

City Of Aberdeen, Maryland

Comprehensive Annual Financial Report
June 30, 2010

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October 29, 2010

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, 2010, is hereby submitted. City ordinances and State statutes require that the City of Aberdeen issue annually a report on its financial position and its activities. An independent firm of certified public accountants is selected by the City Council. Responsibility of both accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City's management. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner that presents fairly the financial position and results of operations of the various funds and account groups of the City government. All information necessary to enable the reader to gain an understanding of the City's government activities has been included.

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

City of Aberdeen's financial statements have been audited by McGladrey & Pullen, Independent Certified Public Accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City of Aberdeen for the fiscal year ended June 30, 2010 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation.

The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the financial statements for City of Aberdeen for the fiscal year ended June 30, 2010 are fairly presented in conformity with GAAP. The auditor's report is presented as the first component of the financial section of this report.

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

PROFILE OF THE GOVERNMENT

The City of Aberdeen was incorporated in 1892. The City is a full service municipality providing water and wastewater utilities, public safety, planning, public works, and environmental and administrative services to a populous of 14,100 citizens. Services are provided through a Mayor and Council form of government with a City Manager serving as the Chief Operating Officer.

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

Pursuant to City Charter, the Mayor presents the capital and operating budgets to the City Council during April of each year. The City Council holds public hearings regarding the budgets and, prior to July 1, passes an annual appropriation ordinance. The legislation becomes effective July 1 and provides the spending authority at the fund level for the operations of the City Government with unexpended or unencumbered appropriation authority expiring the following June 30. The appropriated budgets are prepared by fund and department. Expenditures of the funds may not legally exceed appropriations at the fund level. During the fiscal year, the City Council may adopt supplemental appropriations. A Statement of Revenues, Expenditures, and Changes in Fund Balances on a Budget (Non-GAAP) vs. Actual basis is presented for the two major governmental funds which adopted an annual budget, and can be found on pages 64 through 68 of this report.

FACTORS AFFECTING FINANCIAL CONDITION

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

Local economy - Aberdeen has a rich history as a military community and is home to the United States Army's Aberdeen Proving Ground. Aberdeen Proