under Section 9-103 of the Maryland Tax-Property Code. Abatements are obtained through application by the property owners, including proof that the improvements have been made and may claim a ten-year credit against local real property taxes. The credit is 80% of the assessment increase during the first five years. The credit then decreases 10% annually thereafter to 30% in the tenth year. The amount of the abatement is deducted from the recipient's tax bill. The State of Maryland reimburses the City for 50% of the tax credit.

Total tax abatements related to each program for the year ended June 30, 2018, are as follows:

Tax Abatement Program	Amount of Taxes Abated During the Fiscal Year	Percentage of Taxes Abated During the Fiscal Year
Low and Moderate Income Housing Program	\$ 43,556	57.85%
Enterprise Zone Tax Credit Program (City Share)	134,428	18.47%
Total	<u>\$ 177,984</u>	

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 8. Long-Term Liabilities

Long-term liabilities activity as of and for the year ended June 30, 2018, is as follows:

	Balance, July 1, 2017	Additions	Deductions	Balance, June 30, 2018	Amounts Due Within One Year
Governmental activities					
General obligation bonds payable	\$ 3,666,900	\$ -	\$ (380,200)	\$ 3,286,700	\$ 379,100
Capital lease	-	839,991	(75,797)	764,194	153,705
Other obligations					
Compensated absences	550,548	124,187	(85,845)	588,890	290,929
Net pension liabilities	2,674,670	-	(1,187,444)	1,487,226	-
Net OPEB liability, as restated	1,926,632	251,886	(475,319)	1,703,199	-
Add bond premiums	15,516	-	(2,229)	13,287	2,229
	<u>\$ 8,834,266</u>	<u>\$ 1,216,064</u>	<u>\$ (2,206,834)</u>	<u>\$ 7,843,496</u>	<u>\$ 825,963</u>
Business-type activities					
General obligation bonds payable	\$ 7,933,600	\$ -	\$ (827,700)	\$ 7,105,900	\$ 988,000
Notes payable	9,251,479	-	(724,281)	8,527,198	687,799
Other obligations					
Compensated absences	145,598	43,167	(43,160)	145,605	77,710
Net OPEB liability, as restated	320,501	41,893	(65,388)	297,006	-
Add bond premiums	52,281	-	(9,899)	42,382	9,899
	<u>\$ 17,703,459</u>	<u>\$ 85,060</u>	<u>\$ (1,670,428)</u>	<u>\$ 16,118,091</u>	<u>\$ 1,763,408</u>

General obligation bonds payable relating to governmental activities at June 30, 2018, consist of the following:

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

\$ 2,640,000

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

282,900

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

363,800
\$ 3,286,700

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 8. Long-Term Liabilities (Continued)

A schedule of maturities of the general obligation bonds payable relating to governmental activities as of June 30, 2018, is as follows:

Years Ending June 30,	Principal	Interest	Total
2019	\$ 379,100	\$ 81,610	\$ 460,710
2020	388,100	73,808	461,908
2021	396,800	65,469	462,269
2022	405,600	56,520	462,120
2023	259,100	47,061	306,161
2024-2028	1,053,000	147,971	1,200,971
2029-2030	405,000	19,575	424,575
	<u>\$ 3,286,700</u>	<u>\$ 492,014</u>	<u>\$ 3,778,714</u>

During the year ended June 30, 2018, the City entered into capital lease obligations for the acquisition of police vehicles, with interest rates ranging from 6.54% to 6.813%. The obligations require monthly payments of principal and interest totaling \$16,389. At June 30, 2018, borrowings outstanding under these obligations totaled \$764,194.

A schedule of maturities of capital lease obligations relating to governmental activities as of June 30, 2018, is as follows:

Years Ending June 30,	Principal	Interest	Total
2019	\$ 150,713	\$ 45,956	\$ 196,669
2020	160,938	35,731	196,669
2021	171,856	24,813	196,669
2022	183,516	13,153	196,669
2023	97,171	2,048	99,219
	<u>\$ 764,194</u>	<u>\$ 121,701</u>	<u>\$ 885,895</u>

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

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 8. Long-Term Liabilities (Continued)

General obligation bonds payable relating to business-type activities at June 30, 2018, consist of the following:

Series A Infrastructure Bond of 2010; authorized amount \$5,093,428; interest at rates ranging from 0.75% to 4.31%; payable in annual payments of principal ranging from \$198,000 to \$350,500 and semiannual payments of interest through May 2030	\$ 3,419,900
Refunding Bonds of 2011; authorized amount \$4,010,000; interest at rates ranging from 2.0% to 3.25%; payable in annual payments of principal ranging from \$365,000 to \$425,000 and semiannual payments of interest through June 2022	1,325,000
Refunding Bonds of 2011; authorized amount \$1,415,000; interest at rates ranging from 2.0% to 3.25%; payable in annual payments of principal ranging from \$125,000 to \$155,000 and semiannual payments of interest through June 2021	460,000
Series A Refunding Bonds of 2016; authorized amount \$1,968,200; interest at a rate of 1.84%; payable in annual payments of principal ranging from \$67,000 to \$228,200 and semiannual payments of interest through November 2026	1,901,000
	<u>\$ 7,105,900</u>

A schedule of maturities of the general obligation bonds payable relating to the business-type activities as of June 30, 2018, is as follows:

Years Ending June 30,	Principal	Interest	Total
2019	\$ 988,000	\$ 208,365	\$ 1,196,365
2020	1,009,800	185,118	1,194,918
2021	1,031,000	159,167	1,190,167
2022	537,600	132,685	670,285
2023	477,900	117,589	595,489
2024-2028	2,374,600	373,149	2,747,749
2029-2030	687,000	44,716	731,716
	<u>\$ 7,105,900</u>	<u>\$ 1,220,789</u>	<u>\$ 8,326,689</u>

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 8. Long-Term Liabilities (Continued)

Notes payable relating to business-type activities at June 30, 2018, consists of the following:

Loan payable, Maryland Water Quality Financing Administration, unsecured, accruing interest at a rate of 0.90%; payable in annual principal payments at varying amounts and semiannual payments of interest; due 2032	\$ 5,649,135
Loan payable, Maryland Water Quality Financing Administration, non-interest bearing, unsecured, no payments due through 2020 at which time loan is subject to forgiveness	1,500,000
Loan payable, Maryland Water Quality Financing Administration, unsecured, accruing interest at a rate of 1.00%; payable in annual principal payments at varying amounts and semiannual payments of interest; due dates through 2030	317,746
Loan payable, Manufacturers and Traders Trust Company, unsecured, accruing interest at 2.12%; payable in quarterly payments of \$73,769 at varying amounts of principal and interest through March 2022	1,060,317
	<u>\$ 8,527,198</u>

A schedule of maturities of the notes payable relating to the business-type activities as of June 30, 2018, is as follows:

Years Ending June 30,	Principal	Interest	Total
2019	\$ 687,799	\$ 74,674	\$ 762,473
2020	2,197,562	64,910	2,262,472
2021	707,426	55,047	762,473
2022	644,687	45,017	689,704
2023	428,601	38,801	467,402
2024-2028	2,175,139	134,915	2,310,054
2029-2032	1,685,984	38,127	1,724,111
	<u>\$ 8,527,198</u>	<u>\$ 451,491</u>	<u>\$ 8,978,689</u>

The Refunding Bonds of 2016 contain a provision stating that in the event of a decrease in the marginal corporate tax rate of 35%, the lender shall have the option to adjust the interest rates upwards in order to maintain the same after tax yield for the lender. The lender has not exercised this option.

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 9. Pension Plans – City Reporting

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

Management of the Pension Plans is vested in the Trustees, which includes the City Manager, Director of Finance, Human Resource Manager. In addition, Trustees of the Police Department Pension Plan also include two sworn police officers.

Separate, audited GAAP basis pension trust reports are not available for the plans. Therefore, pension plan reporting in accordance with GASB 67, *Financial Reporting for Pension Plans*, has been included in Note 10. Condensed financials as of and for the year ended June 30, 2018, are as follows:

	Police Department Plan	Defined Benefit Plan
Assets		
Investments and contracts	\$ 11,881,392	\$ 1,252,327
Net Position		
Held in trust for pension benefits	\$ 11,881,392	\$ 1,252,327
Additions		
Contributions	\$ 831,372	\$ 67,369
Net investment income	835,559	45,502
	1,666,931	112,871
Deductions		
Benefit payments	519,900	127,052
Administrative expenses and other	47,146	22,104
	567,046	149,156
Change in net position	1,099,885	(36,285)
Beginning net position	10,781,507	1,288,612
Ending net position	\$ 11,881,392	\$ 1,252,327

The net pension liability for the City's year ended June 30, 2018, was measured as of June 30, 2017, using the total pension liabilities that were determined by actuarial valuation as of June 30, 2017.

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 9. Pension Plans – City Reporting (Continued)

Defined Benefit Pension Plan

Plan Description and Provisions:

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

The City's DB Plan provides retirement, termination, and death benefits. Normal retirement benefits for all plan members are calculated as 1% of average compensation multiplied by accrual service (accrued benefit) and in the form of a monthly annuity payable for life. General plan members age 65 and older and public safety plan members age 60 and older are eligible for normal retirement. Early retirement benefits for all plan members are calculated as the accrued benefit, as defined above, reduced by 6⅔% for each year up to five, 3⅓% for each of the next five years, and 2.5% for each additional year that the Early Retirement Date precedes Normal Retirement Date and in the form of a monthly annuity payable for life. General plan members age 55 and older and public safety plan members age 50 and older are eligible for early retirement. Termination benefits for all plan members are vested at 100% after eight years of vesting service. Death benefits for all plan members require that the participant completed 25 years of service payable in a monthly annuity to spouse. The amount of the benefit equates to the amount that would have been received had the participant elected a joint and 50% survivorship benefits option and early retired the day before death.

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

The DB Plan's membership consisted of the following as of June 30, 2017, the measurement date:

Inactive plan members or beneficiaries currently receiving benefits	17
Inactive plan members entitled to but not yet receiving benefits	<u>1</u>
Total	<u>18</u>

Contribution Information and Funding Policy:

The DB Plan covers all employees of the City with 1,000 hours of annual eligible service who are not participants in the Defined Contribution Pension Plan or the PD Pension Plan. Provisions of the DB Plan include retirement and death benefits to plan members and their beneficiaries. Benefits and refunds of the postemployment defined benefit plan are recognized when due and payable in accordance with the terms of the plan.

The contribution requirements of the City are established and may be amended by the City legislature. The City is required to contribute at an actuarially determined rate. The actuarially required contribution rate and the amount paid into the DB Plan during the year ended June 30, 2018, was \$67,369. The DB Plan does not provide for a maximum employer contribution. No contributions are required of employees. Administrative costs are financed through investment earnings.

Assumptions:

The total pension liability at June 30, 2018, measured June 30, 2017, was determined by an actuarial valuation using the following assumptions:

Inflation	2.00%
Salary increases	Ranging from 5.77% to 7.30% based on age, plus 2.2%
Investment rate of return	4.25%, net of investment expense and including inflation

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 9. Pension Plans – City Reporting (Continued)

Mortality rates were based on the 2017 IRS Prescribed Mortality-Optional Combined Table for Small Plans, for Males and Females. Disability rates were based on the 1987 Commissioner's Group Disability Table, six month elimination period, for Males and Females. A withdrawal assumption was not utilized due to the size of the plan and limited experience.

The total pension liability as of June 30, 2018, was calculated based on the Entry Age Normal actuarial cost method. Under this method, the present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the earnings between entry age and assumed exit age(s). The portion of the present value allocated to a year is the service costs. Projected benefits are based on project salary and projected service.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	100%	3.60%

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

The mortality table has been updated to reflect the annual changes to the IRS Prescribed Mortality Tables in the actuarial valuation as of June 30, 2017. Salary increases were updated utilizing Table S-5 from the annual Actuary's Pension Handbook. The inflation and related compensation limit increase assumptions have decreased from 2.25% to 2.00%. There were no other significant changes to assumptions when compared to the prior actuarial valuation.

Based on those assumptions, the pension plan's fiduciary net position and benefit payments were projected to determine if the plan's fiduciary net position was greater than or equal to the expected benefit payments for each period from 2017 to 2072. Benefit payments after 2072 are projected to be \$0. The long-term rate of return of 4.25% is used to calculate the actuarial present value of the projected payments for each future period when the projected fiduciary net position is greater than the projected expected benefit payments. Otherwise, a municipal bond rate of 3.88% is used. The municipal bond rate is from Barclays Municipal GO Long Term (17+Y) Index, which includes 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher securities, as of the June 30, 2017, measurement date. The discount rate is a single rate that incorporates the long-term rate of return and the municipal bond rate as described. The discount rate used to measure the total pension liability was 4.25%.

Investments:

The DB Plan does not have a formal investment policy.

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

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 9. Pension Plans – City Reporting (Continued)

The money-weighted rate of return is calculated as a rate of return on pension plan investments incorporating the actual timing and amount of cash flows. This return is calculated net of investment expense. The annual money-weighted rate of return on plan investments for the measurement period of July 1, 2016 to June 30, 2017, for the City's year ended June 30, 2018, was 4.01%.

Net Pension Liability of the City:

The components of the net pension liability of the City at June 30, 2018, using a measurement date of June 30, 2017, were as follows:

Total pension liability	\$ 1,425,169
Plan fiduciary net position	1,288,612
City's net pension liability	<u>\$ 136,557</u>
Plan fiduciary net position as a percentage of total pension liability	90.42%

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

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

	1% Decrease (3.25%)	Current Discount Rate (4.25%)	1% Increase (5.25%)
City's net pension liability	\$ 246,119	\$ 136,557	\$ 40,541

Changes in the net pension liability were as follows:

Total pension liability, July 1, 2017 (measured June 30, 2016)	\$ 1,537,783
Interest	61,849
Difference between expected and actual experience	(26,801)
Changes in assumptions	3,637
Benefit payments	(151,299)
Total pension liability, June 30, 2018 (measured June 30, 2017)	<u>\$ 1,425,169</u>
Plan fiduciary net position, beginning measurement period (June 30, 2016)	\$ 1,339,137
Contributions – employer	67,855
Net investment income	51,157
Benefit payments	(151,299)
Administrative expenses	(18,238)
Plan fiduciary net position, ending measurement period (June 30, 2017)	<u>\$ 1,288,612</u>
Net pension liability, July 1, 2017 (measured June 30, 2016)	<u>\$ 198,646</u>
Net pension liability, June 30, 2018 (measured June 30, 2017)	<u>\$ 136,557</u>

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

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 9. Pension Plans – City Reporting (Continued)

Police Department Pension Plan

Plan Description and Provision:

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

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

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

The PD Pension Plan's membership consisted of the following as of June 30, 2017, the measurement date:

Active plan members	40
Inactive plan members entitled to but not yet receiving benefits	8
Disabled plan members entitled to and receiving benefits	1
Retired plan members or beneficiaries currently receiving benefits	<u>13</u>
Total	<u>62</u>

Contribution Information and Funding Policy:

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

The contribution requirements of the City are established and may be amended by the City legislature. The City is required to contribute at an actuarially determined rate; the current rate is 28.3% of annual covered payroll. The PD Pension Plan does not provide for a maximum employer contribution. The actuarially required contribution rate and the amount paid into the PD Pension Plan for the year ended June 30, 2018, was \$665,662. Administrative costs are financed through investment earnings. The police officers contribute to the PD Pension Plan based on 7% of salaries. Participants' actual contributions were \$165,710 for the year ended June 30, 2018.

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 9. Pension Plans – City Reporting (Continued)

Assumptions:

The total pension liability at June 30, 2018, measured June 30, 2017, was determined by an actuarial valuation using the following assumptions:

Inflation	2.00%
Salary increases	Ranging from 4.38% to 6.68% based on age, plus 2.5%
Investment rate of return	6.50%, net of investment expense and including inflation

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

The total pension liability as of June 30, 2018, was calculated based on the Entry Age actuarial cost method. Under this method, the present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the earnings between entry age and assumed exit age(s). The portion of the present value allocated to a year is the service costs. Projected benefits are based on project salary and projected service.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	40.97%	6.50%
International equity	13.58%	6.50%
Fixed income	39.04%	3.87%
Real estate	6.41%	5.54%
Total	100.00%	

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

The discount rate has been changed from 6.29% to 6.50% as of the June 30, 2017, measurement date. The long term rate of return on plan assets has decreased from 7.00% to 6.50%. Salary projection has been updated from the S-5 Table plus 3.00% to the S-5 Table plus 2.50%. The inflation and related compensation limit increase assumptions have decreased from 2.25% to 2.00%. There were no other significant changes to assumptions when compared to the prior actuarial evaluation.

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 9. Pension Plans – City Reporting (Continued)

Based on those assumptions, the pension plan's fiduciary net position and benefit payments were projected to determine if the plan's fiduciary net position was greater than or equal to the expected benefit payments for each period from 2017 to 2114. Benefit payments after 2114 are projected to be \$0. The long-term rate of return of 6.50% is used to calculate the actuarial present value of the projected payments for each future period when the projected fiduciary net position is greater than the projected expected benefit payments. Otherwise, a municipal bond rate of 3.88% is used. The municipal bond rate is from Barclays Municipal GO Long Term (17+ Y) Index, which includes 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher securities, as of the 6/30/2017 measurement date. The discount rate is a single rate that incorporates the long-term rate of return and the municipal bond rate as described. The discount rate used to measure the total pension liability was 6.50%.

Investments:

The PD Pension Plan's investment policy has been established by and may be amended by the plan committee, on behalf of the plan sponsor, the City of Aberdeen. The plan committee is required to utilize investment options offering the appropriate risk and return characteristics normally found in the portfolios of defined benefit plans. The options are intended to control the degree of risk to which the plan assets are subject and to create a portfolio which aggregate risk and return characteristics considered to be normally appropriate for a defined benefit plan and minimize overall risk through diversification. The policy does not define specific benchmarks to clearly identify when an over concentration may occur. There were no significant policy changes during the year ended June 30, 2018.

Investments are valued as of the measurement date at fair value. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period. The unfunded actuarial accrued liability (UAAL) is amortized as a level dollar of projected payroll on an open basis. The remaining amortization period at June 30, 2018, was ten years, which is re-established each year. As of the measurement date, all of the plan's investments were held in one organization, Principal Financial Group.

The money-weighted rate of return is calculated as a rate of return on pension plan investments incorporating the actual timing and amount of cash flows. This return is calculated net of investment expense. The annual money-weighted rate of return on plan investments for the measurement period of July 1, 2016, to June 30, 2017, was 11.32%.

Net Pension Liability of the City:

The components of the net pension liability of the City at June 30, 2018, using a measurement date of June 30, 2017, were as follows:

Total pension liability	\$ 12,132,176
Plan fiduciary net position	10,781,507
City's net pension liability	<u>\$ 1,350,669</u>
Plan fiduciary net position as a percentage of total pension liability	<u>88.87%</u>

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 9. Pension Plans – City Reporting (Continued)

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

The following presents the net pension liability of the City, calculated using the discount rate of 6.50%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
City's net pension liability	\$ 2,957,879	\$ 1,350,669	\$ 20,429

Changes in the net pension liability, were as follows:

Total pension liability, July 1, 2017 (measured June 30, 2016)	\$ 11,930,689
Service costs	383,990
Interest	760,928
Difference between expected and actual experience	(103,878)
Changes in assumptions	(399,120)
Benefit payments	(440,433)
Total pension liability, June 30, 2018 (measured June 30, 2017)	<u>\$ 12,132,176</u>
Plan fiduciary net position, beginning measurement period (June 30, 2016)	\$ 9,454,665
Contributions – employer	545,099
Contributions – plan members	171,518
Net investment income	1,079,768
Benefit payments	(440,433)
Administrative expenses	(29,110)
Plan fiduciary net position, ending measurement period (June 30, 2017)	<u>\$ 10,781,507</u>
Net pension liability, July 1, 2017 (measured June 30, 2016)	<u>\$ 2,476,024</u>
Net pension liability, June 30, 2018 (measured June 30, 2017)	<u>\$ 1,350,669</u>

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

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 9. Pension Plans – City Reporting (Continued)

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

The City recognized deferred outflows of resources, deferred inflows of resources, and expense related to pensions as of and for the year ended June 30, 2018, as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
Prior year plan contributions reversed out of deferred outflows	\$ -	\$ -	\$ 612,954
Current year plan contributions (fiscal year 2018)	733,031	-	-
Differences between expected and actual experience	27,792	177,810	62,982
Net difference between expected and net investment income	114,227	-	421,065
Assumption changes	702,688	337,717	526,507
Net increase in net pension liability from prior year to current year	-	-	(1,187,444)
	<u>\$ 1,577,738</u>	<u>\$ 515,527</u>	<u>\$ 436,064</u>

\$733,031 reported as deferred outflows of resources related to pensions resulting from City contributions to the pension plans subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Years Ending June 30,

2019	\$ 98,763
2020	220,982
2021	143,185
2022	(17,672)
2023	(77,384)
2024	(38,694)
	<u>\$ 329,180</u>

Defined Contribution Pension Plan

Plan Description:

The City's Defined Contribution Pension Plan was established by the City to provide benefits at retirement to employees of the City who are not participants in the DB Plan or the PD Pension Plan. The City has delegated the authority to manage plan assets to ICMA Retirement Corporation. At June 30, 2018, there were 117 plan members. Defined Contribution Pension Plan participants are required to contribute 2% of annual base pay. The City is required to contribute 7% of annual base pay. Defined Contribution Pension Plan provisions and contribution requirements are established and may be amended by the City Council. Participants' and the City's actual contributions were \$118,315 and \$414,103, respectively.

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 10. Pension Plans – Plan Reporting

GASB Statement 67, *Financial Reporting for Pension Plans*, addresses reporting by pension plans. Since the City does not issue separate pension plan financial statements, all required disclosures for the Plans have been included within this report. However, plan information included in Note 9 is not repeated within this disclosure.

A measurement date of June 30, 2018, is being used for the pension plans' June 30, 2018, financial reporting (Plan Reporting) and will be used for the City's future June 30, 2019, financial reporting (City Reporting – Note 9).

Defined Benefit Pension Plan

Plan Description and Provision:

There were no changes in the DB Plan descriptions and provisions between the June 30, 2017 and June 30, 2018, measurement dates.

The DB Plan's membership consisted of the following as of June 30, 2018, the plan's measurement date:

Inactive plan members or beneficiaries currently receiving benefits	13
Inactive plan members entitled to but not yet receiving benefits	<u>1</u>
Total	<u>14</u>

Contribution Information and Funding Policy:

There were no changes in the plan contribution information and funding policy between the June 30, 2017 and June 30, 2018, measurement dates.

Assumptions:

The plan's net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The following assumptions were used:

Inflation	2.00%
Salary increases	Ranging from 5.77% to 7.30% based on age, plus 2.2%
Investment rate of return	3.75%, net of investment expense and including inflation

Mortality rates during the benefit payment period were based on Adjusted RP-2014 total dataset mortality, considering MP-2017 mortality improvement with generational mortality improvement, annuitant, for Males and Females. Mortality rates before the benefit payment period were based on Adjusted RP-2014 total dataset mortality, considering MP-2017 mortality improvement with generational mortality improvement, non-annuitant, for Males and Females. Disability rates were based on the 1987 Commissioner's Group Disability Table, six month elimination period, for Males and Females. A withdrawal assumption was not utilized due to the size of the plan and limited experience.

The total pension liability, as measured at June 30, 2018, was calculated based on the Entry Age actuarial cost method. Under this method, the present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the earnings between entry age and assumed exit age(s). The portion of the present value allocated to a year is the service costs. Projected benefits are based on project salary and projected service.

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 10. Pension Plans – Plan Reporting (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	100.00%	3.60%

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

The mortality table has changed from the 2017 IRS Prescribed Mortality – Optional Combined Table for Small Plans, for Males and Females to the table noted above in the actuarial valuation as of June 30, 2018. The long-term rate of return on plan assets and discount rate declined from 4.25% at the beginning of the period to 3.75% at the end of the period. There were no other significant changes to assumptions when compared to the prior actuarial valuation.

Based on those assumptions, the pension plan's fiduciary net position and benefit payments were projected to determine if the plan's fiduciary net position was greater than or equal to the expected benefit payments for each period from 2018 to 2071. The long-term rate of return of 3.75% is used to calculate the actuarial present value of the projected payments for each future period when the projected fiduciary net position is greater than the projected expected benefit payments. Otherwise, a municipal bond rate of 3.93% is used. The municipal bond rate is from Barclays Municipal GO Long Term (17+Y) Index, which includes 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher securities, as of the June 30, 2018, measurement date. The discount rate is a single rate that incorporates the long-term rate of return and the municipal bond rate as described. The discount rate used to determine the beginning of period total pension liability is 4.25%. The discount rate used to determine the end of period total pension liability is 3.75%.

Investments:

There were no changes to the investment contract utilized between the June 30, 2017, and June 30, 2018, measurement dates. Additionally, all of the Plan's investments continue to be held in one organization, Principal Financial Group.

The money-weighted rate of return is calculated as a rate of return on pension plan investments incorporating the timing and amount of cash flows. This return is calculated net of investment expenses. The annual money-weighted rate of return on plan investments for the measurement period ended June 30, 2018, is 3.31%.

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 10. Pension Plans – Plan Reporting (Continued)

Net Pension Asset of the City:

The components of the net pension asset of the City, using a measurement date of June 30, 2018, were as follows:

Total pension liability	\$ 1,145,855
Plan fiduciary net position	1,252,327
City's net pension asset	<u>\$ (106,472)</u>
Plan fiduciary net position as a percentage of the total pension liability	109.29%

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

The following presents the net pension asset of the City, calculated using the discount rate of 3.75%, as well as what the City's net pension asset would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	1% Decrease (2.75%)	Current Discount Rate (3.75%)	1% Increase (4.75%)
City's net pension asset	\$ 11,695	\$ 106,472	\$ 188,807

Police Department Pension Plan

Plan Description and Provision:

There were no changes in the PD Pension Plan descriptions and provisions between the June 30, 2017, and June 30, 2018, measurement dates.

The PD Pension Plan's membership consisted of the following as of June 30, 2018, the plan's measurement date:

Active plan members	39
Inactive plan members entitled to but not yet receiving benefits	11
Disabled plan members entitled to and receiving benefits	1
Retired plan members or beneficiaries currently receiving benefits	<u>14</u>
Total	<u>65</u>

Contribution Information and Funding Policy:

There were no changes in the plan contribution information and funding policy between the June 30, 2017 and June 30, 2018, measurement dates.

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 10. Pension Plans – Plan Reporting (Continued)

Assumptions:

The plan's net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The following assumptions were used:

Inflation	2.00%
Salary increases	Ranging from 4.38% to 6.68% based on age, plus 2.5%
Investment rate of return	6.25%, net of investment expense and including inflation

Mortality rates during the benefit payment period were based on Adjusted RP-2014 total dataset mortality, considering MP-2017 mortality improvement with generational mortality improvement, annuitant, for Males and Females. Mortality rates before the benefit payment period were based on Adjusted RP-2014 total dataset mortality, considering MP-2017 mortality improvement with generational mortality improvement, non-annuitant, for Males and Females. Disability rates were based on the 1987 Commissioner's Group Disability Table, six month elimination period, for Males and Females. A withdrawal assumption was based on the 2003 Society of Actuaries Small Plan Age Table, based on age, multiplied by 0.35.

The total pension liability, as measured at June 30, 2018, was calculated based on the Entry Age actuarial cost method. Under this method, the present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the earnings between entry age and assumed exit age(s). The portion of the present value allocated to a year is the service costs. Projected benefits are based on project salary and projected service.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	37.06%	6.50%
International equity	17.05%	6.50%
Fixed income	39.43%	3.86%
Real estate	6.46%	5.54%
Total	100.00%	

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

The mortality table has changed from the IRS Prescribed Mortality – Generational Annuitant, for Males and Females and the IRS Prescribed Mortality – Generational Non-annuitant, for Males and Females to the table noted above in the actuarial valuation as of June 30, 2018. The long-term rate of return on plan assets and discount rate declined from 6.50% at the beginning of the period to 6.25% at the end of the period. There were no other significant changes to assumptions when compared to the prior actuarial valuation.

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 10. Pension Plans – Plan Reporting (Continued)

Based on those assumptions, the pension plan's fiduciary net position and benefit payments were projected to determine if the plan's fiduciary net position was greater than or equal to the expected benefit payments for each period from 2018 to 2114. Benefit payments after 2114 are projected to be \$0. The long-term rate of return of 6.25% is used to calculate the actuarial present value of the projected payments for each future period when the projected fiduciary net position is greater than the projected expected benefit payments. Otherwise, a municipal bond rate of 3.93% is used. The municipal bond rate is from Barclays Municipal GO Long Term (17+ Y) Index, which includes 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher securities, as of the 6/30/2018 measurement date. The discount rate is a single rate that incorporates the long-term rate of return and the municipal bond rate as described. The discount rate used to determine the beginning of period total pension liability is 6.50%. The discount rate used to determine the end of period total pension liability is 6.25%.

Investments:

There were no changes in the investment policy between the June 30, 2017 and June 30, 2018, measurement dates. Additionally, all of the plan's investments continue to be held in one organization, Principal Financial Group.

The money-weighted rate of return is calculated as a rate of return on pension plan investments incorporating the timing and amount of cash flows. This return is calculated net of investment expenses. The annual money-weighted rate of return on plan investments for the measurement period ended June 30, 2018, is 7.48%.

Net Pension Liability of the City:

The components of the net pension liability of the City, using a measurement date of June 30, 2018, were as follows:

Total pension liability	\$ 13,422,609
Plan fiduciary net position	11,881,392
City's net pension liability	<u>\$ 1,541,217</u>
Plan fiduciary net position as a percentage of the total pension liability	88.52%

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

The following presents the net pension liability of the City, calculated using the discount rate of 6.25%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
City's net pension liability	\$ 3,374,989	\$ 1,541,217	\$ 38,542

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 11. Post-Employment Health Care Benefits – City and Plan Reporting

General Information about the OPEB Plan

Plan Description:

The City's defined benefit OPEB plan provides OPEB for all full-time, active employees who retire or are disabled from the City directly (if they would otherwise meet retirement criteria) qualify as a retiree and meet specific service requirements.

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

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

The OPEB plan is a single-employer defined benefit plan administered by the City. Management of the OPEB plan is vested in the Trustees, which includes the City Manager, Director of Finance, and Human Resource Manager. The City's charter grants the authority to establish and amend the benefit terms to the City legislature. Separate, audited GAAP basis OPEB plan reports are not available for the plan.

Benefits provided:

The OPEB plan provides healthcare and prescription drug benefits to eligible retirees and their eligible dependents until Medicare eligibility. Under a legacy plan, healthcare and prescription drug insurance benefits do not terminate upon Medicare eligibility. The legacy plan is closed to new entrants. Effective July 1, 2011, the City reimburses retirees over age 65 in full for a Medicare Supplement plan that retirees obtain. Retirees over age 65 are no longer members of the City's vision and dental plans, with the exception of those included in the legacy plan. Only police retirees over age 65 can have a spouse's Medicare Supplement plan reimbursed by the City. Life insurance coverage is provided to all eligible retirees.

Benefits are provided through third-party insurers and the City pays 80% to 90% of the monthly premium, depending upon election, including spousal and dependent coverage for participants.

Pre-Medicare participating retirees are covered under an HMO plan. Individuals under the legacy plan may source their own coverage, which is 100% reimbursed by the City.

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

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

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 11. Post-Employment Health Care Benefits – City and Plan Reporting (Continued)

Employees covered by benefit terms:

At June 30, 2017, the date of the most recent valuation, the following employees were covered by the benefit terms:

	Medical/Drug	Life
Active employees	122	173
Inactive employees entitled to but not yet receiving benefits	0	0
Inactive plan employees entitled to and receiving benefits	25	19
	147	192

Contributions:

The City's charter grants the authority to establish and amend the contribution requirements of the City and employees to the City legislature. The City legislature establishes rates based on an actuarially determined rate. For the year ended June 30, 2018, the City's average contribution rate was 6.2% of covered-employee payroll.

Investments

The OPEB Plan does not have a formal investment policy.

Investments are valued as of the measurement date at fair value. The actuarial value of assets was determined using techniques to control volatility in annual cash contributions. The UAAL is amortized over a closed period of 30 years. The remaining amortization period at June 30, 2018, was 26 years. As of the measurement date, all of the plan's investments were held in one organization, ICMA Retirement Corporation, and were invested in two funds: VantageTrust II Model Portfolio Moderate Fund (49.4% of the Plan's net position) of and VantageTrust II Model Portfolio Aggressive Fund (50.6% of the Plan's net position).

For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 5.70%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. Update procedures were used to roll forward the total OPEB liability to the measurement date.

Actuarial Assumptions:

The total OPEB liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Investment rate of return	7.00%, net of investment expenses and including inflation
Healthcare trend	6.25% initially, grading down to 4.25% ultimate
Vision trend	3.50% for all years
Dental trend	4.50% for all years
Inflation	2.75%
Salary increase	3.00% per year
Mortality	RP-2000 Combined Mortality Table for males and females projected to 2027 (Scale BB)

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 11. Post-Employment Health Care Benefits – City and Plan Reporting (Continued)

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

The entry age normal (level percentage of pay) actuarial method was utilized in this valuation.

The unfunded liability was amortized over a period of 30 years as a level percentage of pay, on a closed basis with 27 years remaining.

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

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

Expected annual claims have been developed using the premiums for each plan, as well as standard aging rates for healthcare costs. Claims also include payout of deductibles (90% of full amount assumed to be used).

Medical and prescription drug cost trend assumptions –

Year	Annual Rate of Increase
2017	6.25%
2018	6.00%
2019	5.50%
2020	5.00%
2021	4.75%
2022	4.50%
2023	4.25%
2024 and Later	4.25%

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 11. Post-Employment Health Care Benefits – City and Plan Reporting (Continued)

Retirement rate assumptions –

General:

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

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

Termination rate assumptions –

General:

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

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 11. Post-Employment Health Care Benefits – City and Plan Reporting (Continued)

Police:

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

Disability:

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

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

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. This is then modified through a Monte-Carlo simulation process, by which a (downward) risk adjustment is applied to the baseline expected return. The target allocation and best estimates of real rates of return (geometric means) for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	65.00%	5.75%
Fixed income	35.00%	2.75%
Total	100.00%	

Discount rate: The discount rate used to measure the total OPEB liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made equal to the actuarially determined contribution each year. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the expected rates of return on the OPEB plan's investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 11. Post-Employment Health Care Benefits – City and Plan Reporting (Continued)

Changes in the Net OPEB Liability

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at 6/30/17	\$ 3,514,785	\$ 1,267,652	\$ 2,247,133
Changes for the year:			
Service cost	126,102	-	126,102
Interest	249,609	-	249,609
Contributions – employer	-	540,663	(540,663)
Net investment income	-	81,975	(81,975)
Benefit payments	(152,663)	(152,663)	-
Net changes, increase (decrease)	223,048	469,975	(246,927)
Balances at 6/30/18	\$ 3,737,833	\$ 1,737,627	\$ 2,000,206

The OPEB Plan's fiduciary net position as a percentage of the total OPEB liability was 46.5% at June 30, 2018.

There were no significant changes to assumptions when compared to the prior actuarial measurement of the Net OPEB Liability.

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

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB liability	\$ 2,371,995	\$ 2,000,206	\$ 1,672,614

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rate:

The following presents the net OPEB liability of the City, as well as what the net OPEB liability would be if it were calculated using a healthcare trend rate that is 1% lower or 1% higher than the current rate:

	1% Decrease (3.25%)	Current Trend Rate (4.25%)	1% Increase (5.25%)
Net OPEB liability	\$ 1,599,882	\$ 2,000,206	\$ 2,468,870

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 11. Post-Employment Health Care Benefits – City and Plan Reporting (Continued)

OPEB Plan Fiduciary Net Position

Separate, audited GAAP basis OPEB plan reports are not available for the plan. Condensed financials as of and for the year ended June 30, 2018 are as follows:

Assets

Investments	\$ 1,737,627
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Net Position

Held in trust for other post-employment benefits	\$ 1,737,627
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Additions

Contributions	540,663
Net investment income	81,975
	<u>622,638</u>

Deductions

Benefit payments	<u>152,663</u>
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Change in net position

	469,975
Beginning net position	1,267,652
Ending net position	<u>\$ 1,737,627</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The City recognized deferred outflows of resources , deferred inflows of resources and OPEB expense related to OPEB from the following sources as of and for the year ended June 30, 2018 as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
Net decrease in net OPEB liability from prior year to current year	\$ -	\$ -	\$ (246,927)
Current year plan contributions	-	-	540,663
Net difference between projected and actual earnings on OPEB plan investments	14,734	-	(14,734)
Total	<u>\$ 14,734</u>	<u>\$ -</u>	<u>\$ 279,002</u>

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

Years ending June 30,

2019	\$ 3,683
2020	3,683
2021	3,683
2022	3,685
	<u>\$ 14,734</u>

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 12. Restatement of Beginning Net Position

The City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during fiscal year ending June 30, 2018. The implementation of this Statement required the City to record beginning net OPEB liability and the effects on net position of contributions made by the City during the measurement period. The effects on beginning net position are as follows:

	Governmental Activities	Business-Type Activities	Water Utility	Sewer Utility
Net position as of June 30, 2017, as previously reported	\$ 33,664,698	\$ 46,524,915	\$ 8,794,213	\$ 26,998,080
Increase to eliminate Net OPEB obligation	1,554,161	381,211	53,369	327,842
Decrease to record Net OPEB liability	(1,926,632)	(320,501)	(104,932)	(215,569)
Net position as of June 30, 2017, as restated	<u>\$ 33,292,227</u>	<u>\$ 46,585,625</u>	<u>\$ 8,742,650</u>	<u>\$ 27,110,353</u>

Note 13. 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 during the year ended June 30, 2018.

In addition to those suits in which claims for liability are adequately covered by insurance, the City may be a defendant in various suits involving breach of contract and other suits arising in the normal course of business. Management, in consultation with the City's attorney, does not believe the resolution of these matters will have a material adverse effect on the City's financial statements.

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

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

The City entered into two separate, unrelated contracts for playground and road improvements. The projects are being funded by current revenue and accumulated net position. The value of the City's remaining commitments under these contracts at June 30, 2018, are \$88,425 and \$89,599 for the playground and road improvements, respectively.

Subsequent event: In July 2018, the City obtained new copiers under a capital lease agreement totaling approximately \$91,600. Monthly payments, including principal and interest of \$1,661, are to be paid over a period of five years.

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 14. New GASB Standards

The GASB has issued several pronouncements prior to the year ended June 30, 2018, 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. 83, *Certain Asset Retirement Obligations*, is effective for the City beginning with its year ending June 30, 2019. The objective of this statement is to establish guidance for determining the timing and pattern of recognition for liabilities and corresponding deferred outflow of resources related to asset retirement obligations (ARO). Under this Statement, a government that has legal obligations to perform future asset retirement activities related to its tangible capital assets is required to recognize a liability and a corresponding deferred outflow of resources. The guidance also identifies the circumstances that trigger recognition of these transactions. The Statement requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred. The deferred outflow of resources associated with an ARO will be measured at the amount of the corresponding liability upon initial measurement and generally recognized as an expense during the reporting periods that the asset provides service. Disclosure requirements include a general description of the ARO and associated tangible capital assets, the source of the obligation to retire the assets, the methods and assumptions used to measure the liability, and other relevant information.

GASB Statement No. 84, *Fiduciary Activities*, is effective for the City beginning with its year ending June 30, 2020. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

GASB Statement No. 87, *Leases*, is effective for the City beginning with its year ending June 30, 2021. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, is effective for the City beginning with its year ending June 30, 2019. This Statement requires that additional information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 14. New GASB Standards (Continued)

GASB Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, is effective for the City beginning with its year ending June 30, 2020. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

Required Supplementary Information (Unaudited)

City of Aberdeen, Maryland

Required Supplementary Information (Unaudited)

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

Defined Benefit Pension Plan

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Total pension liability, beginning	\$ 1,537,783	\$ 1,586,831	\$ 1,573,653	\$ 1,661,697
Interest	61,849	67,615	78,181	82,568
Difference between expected and actual experience	(26,801)	9,873	5,043	(9,240)
Changes in assumptions	3,637	31,340	88,239	3,713
Benefit payments	(151,299)	(157,876)	(158,285)	(165,085)
Total pension liability, ending	<u>\$ 1,425,169</u>	<u>\$ 1,537,783</u>	<u>\$ 1,586,831</u>	<u>\$ 1,573,653</u>
Plan fiduciary net position, beginning	\$ 1,339,137	\$ 1,399,552	\$ 1,449,945	\$ 1,501,553
Contributions – employer	67,855	57,934	62,665	65,314
Net investment income	51,157	53,869	59,641	64,166
Benefit payments	(151,299)	(157,876)	(158,285)	(165,085)
Administrative expenses	(18,238)	(14,342)	(14,414)	(16,003)
Plan fiduciary net position, ending	<u>\$ 1,288,612</u>	<u>\$ 1,339,137</u>	<u>\$ 1,399,552</u>	<u>\$ 1,449,945</u>
Net pension liability, beginning	<u>\$ 198,646</u>	<u>\$ 187,279</u>	<u>\$ 123,708</u>	<u>\$ 160,144</u>
Net pension liability, ending	<u>\$ 136,557</u>	<u>\$ 198,646</u>	<u>\$ 187,279</u>	<u>\$ 123,708</u>
Plan fiduciary net position as a percentage of total pension liability	90.4%	87.1%	88.2%	92.1%
Covered payroll	0	0	0	0
City's net pension liability as a percentage of covered payroll	N/A	N/A	N/A	N/A

(Continued)

The schedule above is intended to show information for ten years. Additional information will be displayed as it becomes available.

City of Aberdeen, Maryland

Required Supplementary Information (Unaudited)

Schedule of Changes in the City's Net Pension Liability and Related Ratios (Continued)

Police Department Pension Plan

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Total pension liability, beginning	\$ 11,930,689	\$ 10,257,086	\$ 9,455,418	\$ 8,947,650
Service costs	383,990	306,236	323,625	298,295
Interest	760,928	720,047	697,737	656,293
Difference between expected and actual experience	(103,878)	42,306	(87,169)	(117,048)
Changes in assumptions	(399,120)	946,333	160,404	-
Changes in benefit terms	-	142,070	-	-
Benefit payments	(440,433)	(483,389)	(292,929)	(329,772)
Total pension liability, ending	<u>\$ 12,132,176</u>	<u>\$ 11,930,689</u>	<u>\$ 10,257,086</u>	<u>\$ 9,455,418</u>
Plan fiduciary net position, beginning	\$ 9,454,665	\$ 9,231,544	\$ 8,734,063	\$ 7,266,437
Contributions – employer	545,099	521,120	424,102	506,000
Contributions – plan members	171,518	213,041	161,734	162,876
Net investment income (loss)	1,079,768	(2,904)	234,745	1,162,779
Benefit payments	(440,433)	(483,389)	(292,929)	(329,772)
Administrative expenses	(29,110)	(24,747)	(30,171)	(34,257)
Plan fiduciary net position, ending	<u>\$ 10,781,507</u>	<u>\$ 9,454,665</u>	<u>\$ 9,231,544</u>	<u>\$ 8,734,063</u>
Net pension liability, beginning	<u>\$ 2,476,024</u>	<u>\$ 1,025,542</u>	<u>\$ 721,355</u>	<u>\$ 1,681,213</u>
Net pension liability, ending	<u>\$ 1,350,669</u>	<u>\$ 2,476,024</u>	<u>\$ 1,025,542</u>	<u>\$ 721,355</u>
Plan fiduciary net position as a percentage of total pension liability	88.9%	79.2%	90.0%	92.4%
Covered payroll	\$ 2,331,171	\$ 2,303,500	\$ 2,175,531	\$ 2,269,920
City's net pension liability as a percentage of covered payroll	57.9%	107.5%	47.1%	31.8%

The schedule above is intended to show information for ten years. Additional information will be displayed as it becomes available.

City of Aberdeen, Maryland

Required Supplementary Information (Unaudited)

Schedule of City Contributions – Pension

Last Ten Fiscal Years – City Reporting

Defined Benefit Pension Plan

Years Ended June 30,	Actuarially Determined Contribution	Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2018	\$ 67,369	\$ 67,369	\$ -	\$ -	100%
2017	67,855	67,855	-	-	100%
2016	57,934	57,934	-	-	100%
2015	62,665	62,665	-	-	100%
2014	65,314	65,314	-	-	100%
2013	70,452	70,452	-	-	100%
2012	40,133	40,133	-	-	100%
2011	64,215	64,215	-	-	100%
2010	114,001	114,001	-	-	100%
2009	117,321	117,321	-	-	100%

Police Department Pension Plan

Years Ended June 30,	Actuarially Determined Contribution	Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2018	\$ 665,662	\$ 665,662	\$ -	\$ 2,350,824	28.3%
2017	545,099	545,099	-	2,331,171	23.4%
2016	521,120	521,120	-	2,303,500	22.6%
2015	424,102	424,102	-	2,175,531	19.5%
2014	462,805	506,000	(43,195)	2,269,920	22.3%
2013	505,772	517,000	(11,228)	1,905,358	27.1%
2012	516,888	516,888	-	1,765,006	29.3%
2011	506,099	506,099	-	1,742,242	29.0%
2010	434,789	434,789	-	1,672,736	26.0%
2009	304,632	304,632	-	1,882,921	16.2%

City of Aberdeen, Maryland

Required Supplementary Information (Unaudited)

Other Post-Employment Benefits (OPEB)

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

	June 30, 2018	June 30, 2017
Total OPEB liability, beginning	\$ 3,514,785	\$ 3,295,297
Service cost	126,102	122,429
Interest	249,609	230,644
Benefit payments	(152,663)	(133,585)
Total OPEB liability, ending	<u>\$ 3,737,833</u>	<u>\$ 3,514,785</u>
Plan fiduciary net position, beginning	\$ 1,267,652	\$ 764,790
Contributions – employer	540,663	518,585
Net investment income (loss)	81,975	117,928
Benefit payments	(152,663)	(133,585)
Administrative expenses	-	(66)
Plan fiduciary net position, ending	<u>\$ 1,737,627</u>	<u>\$ 1,267,652</u>
Net OPEB liability, beginning	<u>\$ 2,247,133</u>	<u>\$ 2,530,507</u>
Net OPEB liability, ending	<u>\$ 2,000,206</u>	<u>\$ 2,247,133</u>
Plan fiduciary net position as a percentage of total OPEB liability	46.5%	36.1%
Covered-employee payroll	\$ 8,670,057	\$ 8,417,532
City's net OPEB liability as a percentage of covered-employee payroll	23.1%	26.7%

Notes to Schedule:

Actuarial method: At the June 30, 2017 measurement date, the actuarial method was changed from the projected unit credit method to the entry age normal (level percentage of pay).

Changes in assumptions: At the June 30, 2017 measurement date, medical and prescription drug trend percentages were updated and the RP-2000 Combined Mortality Table was projected to 2027, previously projected to 2015.

Benefit changes: At the June 30, 2017 valuation date, retirees had one medical plan option. Previously, retirees had the choice of two medical plans.

Benefit payments are currently not being made from the OPEB Trust Fund. The reporting above shows the payments made by the City outside the trust as both employer contributions and benefit payments.

The schedule above is intended to show information for ten years. Additional information will be displayed as it becomes available.

City of Aberdeen, Maryland

Required Supplementary Information (Unaudited)

Schedule of City Contributions – OPEB

Years Ended June 30,	Actuarially Determined Contribution	Contributions in relation to the actuarially determined contribution	Contribution Deficiency / (Excess)	Covered- Employee Payroll	Contribution as a Percentage of Covered- Employee Payroll
2018	\$ 310,133	\$ 540,663	\$ (230,530)	\$ 8,670,057	6.2%
2017	306,203	518,585	(212,382)	8,417,532	6.2%
2016	404,108	564,588	(160,480)	7,679,576	7.4%
2015	412,327	517,002	(104,675)	7,903,392	6.5%
2014	284,836	107,595	177,241	7,451,184	1.4%
2013	351,581	135,840	215,741	Unavailable	
2012	527,550	84,624	442,926	6,467,790	1.3%
2011	904,253	140,801	763,452	Unavailable	
2010	925,000	80,702	844,298	7,630,981	1.1%

Notes to Schedule:

Valuation date: Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine the contribution rates:

Actuarial cost method – Entry age normal (2016 and prior: level dollar)

Amortization method – Level percentage of payroll, closed (2016 and prior: projected unit credit)

Amortization period – 30 years

Asset valuation method – smoothed value of assets

Investment rate of return – 7.00%, net of investment expenses and including inflation (2014 and prior: 4.00%).

Healthcare cost trend – 6.25% initially, grading down to 4.25% ultimate

Vision trend – 3.50% for all years

Dental trend – 4.50% for all years

Inflation – 2.75%

Mortality – RP-2000 Combined Mortality Table for males and females (Scale BB)

Salary increase – 3.0% per year

Retirement age – 62 with five years of service or 25 years of service for police; 45 to 70 for non-police

Other Information:

City amounts above include implicit subsidies.

The schedule above is intended to show information for ten years. Additional information will be displayed as it becomes available.

City of Aberdeen, Maryland

Required Supplementary Information (Unaudited)

Schedule of Investment Returns – Pension and OPEB

	Year Ended				
	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Defined Benefit Pension Plan					
Annual money weighted rate of return, net of investment expense	3.31%	4.01%	4.05%	4.26%	4.44%
Police Department Pension Plan					
Annual money weighted rate of return, net of investment expense	7.48%	11.32%	-0.03%	2.63%	15.73%
OPEB Plan					
Annual money weighted rate of return, net of investment expense	5.70%	13.04%	0.36%	-1.79%	n/a

The City established the OPEB Trust in fiscal year 2015 therefore, investment return information for 2014 is not applicable.

The schedule above is intended to show information for ten years. Additional information will be displayed as it becomes available.

Other Supplementary Information

City of Aberdeen, Maryland

Schedule of Revenues and Other Financing Sources – Budget and Actual – General Fund
Year Ended June 30, 2018

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Taxes				
Property taxes				
Real estate taxes	\$ 9,174,440	\$ 9,174,440	\$ 9,289,817	\$ 115,377
Corporation personal property taxes	1,446,112	1,446,112	1,434,941	(11,171)
Utilities personal property tax	465,106	465,106	469,934	4,828
Penalties and interest	25,000	25,000	26,690	1,690
Additions and abatements	(13,000)	(13,000)	7,340	20,340
Discount on taxes	(66,865)	(66,865)	(74,126)	(7,261)
Tax credit – firemen exemptions	(13,592)	(13,592)	(14,044)	(452)
Tax credit – no water or sewer	(6,295)	(6,295)	(4,985)	1,310
Enterprise Zone Tax Credits	(142,317)	(142,317)	(134,428)	7,889
	10,868,589	10,868,589	11,001,139	132,550
Local taxes				
Franchise tax	182,493	182,493	168,378	(14,115)
Mobile home excise tax	30,600	30,600	36,200	5,600
Utilities pole tax	64,249	64,249	65,667	1,418
	277,342	277,342	270,245	(7,097)
State shared taxes				
Income tax	1,250,000	1,250,000	1,325,624	75,624
Total taxes	12,395,931	12,395,931	12,597,008	201,077
Licenses and Permits				
Traders' licenses	35,000	35,000	33,963	(1,037)
Liquor licenses	3,000	3,000	-	(3,000)
Mobile home park licenses	600	600	200	(400)
Peddlers permits	-	-	240	240
Grading permits	18,000	18,000	20,543	2,543
Building permits	30,000	30,000	25,323	(4,677)
Site plan review	14,000	14,000	25,583	11,583
Public works agreement revenue	-	-	57,438	57,438
Deed stamps and tax certificates	4,500	4,500	5,570	1,070
Total licenses and permits	105,100	105,100	168,860	63,760

(Continued)

City of Aberdeen, Maryland

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

(Continued)

Year Ended June 30, 2018

	Budget Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final	Amounts	
Intergovernmental				
Grants from state government				
Police state aid	278,697	278,697	285,894	7,197
Law enforcement grant	-	-	11,500	11,500
Highway user	506,958	506,958	507,113	155
Other	-	204,500	67,466	(137,034)
	<u>785,655</u>	<u>990,155</u>	<u>871,973</u>	<u>(118,182)</u>
Grants from county government				
In lieu of financial corporation	7,142	7,142	7,142	-
Tax differential – Harford County	1,095,927	1,095,927	1,095,927	-
Hotel and motel	700,000	700,000	707,875	7,875
Senior Center reimbursement	47,632	47,632	47,632	-
Other	-	25,000	27,511	2,511
	<u>1,850,701</u>	<u>1,875,701</u>	<u>1,886,087</u>	<u>10,386</u>
Grants from local government				
Residential special patrol	100,000	100,000	30,970	(69,030)
Total intergovernmental	<u>2,736,356</u>	<u>2,965,856</u>	<u>2,789,030</u>	<u>(176,826)</u>
APG Management Fees	<u>750,000</u>	<u>750,000</u>	<u>957,345</u>	<u>207,345</u>
Miscellaneous Revenues				
Trash collection stickers fees	204,343	204,343	153,987	(50,356)
Police seized assets	-	45,800	109,241	63,441
Police miscellaneous income	13,000	13,000	66,254	53,254
Antenna leases	41,141	41,141	67,749	26,608
Fines	20,000	20,000	14,241	(5,759)
DPW miscellaneous income	18,000	18,000	90,471	72,471
Interest	10,000	10,000	118,896	108,896
Other rents	5,000	5,000	6,616	1,616
Other	25,000	25,000	40,951	15,951
Total miscellaneous revenues	<u>336,484</u>	<u>382,284</u>	<u>668,406</u>	<u>286,122</u>
Total revenues	<u>16,323,871</u>	<u>16,599,171</u>	<u>17,180,649</u>	<u>581,478</u>
Other Financing Sources				
Proceeds from capital leases	-	839,991	839,991	-
Appropriation of fund balance	894,000	1,516,860	-	(1,516,860)
Total other financing sources	<u>894,000</u>	<u>2,356,851</u>	<u>839,991</u>	<u>(1,516,860)</u>
Total revenues and other financing sources	<u>\$ 17,217,871</u>	<u>\$ 18,956,022</u>	<u>\$ 18,020,640</u>	<u>\$ (935,382)</u>

City of Aberdeen, Maryland

Schedule of Expenditures and Other Financing Uses – Budget and Actual – General Fund
Year Ended June 30, 2018

	Budget Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget Positive (Negative)
General Government				
Legislative				
Elected officials	\$ 56,485	\$ 56,485	\$ 56,485	\$ -
Operating expenditures	29,290	29,290	14,333	14,957
Maryland Municipal League	16,950	16,950	16,841	109
Capital expenditures	6,600	6,600	-	6,600
	<u>109,325</u>	<u>109,325</u>	<u>87,659</u>	<u>21,666</u>
Executive				
Salaries	446,862	446,862	468,508	(21,646)
Operating expenditures	73,500	73,500	39,567	33,933
Capital expenditures	15,300	15,300	13,246	2,054
	<u>535,662</u>	<u>535,662</u>	<u>521,321</u>	<u>14,341</u>
Finance				
Salaries	475,427	475,427	441,990	33,437
Operating expenditures	48,500	48,500	46,780	1,720
Capital expenditures	1,000	1,000	467	533
	<u>524,927</u>	<u>524,927</u>	<u>489,237</u>	<u>35,690</u>
Legal				
Codification	6,000	6,000	6,082	(82)
Counsel	110,000	110,000	101,611	8,389
	<u>116,000</u>	<u>116,000</u>	<u>107,693</u>	<u>8,307</u>
Planning and community development				
Salaries	219,444	219,444	206,012	13,432
Operating expenditures	63,000	63,000	17,732	45,268
Capital expenditures	1,000	1,000	-	1,000
	<u>283,444</u>	<u>283,444</u>	<u>223,744</u>	<u>59,700</u>
Government buildings				
Salaries	20,346	20,346	13,180	7,166
Operating expenditures	731,769	849,769	869,601	(19,832)
Capital expenditures	1,000	27,700	19,010	8,690
	<u>753,115</u>	<u>897,815</u>	<u>901,791</u>	<u>(3,976)</u>
General government				
Operating expenditures	107,878	107,878	78,603	29,275
	<u>107,878</u>	<u>107,878</u>	<u>78,603</u>	<u>29,275</u>
Health and safety				
Operating expenditures	18,000	18,000	17,176	824
Capital expenditures	1,000	1,000	-	1,000
	<u>19,000</u>	<u>19,000</u>	<u>17,176</u>	<u>1,824</u>
Total general government	<u>2,449,351</u>	<u>2,594,051</u>	<u>2,427,224</u>	<u>166,827</u>

City of Aberdeen, Maryland

Schedule of Expenditures and Other Financing Uses – Budget and Actual – General Fund
(Continued)

Year Ended June 30, 2018

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Public Safety				
Police Department				
Salaries	\$ 3,593,281	\$ 3,593,281	\$ 3,519,653	\$ 73,628
Operating expenditures	647,612	647,612	530,048	117,564
Capital expenditures	1,000	886,791	900,891	(14,100)
	4,241,893	5,127,684	4,950,592	177,092
Volunteer fire department				
Contribution	283,000	283,000	283,000	-
Total public safety	4,524,893	5,410,684	5,233,592	177,092
Public Works				
Public works administration				
Salaries	426,280	426,280	432,967	(6,687)
Operating expenditures	48,300	48,300	47,445	855
Capital expenditures	5,000	5,000	680	4,320
	479,580	479,580	481,092	(1,512)
Streets				
Salaries	685,889	685,889	684,030	1,859
Operating expenditures	473,058	505,058	417,484	87,574
Capital expenditures	1,000	1,000	-	1,000
	1,159,947	1,191,947	1,101,514	90,433
Street lighting				
Operating expenditures	375,000	375,000	359,727	15,273
Winter operation				
Operating expenditures	40,000	40,000	37,454	2,546
Solid waste				
Salaries	294,392	377,392	369,121	8,271
Operating expenditures	324,800	359,800	353,295	6,505
Capital expenditures	1,000	1,000	-	1,000
	620,192	738,192	722,416	15,776
Municipal separate storm sewer systems				
Operating expenditures	105,000	105,000	105,492	(492)
Total public works	2,779,719	2,929,719	2,807,695	122,024
Parks and Recreation				
Operating expenditures	140,750	329,290	227,142	102,148
Miscellaneous				
Retirement and OPEB plans	1,189,108	1,295,108	1,239,341	55,767
Payroll expenditures	2,146,354	2,146,354	1,762,623	383,731
Miscellaneous	215,500	215,500	128,018	87,482
	3,550,962	3,656,962	3,129,982	526,980
Debt Service				
Debt service principal	380,200	528,200	455,997	72,203
Debt service interest and fees	89,436	125,436	102,302	23,134
	469,636	653,636	558,299	95,337
Total expenditures	13,915,311	15,574,342	14,383,934	1,190,408
Other Financing Uses				
Transfers out	3,302,560	3,381,680	3,381,680	-
Total expenditures and other financing uses	\$ 17,217,871	\$ 18,956,022	\$ 17,765,614	\$ 1,190,408

City of Aberdeen, Maryland

Schedule of Revenues, Expenditures and Other Financing Sources

Budget and Actual – Capital Projects Fund

Year Ended June 30, 2018

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues				
Revenues from other agencies	\$ -	\$ 966,592	\$ 176,565	\$ (790,027)
Stormwater management fees	-	-	63,210	63,210
Total revenues	-	966,592	239,775	(726,817)
Expenditures				
General government	-	1,016,592	116,735	899,857
Public safety	204,000	20,000	-	20,000
Public works	2,589,958	2,668,958	1,548,198	1,120,760
Total expenditures	2,793,958	3,705,550	1,664,933	2,040,617
Other Financing Sources				
Transfers from general fund	2,793,958	2,659,958	2,659,958	-
Appropriation of fund balance	-	79,000	-	(79,000)
Total other financing sources	2,793,958	2,738,958	2,659,958	(79,000)
Net change in fund balance (budgetary basis)	<u>\$ -</u>	<u>\$ -</u>	1,234,800	<u>\$ 1,234,800</u>
Adjustments to Conform with Generally Accepted Accounting Principles (GAAP)			<u>97,614</u>	
Net Change in Fund Balance (GAAP Basis)			1,332,414	
Fund Balance				
Beginning			<u>503,594</u>	
Ending			<u>\$ 1,836,008</u>	

City of Aberdeen, Maryland

Combining Statement of Fiduciary Net Position and Changes in Fiduciary Net Position
Pension and Other Post-Employment Benefit Trusts
As of and Year Ended June 30, 2018

	Pension Trusts		Other Post- Employment	
	Police Department Plan	Defined Benefit Plan	Benefits Trust	Total
Assets				
Investments at fair-value				
Pooled separate accounts	\$ 11,881,392	\$ -	\$ 1,737,627	\$ 13,619,019
Insurance contract, at cost	-	1,252,327	-	1,252,327
Total assets	\$ 11,881,392	\$ 1,252,327	\$ 1,737,627	\$ 14,871,346
Net Position				
Restricted for pension/other post-employment benefits	\$ 11,881,392	\$ 1,252,327	\$ 1,737,627	\$ 14,871,346
Additions				
Contributions				
Employer contributions	\$ 665,662	\$ 67,369	\$ 540,663	\$ 1,273,694
Plan member contributions	165,710	-	-	165,710
	831,372	67,369	540,663	1,439,404
Net investment income	835,559	45,502	81,975	963,036
Total additions	1,666,931	112,871	622,638	2,402,440
Deductions				
Benefit payments	519,900	127,052	152,663	799,615
Administrative expenses and other	47,146	22,104	-	69,250
Total deductions	567,046	149,156	152,663	868,865
Change in net position	1,099,885	(36,285)	469,975	1,533,575
Net Position – Beginning	10,781,507	1,288,612	1,267,652	13,337,771
Net Position – Ending	\$ 11,881,392	\$ 1,252,327	\$ 1,737,627	\$ 14,871,346

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

Table 1

	Fiscal Year									
	2018	2017 (1)	2016	2015	2014 (1)	2013	2012	2011	2010 (1)	2009
Governmental Activities										
Net Investment in Capital Assets	\$ 22,534,359	\$ 22,361,333	\$ 21,292,838	\$ 20,241,970	\$ 16,364,349	\$ 13,508,406	\$ 13,404,341	\$ 13,080,163	\$ 13,244,196	\$ 12,421,169
Restricted	41,888	-	429,003	441,896	485,238	492,955	508,400	521,296	451,668	426,970
Unrestricted	13,174,737	10,931,365	9,557,127	7,115,395	7,756,146	9,248,917	6,989,228	4,854,395	2,550,077	2,586,480
Total Governmental Activities Net Position	35,750,984	33,292,698	31,278,968	27,799,261	24,605,733	23,250,278	20,901,969	18,455,854	16,245,941	15,434,619
Business-Type Activities										
Net Investment in Capital Assets	40,970,966	40,021,208	39,873,118	39,292,242	38,919,289	36,701,093	34,440,815	29,692,671	24,016,623	22,250,352
Restricted	-	-	3,578,396	3,600,207	3,609,705	3,644,074	763,330	331,641	-	-
Unrestricted	5,114,484	6,564,707	883,220	1,945,341	748,189	1,051,125	2,833,689	(1,094,387)	(1,166,635)	477,966
Total Business-Type Activities Net Position	46,085,450	46,585,915	44,334,734	44,837,790	43,277,183	41,396,292	38,037,834	28,929,925	22,849,988	22,728,318
Primary Government										
Net Investment in Capital Assets	63,505,325	62,382,541	61,165,956	59,534,212	55,283,638	50,209,499	47,845,156	42,772,834	37,260,819	34,671,521
Restricted	41,888	-	4,007,399	4,042,103	4,094,943	4,137,029	1,271,730	852,937	451,668	426,970
Unrestricted	18,289,221	17,496,072	10,440,347	9,060,736	8,504,335	10,300,042	9,822,917	3,760,008	1,383,442	3,064,446
Total Primary Government Net Position	\$ 81,836,434	\$ 79,878,613	\$ 75,613,702	\$ 72,637,051	\$ 67,882,916	\$ 64,646,570	\$ 58,939,803	\$ 47,385,779	\$ 39,095,929	\$ 38,162,937

(1) As restated

Source:
City financial records.

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

Table 2

	Fiscal Year									
	2018	2017 (1)	2016	2015	2014 (1)	2013	2012	2011	2010	2009
Expenses										
Governmental Activities:										
General Government	\$ 3,813,228	\$ 4,048,692	\$ 3,523,465	\$ 3,468,452	\$ 4,911,835	\$ 3,014,256	\$ 3,466,644	\$ 3,058,171	\$ 2,777,534	\$ 2,685,612
Public Safety	6,155,080	6,839,990	5,991,215	5,739,007	5,356,062	5,193,500	5,305,825	5,408,853	5,889,590	5,460,448
Public Works	5,337,873	4,549,120	4,387,453	4,135,899	4,336,712	4,587,658	3,974,061	3,877,699	4,270,376	3,797,298
Parks and Recreation	193,215	149,700	122,603	109,297	371,255	81,358	71,590	70,806	148,666	64,827
Interest on Long-Term Debt	100,073	92,562	142,235	123,875	132,416	139,764	255,227	301,412	323,712	340,908
Total Governmental Activities Expenses	15,599,469	15,680,064	14,166,971	13,576,530	15,108,280	13,016,536	13,073,347	12,716,941	13,409,878	12,349,093
Business-Type Activities:										
Water	3,529,033	3,303,186	3,094,184	2,982,943	2,814,456	2,784,946	2,578,348	2,191,486	1,780,578	1,817,802
Sewer	4,092,786	4,030,851	4,017,082	3,962,657	4,052,338	3,183,672	2,982,631	3,059,799	3,157,487	2,917,769
Stadium	612,137	496,814	527,575	460,981	423,981	415,268	594,530	598,721	621,708	840,062
Total Business-Type Activities Expenses	8,233,956	7,830,851	7,638,841	7,406,581	7,290,775	6,383,886	6,155,509	5,850,006	5,559,773	5,575,633
Total Primary Government Expenses	\$ 23,833,425	\$ 23,510,915	\$ 21,805,812	\$ 20,983,111	\$ 22,399,055	\$ 19,400,422	\$ 19,228,856	\$ 18,566,947	\$ 18,969,651	\$ 17,924,726
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	\$ 317,947	\$ 361,070	\$ 368,918	\$ 328,930	\$ 358,560	\$ 340,520	\$ 348,916	\$ 356,149	\$ 453,230	\$ 422,716
Public Safety	66,254	100,448	29,916	27,659	26,945	118,427	69,048	14,468	7,516	29,797
Public Works	2,638,231	2,544,070	2,469,187	2,399,067	2,229,890	2,097,915	2,074,107	2,334,406	1,788,128	1,409,014
Operating Grants and Contributions	2,194,773	2,750,406	2,655,066	1,982,361	2,107,137	1,510,237	1,393,877	1,237,436	1,176,308	1,928,185
Capital Grants and Contributions	1,165,055	311,176	494,342	633,393	478,932	108,359	419,823	20,474	942,226	513,477
Total Governmental Activities Program Revenues	6,382,260	6,067,170	6,017,429	5,371,410	5,201,464	4,175,458	4,305,771	3,962,933	4,367,408	4,303,189
Business-Type Activities:										
Charges for Services:										
Water	2,907,119	3,896,382	2,674,959	3,660,863	3,207,157	2,961,294	2,501,549	2,779,442	2,073,874	2,140,638
Sewer	3,275,193	3,522,854	3,169,699	3,831,922	3,553,453	3,158,243	2,861,174	3,250,654	2,639,041	2,528,610
Stadium	66,970	83,000	65,150	196,740	212,162	243,514	214,556	222,869	36,476	50,310
Operating Grants and Contributions	120,000	120,000	120,000	-	-	-	2,577,140	-	-	-
Capital Grants and Contributions	456,175	966,666	447,700	566,225	1,665,187	3,169,174	6,551,525	5,334,555	601,188	804,182
Total Business-Type Activities Program Revenues	6,825,457	8,588,902	6,477,508	8,255,750	8,637,959	9,532,225	14,705,944	11,587,520	5,350,579	5,523,740
Total Primary Government Program Revenues	\$ 13,207,717	\$ 14,656,072	\$ 12,494,937	\$ 13,627,160	\$ 13,839,423	\$ 13,707,683	\$ 19,011,715	\$ 15,550,453	\$ 9,717,987	\$ 9,826,929
Net (Expense)/Revenue										
Governmental Activities	\$ (9,217,209)	\$ (9,612,894)	\$ (8,149,542)	\$ (8,205,120)	\$ (9,906,816)	\$ (8,841,078)	\$ (8,767,576)	\$ (8,754,008)	\$ (9,042,470)	\$ (8,045,904)
Business-Type Activities	(1,408,499)	758,051	(1,161,333)	849,169	1,347,184	3,148,339	8,550,435	5,737,514	(209,194)	(51,893)
Total Primary Government Net Expense	\$ (10,625,708)	\$ (8,854,843)	\$ (9,310,875)	\$ (7,355,951)	\$ (8,559,632)	\$ (5,692,739)	\$ (2,171,141)	\$ (3,016,494)	\$ (9,251,664)	\$ (8,097,797)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes										
Property Taxes	\$ 10,985,691	\$ 10,907,789	\$ 10,053,492	\$ 10,043,124	\$ 9,936,228	\$ 10,041,666	\$ 10,145,968	\$ 9,652,855	\$ 9,090,293	\$ 8,719,008
Other Local Taxes	270,245	274,392	277,870	273,859	263,525	259,512	258,102	274,763	171,859	219,082
State Shared Taxes, Unrestricted	1,410,686	1,483,135	1,472,297	1,593,992	1,330,186	1,252,941	1,183,456	1,320,327	1,120,426	954,638
Investment Earnings	118,896	49,603	26,249	16,290	18,125	16,381	13,672	8,154	6,316	31,157
Gain (loss) on Sale of Capital Assets	(387,830)	134,166	324,547	10,189	69,598	-	-	-	-	-
Transfers	(721,722)	(1,222,461)	(525,206)	(538,806)	(355,391)	(279,841)	(387,507)	(292,178)	(535,102)	(293,074)
Total Governmental Activities	11,675,966	11,626,624	11,629,249	11,398,648	11,262,271	11,290,659	11,213,691	10,963,921	9,853,792	9,630,811
Business-Type Activities:										
Taxes										
Other Local Taxes	-	-	-	-	-	-	-	-	-	-
State Shared Taxes, Unrestricted	123,253	121,994	66,630	-	-	-	-	-	228,370	192,582
Investment Earnings	38,421	51,649	24,606	68,648	74,504	149,162	169,967	50,245	4,953	10,645
Gain (loss) on Sale of Capital Assets	24,928	96,735	41,836	103,984	103,812	-	-	-	11,852	-
Transfers	721,722	1,222,461	525,206	538,806	355,391	279,841	387,507	292,178	535,102	293,074
Total Business-Type Activities	908,324	1,492,839	658,277	711,438	533,707	429,003	557,474	342,423	780,277	496,301
Total Primary Government	\$ 12,584,290	\$ 13,119,463	\$ 12,287,526	\$ 12,110,086	\$ 11,795,978	\$ 11,719,662	\$ 11,771,165	\$ 11,306,344	\$ 10,634,069	\$ 10,127,112
Change in Net Position										
Governmental Activities	\$ 2,458,757	\$ 2,013,730	\$ 3,479,707	\$ 3,193,528	\$ 1,355,455	\$ 2,449,581	\$ 2,446,115	\$ 2,209,913	\$ 811,322	\$ 1,584,907
Business-Type Activities	(500,175)	2,250,890	(503,056)	1,560,607	1,880,891	3,577,342	9,107,909	6,079,937	571,083	444,408
Total Primary Government Change in Net Position	\$ 1,958,582	\$ 4,264,620	\$ 2,976,651	\$ 4,754,135	\$ 3,236,346	\$ 6,026,923	\$ 11,554,024	\$ 8,289,850	\$ 1,382,405	\$ 2,029,315

(1) As restated

Source:
City financial records.

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

Table 3

Fiscal Year	Property Tax	Income Tax	Admissions Tax	Other Local Taxes	Total
2018	\$ 10,985,691	\$ 1,410,686	\$ -	\$ 270,245	\$ 12,666,622
2017	10,907,789	1,483,135	-	274,392	12,665,316
2016	10,053,492	1,405,667	66,630	277,870	11,803,659
2015	10,043,124	1,593,992	-	273,859	11,910,975
2014	9,936,228	1,330,186	-	263,525	11,529,939
2013	10,041,666	1,252,941	-	259,512	11,554,119
2012	10,145,968	1,183,456	-	258,102	11,587,526
2011	9,652,855	1,320,327	-	274,763	11,247,945
2010	9,090,293	1,120,426	-	171,859	10,382,578
2009	8,719,008	954,638	-	219,082	9,892,728

Source:
City financial records.

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

Table 4

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Fund										
Non-spendable	\$ 20,723	\$ 574,127	\$ 143,866	\$ 32,457	\$ 31,683	\$ 30,913	\$ 24,613	\$ 30,949	\$ 78,952	\$ 70,413
Restricted	-	-	-	-	-	-	-	-	-	-
Assigned	1,547,952	89,596	-	157,496	-	-	9,003	-	-	-
Unassigned	11,904,488	12,531,920	11,303,280	9,290,251	9,500,995	10,876,480	8,525,257	5,873,609	3,585,829	2,737,304
Total General Fund	\$ 13,473,163	\$ 13,195,643	\$ 11,447,146	\$ 9,480,204	\$ 9,532,678	\$ 10,907,393	\$ 8,558,873	\$ 5,904,558	\$ 3,664,781	\$ 2,807,717
Special Revenue Fund										
Non-spendable	-	-	-	-	-	-	-	-	-	-
Restricted	41,888	-	429,003	441,896	485,238	492,955	508,400	521,296	553,403	611,667
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	27,799	(89,921)	-	-	-	-	-	-	-	-
Total Special Revenue Fund	\$ 69,687	\$ (89,921)	\$ 429,003	\$ 441,896	\$ 485,238	\$ 492,955	\$ 508,400	\$ 521,296	\$ 553,403	\$ 611,667
Capital Projects Fund										
Non-spendable	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-	-
Assigned	1,836,008	503,594	784,827	636,903	1,793,661	534,726	407,948	340,645	305,671	286,424
Unassigned	-	-	-	-	-	-	-	-	-	-
Total Capital Projects Fund	\$ 1,836,008	\$ 503,594	\$ 784,827	\$ 636,903	\$ 1,793,661	\$ 534,726	\$ 407,948	\$ 340,645	\$ 305,671	\$ 286,424

Source: City financial records.

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

Table 5

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenues										
Taxes	\$ 12,597,008	\$ 12,630,135	\$ 11,814,604	\$ 12,065,927	\$ 11,959,551	\$ 11,648,825	\$ 11,834,498	\$ 11,252,818	\$ 10,443,370	\$ 10,761,701
Licenses and permits	168,860	114,214	110,186	141,486	106,969	75,289	101,713	125,997	170,944	106,314
Intergovernmental	3,235,492	2,812,183	3,217,453	2,345,414	2,152,774	1,433,591	1,587,713	1,296,914	1,972,543	1,582,144
APG management fees	2,413,303	2,473,394	2,402,144	2,297,286	2,162,376	2,058,083	2,011,145	2,251,434	1,669,750	1,342,864
Miscellaneous	731,616	568,642	393,440	333,174	432,271	451,977	431,152	350,767	433,533	570,917
Total Revenues	19,146,279	18,598,568	17,937,827	17,183,287	16,813,941	15,667,765	15,966,221	15,277,930	14,690,140	14,363,940
Expenditures										
General government	2,639,148	2,758,287	2,849,207	3,303,913	2,558,873	1,841,877	1,695,505	1,714,059	1,997,247	1,982,372
Public safety	5,314,162	4,456,162	4,353,357	4,302,711	4,269,346	3,956,424	3,949,922	3,926,465	4,030,589	4,264,153
Public works	5,714,237	5,500,938	4,607,440	6,501,419	6,135,578	3,998,299	4,074,871	3,627,232	4,004,543	3,937,387
Parks and recreation	212,601	111,165	98,922	160,314	408,207	64,993	100,063	84,907	125,369	72,092
Miscellaneous	3,163,131	3,306,756	3,287,148	3,193,147	2,827,280	2,594,414	2,533,562	2,684,113	2,552,305	2,400,513
Debt service										
Principal	455,997	333,834	346,128	346,054	335,985	325,921	432,251	404,920	389,622	405,899
Interest	102,302	94,791	122,823	124,376	132,917	146,143	89,300	301,412	314,607	331,335
Total Expenditures	17,601,578	16,561,933	15,665,025	17,931,934	16,668,186	12,928,071	12,875,474	12,743,108	13,414,282	13,393,751
Excess of revenues over (under) expenditures	1,544,701	2,036,635	2,272,802	(748,647)	145,755	2,739,694	3,090,747	2,534,822	1,275,858	970,189
Other financing sources										
Loan proceeds, net of payments to escrow agent and issuance of refunding bonds	839,991	-	22,844	-	-	-	5,482	-	77,291	167,202
Transfer in (out)	(721,722)	(1,222,461)	(525,206)	(538,806)	(355,391)	(279,841)	(387,507)	(292,178)	(535,102)	(293,074)
Proceeds from sale of capital assets	106,572	134,166	331,533	34,879	86,139	-	-	-	-	-
Total other financing sources	224,841	(1,088,295)	(170,829)	(503,927)	(269,252)	(279,841)	(382,025)	(292,178)	(457,811)	(125,872)
Net change in fund balances	\$ 1,769,542	\$ 948,340	\$ 2,101,973	\$ (1,252,574)	\$ (123,497)	\$ 2,459,853	\$ 2,708,722	\$ 2,242,644	\$ 818,047	\$ 844,317
Debt Service (P & I) as a percentage of non-capital expenditures	3.68%	2.92%	3.40%	3.51%	3.56%	3.86%	4.42%	5.78%	5.77%	6.19%

Source: City financial records.

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

Table 6

Fiscal Year	Property Tax	Income Tax	Highway User Tax (1)	Admissions Tax	Other Local Taxes	Total
2018	\$ 11,001,139	\$ 1,325,624	\$ -	\$ -	\$ 270,245	\$ 12,597,008
2017	10,882,635	1,473,108	-	-	274,392	12,630,135
2016	10,050,537	1,419,567	-	66,630	277,870	11,814,604
2015	10,063,210	1,314,582	414,276	-	273,859	12,065,927
2014	9,990,337	1,309,945	390,765	-	268,504	11,959,551
2013	9,924,915	1,346,694	118,724	-	258,492	11,648,825
2012	10,146,919	1,240,865	193,082	-	253,632	11,834,498
2011	9,680,141	1,250,670	47,244	-	274,763	11,252,818
2010	9,074,414	1,107,207	89,890	-	171,859	10,443,370
2009	8,760,795	1,112,667	669,154	-	219,085	10,761,701

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

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

Source: City financial records.

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

Table 7

Fiscal Year Ending June 30	Real Property			Personal Property			Total Assessed Property		Market Value Change	
	Taxable Assessed Value	Estimated Actual Value	Total Direct Rate	Assessed Value	Estimated Actual Value	Total Direct Rate	Assessed Value	Estimated Actual Value	Amount	Percentage
2018	1,446,743,944	1,446,743,944	0.6502	110,763,354	110,763,354	1.7000	1,557,507,298	1,557,507,298	30,958,966	2.03%
2017	1,414,368,122	1,414,368,122	0.6566	112,180,210	112,180,210	1.7000	1,526,548,332	1,526,548,332	62,876,643	4.30%
2016	1,390,533,929	1,390,533,929	0.6600	73,137,760	73,137,760	1.7000	1,463,671,689	1,463,671,689	15,257,246	1.05%
2015	1,383,252,570	1,383,252,570	0.6800	65,161,873	65,161,873	1.7000	1,448,414,443	1,448,414,443	44,423,110	3.16%
2014	1,340,367,403	1,340,367,403	0.6800	63,623,930	63,623,930	1.7000	1,403,991,333	1,403,991,333	(3,326,224)	-0.24%
2013	1,333,912,757	1,333,912,757	0.6800	73,404,800	73,404,800	1.7000	1,407,317,557	1,407,317,557	(45,534,772)	-3.13%
2012	1,390,102,249	1,390,102,249	0.6800	62,750,080	62,750,080	1.7000	1,452,852,329	1,452,852,329	82,607,333	6.03%
2011	1,313,724,366	1,313,724,366	0.6875	56,520,630	56,520,630	1.7000	1,370,244,996	1,370,244,996	80,562,276	6.25%
2010	1,234,699,160	1,234,699,160	0.6875	54,983,560	54,983,560	1.7000	1,289,682,720	1,289,682,720	64,707,581	5.28%
2009	1,168,908,946	1,168,908,946	0.7000	56,066,193	56,066,193	1.7000	1,224,975,139	1,224,975,139	115,464,478	10.41%

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

Source: City financial records.

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

Table 8

Real Property Tax Rate

Fiscal Year Ending June 30	City of Aberdeen		Harford County	State of Maryland	Total Tax Rate
	General Fund	Total Direct Rate			
2018	\$ 0.6502	\$ 0.6502	\$ 1.042	\$ 0.112	\$ 1.804
2017	0.6566	0.6566	1.042	0.112	1.811
2016	0.6600	0.6600	1.042	0.112	1.814
2015	0.6800	0.6800	1.042	0.112	1.834
2014	0.6800	0.6800	1.042	0.112	1.834
2013	0.6800	0.6800	1.042	0.112	1.834
2012	0.6800	0.6800	1.042	0.112	1.834
2011	0.6875	0.6875	1.042	0.112	1.842
2010	0.6875	0.6875	1.064	0.112	1.864
2009	0.7000	0.7000	1.082	0.112	1.894

Personal Property Tax Rate

Fiscal Year Ending June 30	City of Aberdeen		Harford County	State of Maryland	Total Tax Rate
	General Fund	Total Direct Rate			
2018	\$ 1.700	\$ 1.700	\$ 2.605	\$ -	\$ 4.305
2017	1.700	1.700	2.605	-	4.305
2016	1.700	1.700	2.605	-	4.305
2015	1.700	1.700	2.605	-	4.305
2014	1.700	1.700	2.605	-	4.305
2013	1.700	1.700	2.605	-	4.305
2012	1.700	1.700	2.605	-	4.305
2011	1.700	1.700	2.605	-	4.305
2010	1.700	1.700	2.660	-	4.360
2009	1.700	1.700	2.705	-	4.405

Source: City financial records.

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

Table 9

Taxpayer	Type of Business	2018		Percentage of Total Assessment
		Assessed Valuation	City Tax	
Frito-Lay	Manufacturing	\$ 67,962,650	\$ 805,848	4.36%
BGE	Utility	20,013,700	340,233	1.28%
KRK Title Holder LP	Warehouse	27,272,500	177,326	1.75%
913 Old Philadelphia Road LLC	Distribution Warehouse	23,622,000	153,590	1.52%
HP-A Aberdeen LLC	Real Property Management	22,778,300	148,105	1.46%
Medline Industries, Inc.	Manufacturing	21,459,700	139,531	1.38%
H & S Properties Dev. Corp	Property Management	18,005,200	117,070	1.16%
Wal-Mart Real Estate	Retail	17,186,533	111,747	1.10%
Verizon - Maryland	Cable	5,606,540	95,311	0.36%
Pier 1. Imports	Warehouse	5,132,030	87,245	0.33%
TOTAL		\$ 229,039,153	\$ 2,176,005	14.71%
Total Assessed Valuation		\$ 1,557,507,298		

Taxpayer	Type of Business	2009		Percentage of Total Assessment
		Assessed Valuation	City Tax	
Inland American Aberdeen	Real Property Management	\$ 28,154,900	\$ 197,084	2.30%
Catellus Land and Development	Warehouse	25,248,200	176,737	2.06%
913 Old Philadelphia Road LLC	Distribution Warehouse	23,685,400	165,798	1.93%
Frito-Lay	Manufacturing	22,224,740	200,079	1.81%
Medline Industries Inc.	Manufacturing	16,826,300	117,784	1.37%
Aberdeen Hotels - Baseball Park, LLC	Hospitality	16,429,800	115,009	1.34%
State of Wisconsin Investment Board	Warehouse	15,257,500	106,803	1.25%
Wal-Mart Real Estate	Retail	15,250,000	122,044	1.24%
Aberdeen Marketplace, Inc.	Shopping Center	10,940,900	93,505	0.89%
Prologis-Exchange MD	Real Estate Investment	9,800,000	68,600	0.80%
TOTAL		\$ 183,817,740	\$ 1,363,443	15.01%
Total Assessed Valuation		\$ 1,224,975,139		

Source: City financial records.

Property Tax Levies and Collections
Last Ten Fiscal Years

Table 10

Fiscal Year Ending June 30	Total Tax Levy	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Total Tax Levy
2018	\$ 11,228,263	\$ 11,152,125	99.32%	\$ -	\$ 11,152,125	99.32%
2017	11,163,890	11,053,787	99.01%	43,733	11,097,521	99.41%
2016	10,257,072	10,151,760	98.97%	64,710	10,216,470	99.60%
2015	10,424,604	10,354,710	99.33%	44,551	10,399,261	99.76%
2014	10,186,068	10,108,621	99.24%	66,781	10,175,402	99.90%
2013	10,238,167	10,181,487	99.45%	56,065	10,237,553	99.99%
2012	10,456,757	10,384,584	99.31%	60,289	10,444,873	99.89%
2011	9,957,031	9,870,388	99.13%	74,290	9,944,678	99.88%
2010	9,396,201	9,298,812	98.96%	81,483	9,380,295	99.83%
2009	9,116,713	9,021,982	98.96%	20,366	9,042,348	99.18%

Source: City financial records.

Ratios of Outstanding Debt By Type
Last Ten Fiscal Years

Table 11

Fiscal Year Ending June 30	Governmental Activities			Business-Type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Loans Payable	Total Governmental Activities	General Obligation Bonds	Loans Payable	Total Business-Type Activities			
2018	\$ 3,299,987	\$ -	\$ 3,299,987	\$ 7,148,282	\$ 8,527,198	\$ 15,675,480	\$ 18,975,467	N/A	\$ 1,182
2017	3,682,416	-	3,682,416	7,985,881	9,251,479	17,237,360	20,919,776	N/A	1,340
2016	3,994,800	5,934	4,000,734	8,834,300	8,382,489	17,216,789	21,217,523	N/A	1,362
2015	3,815,000	507,062	4,322,062	9,584,500	8,849,271	18,433,771	22,755,833	N/A	1,474
2014	4,110,000	558,116	4,668,116	10,440,300	9,369,267	19,809,567	24,477,683	N/A	1,619
2013	4,395,000	609,101	5,004,101	11,275,200	9,799,208	21,074,408	26,078,509	N/A	1,743
2012	4,670,000	660,022	5,330,022	12,092,200	7,522,290	19,614,490	24,944,512	N/A	1,668
2011	4,757,600	710,882	5,468,482	12,669,316	2,758,934	15,428,250	20,896,732	N/A	1,397
2010	4,969,200	796,970	5,766,170	8,271,100	1,332,924	9,604,024	15,370,194	N/A	1,090
2009	5,175,700	911,010	6,086,710	8,745,300	1,643,797	10,389,097	16,475,807	N/A	1,168

Source: City financial records.

N/A - Currently not available

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

Table 12

Fiscal Year Ending June 30	Population	Estimated Actual Assessed Value (2)	Governmental Gross Bonded Debt (1)	Business-type Gross Bonded Debt (1)	Total Gross Bonded Debt	Less Amounts to be paid with Restricted Resources (3)	Net Bonded Debt	Ratio of Net Bonded Debt To Actual Assessed Value	Net Bonded Debt Per Capita
2018	16,049	\$ 1,557,507,298	\$ 3,299,987	\$ 15,675,480	\$ 18,975,467	\$ 7,149,135	\$ 11,826,332	0.76%	\$ 737
2017	15,612	1,526,548,332	3,682,416	17,237,360	20,919,776	7,526,174	13,393,602	0.88%	858
2016	15,580	1,463,671,689	4,000,734	17,216,789	21,217,523	7,899,851	13,317,672	0.91%	855
2015	15,434	1,448,414,443	4,322,062	18,433,771	22,755,833	8,270,194	14,485,639	1.00%	939
2014	15,120	1,403,991,333	4,668,116	19,809,567	24,477,683	8,637,234	15,840,449	1.13%	1,048
2013	14,959	1,407,317,557	5,004,101	21,074,408	26,078,509	8,852,506	17,226,003	1.22%	1,152
2012	14,959	1,452,852,329	5,330,022	19,614,490	24,944,512	6,259,293	18,685,219	1.29%	1,249
2011	14,959	1,370,244,996	5,468,482	15,428,250	20,896,732	1,228,857	19,667,875	1.44%	1,315
2010	14,099	1,289,682,720	5,766,170	9,604,024	15,370,194	-	15,370,194	1.19%	1,090
2009	14,100	1,224,975,139	6,086,710	10,389,097	16,475,807	-	16,475,807	1.34%	1,168

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

(2) Table 7

(3) Debts paid from dedicated revenues

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

Source: City financial records.

**Debt Computations
June 30, 2018**

Table 13

COMPUTATION OF LEGAL DEBT MARGIN

TOTAL ASSESSED VALUE OF PROPERTY	<u>\$ 1,557,507,298</u>
Debt limit 15%	233,626,095
Amount of debt applicable to debt limit	<u>3,299,987</u>
LEGAL DEBT MARGIN	<u><u>\$ 230,326,108</u></u>

COMPUTATION OF DIRECT AND OVERLAPPING DEBT

	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to the Town</u>	<u>Share of Debt Outstanding</u>
DIRECT DEBT OF THE CITY	\$ 3,299,987	100.00%	\$ 3,299,987
Indirect debt:			
Harford County	<u>543,792,910 ²</u>	54.71% ¹	<u>297,509,101</u>
TOTAL DIRECT AND OVERLAPPING DEBT	<u><u>\$ 547,092,897</u></u>		<u><u>\$ 300,809,088</u></u>

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

<u>\$ 1,557,507,298</u>
<u><u>\$ 2,846,744,966</u></u>

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

Source: City financial records.

**Legal Debt Margin Information
Last Ten Years**

Table 14

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Debt Limit	\$ 233,626,095	\$ 228,982,250	\$ 219,550,753	\$ 217,262,166	\$ 210,598,700	\$ 211,097,634	\$ 217,927,849	\$ 205,536,749	\$ 193,452,408	\$ 183,746,271
Total net debt applicable to limit	11,826,332	13,393,602	13,317,672	14,485,639	15,840,449	17,226,003	18,685,219	19,667,875	15,370,194	16,475,807
Legal debt margin	\$ 221,799,763	\$ 215,588,648	\$ 206,233,081	\$ 202,776,527	\$ 194,758,251	\$ 193,871,631	\$ 199,242,630	\$ 185,868,874	\$ 178,082,214	\$ 167,270,464
Total net debt applicable to the limit as a percentage of debt limit	5.06%	5.85%	6.07%	6.67%	7.52%	8.16%	8.57%	9.57%	7.95%	8.97%

Source: City financial records.

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

Table 15

Fiscal Year Ending June 30	(1) Estimated Population	(2) Per Capita Income	(2) Personal Income (000s)	(2) Median Age	(2) School Enrollment	(2) Unemployment Rate
2018	16,049	\$ 57,259	\$ 14,476,985	N/A	37,780	4.1%
2017	15,612	55,725	14,038,833	40.3	37,426	4.2%
2016	15,580	54,232	13,613,942	40.1	37,448	4.4%
2015	15,434	52,779	13,201,922	39.9	37,537	5.5%
2014	15,120	50,753	12,687,334	39.8	37,842	6.0%
2013	14,959	48,957	12,200,680	39.5	37,868	7.5%
2012	14,959	49,199	12,233,940	39.2	38,224	7.4%
2011	14,959	48,433	11,948,693	38.3	38,394	7.3%
2010	14,099	46,489	11,400,848	38.1	38,637	7.3%
2009	14,100	45,092	10,988,340	38.1	38,610	7.7%

(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, 2018. Income and Median Age information were not available.

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

Table 16

2018			
Company	Number Employed	Percentage of Total County Employment	Product/ Service
U.S. Army Aberdeen Proving Ground	24,000	25.68%	Government
Harford County Public Schools	5,285	5.66%	Government
UM Upper Chesapeake Medical Center	3,300	3.53%	Healthcare
US Army Research Laboratory (ARL)	2,000	2.14%	Government
Secure Shot LLC	2,000	2.14%	Recruiting Services
Harford County Government	1,541	1.65%	Government
Kleins Shop Rites of Maryland	1,200	1.28%	Groceries
Kohl's E-Fulfillment Center	1,200	1.28%	Warehouse
Rite Aid Mid-Atlantic Customer Dist. Ctr.	1,030	1.10%	Retailer
Harford Community College	1,011	1.08%	Education
TOTAL	42,567	45.55%	
Total Employees in Harford County (Data available for county only)	93,443	100.00%	
2009			
Company	Number Employed	Percentage of Total County Employment	Product/ Service
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
TOTAL	26,189	35.93%	
Total Employees in Harford County (Data available for county only)	72,895	100.00%	

Source:
Harford County CAFR

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

Table 17

<u>Function</u>	Full-time Equivalent City Government Employees by Function									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Government										
Mayor and Council	5	5	5	5	5	5	5	5	5	5
Administration	6	6	8	8	7	4	4	5	5	5
Finance	8	8	6	6	6	6	6	6	6	6
Planning	3	3	3	3	3	3	3	4	4	4
Human Resources	2	2	2	1	1	1	1	1	1	1
Building Custodian	1	1	1	1	1	1	1	1	1	1
Public Safety										
Police										
Officers	42	42	40	40	40	40	40	40	45	46
Civilians	15	15	14	14	14	14	14	14	14	14
Building (Construction) Inspection	1	1	1	1	1	1	1	1	1	1
Public Works	83	81	79	79	81	81	81	78	78	78
Sanitation	7	7	7	7	7	7	7	8	8	8
Parks and Recreation	-	-	-	-	-	-	-	-	-	-
Total	173	171	166	165	166	163	163	163	168	169

Source: City Fiscal Year Budgets

Operating Indicators By Function Last Ten Fiscal Years

Table 18

<u>Function</u>	<u>Fiscal Year</u>									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Government										
Construction Permits Issued	285	56	57	94	42	157	301	305	305	306
Estimated Value of Construction	\$ 25,009,513	\$ 30,009,640	\$ 32,693,069	\$ 86,276,604	\$ 21,979,857	\$ 29,577,709	\$ 32,911,735	\$ 26,720,274	\$ 72,730,957	\$ 32,886,480
Public Safety										
Traffic Contacts	3,999	11,625	7,399	3,885	7,072	8,123	7,193	2,465	3,998	5,741
Calls for Service	24,080	30,103	31,763	33,683	27,095	30,065	35,580	36,505	38,341	49,969
Public Works										
Street Resurfacing (miles)	1.90	3.52	1.65	0.48	5.07	0.65	0.89	0.34	0.98	2.05
Sidewalk Replacement/Repair (miles)	2.00	0.25	1.90	0.50	1.00	0.01	0.14	0.14	0.04	0.08
Stormwater Ponds Managed	9	9	15	15	14	14	2	2	10	10
Recreation										
Number of Activity Sessions Offered										
Preschool Activities	-	-	-	-	-	-	-	-	-	-
Youth Activities	-	-	-	-	-	-	-	-	-	-
Adult Activities	-	-	-	-	-	-	-	-	-	-
Total Number of Activity Sessions Offered	-	-	-	-	-	-	-	-	-	-
Program Participants										
Preschool Activities	-	-	-	-	-	-	-	-	-	-
Youth Activities	-	-	-	-	-	-	-	-	-	-
Adult Activities	-	-	-	-	-	-	-	-	-	-
Total Program Participants	-	-	-	-	-	-	-	-	-	-
Water										
New Connections	6	52	46	166	87	22	152	13	11	19
Water Main/Lateral Breaks	63.0	27.0	29.0	38.0	36.0	39.0	38.0	66.0	44.0	54.0
Average Daily Consumption (millions of gallons)	1.300	1.313	1.287	1.364	1.351	1.325	1.442	1.404	1.333	1.410
Sewer										
Sewer Main/Lateral Breaks	5.0	10.0	12.0	15.0	37.0	80.0	6.0	9.0	14.0	10.0
Average Daily Sewage Treatment (millions of gallons)	1.90	1.60	1.71	1.97	2.17	1.62	1.73	1.52	1.97	1.69

Source: Various City departments

Capital Asset Statistics By Function Last Ten years

Table 19

Function	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Public Safety - Police										
Stations	1	1	1	1	1	1	1	1	1	1
Vehicles	54	48	48	50	52	54	56	56	54	53
Highways and Streets										
Streets (miles)	74.03	72.92	72.60	72.92	72.92	72.92	72.92	72.92	72.92	72.67
Storm Sewers (miles)	50.00	48.81	39.05	39.01	20.10	15.00	15.00	15.00	15.00	15.00
Catch Basins	1,916	1,862	1,835	1,913	1,913	1,013	1,013	1,013	1,013	1,013
Street Lights	1,504	1,505	110	110	1,753	1,753	1,753	1,753	1,753	1,753
Culture and Recreation										
Number of Parks/Playgrounds	10	10	10	11	8	8	8	8	8	8
Park Acreage	69.15	91.87	91.87	93.01	36.67	36.67	36.67	36.98	36.98	36.98
Tennis Courts	1	1	1	1	1	1	1	1	1	1
Water										
Treatment Plants	1	1	1	1	1	1	1	1	1	1
Wells	14	14	14	14	14	14	16	16	16	16
Reservoirs	-	-	-	-	-	-	-	-	-	-
Water Towers	4	4	4	4	4	4	4	4	4	4
Pumping Stations	4	4	4	4	4	5	5	4	4	4
Maximum Daily Capacity (million gallons)	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.10	2.00	2.50
Number of Customer Accounts	5,128	5,112	5,072	4,999	4,986	4,974	4,923	4,765	4,759	4,963
Water Mains (miles)	88.84	87.09	86.89	82.92	82.92	66.93	66.93	66.93	66.73	66.23
Fire Hydrants	601	590	587	552	552	517	517	517	517	502
Wastewater										
Treatment Plants	1	1	1	1	1	1	1	12	1	1
Maximum Daily Treatment Capacity (million gallons)	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Pumping Stations	11	11	11	11	11	10	10	10	10	10
Sanitary Sewers (miles)	76.35	74.86	74.86	75.12	75.06	68.79	68.79	68.79	68.79	68.54

Source: Various city departments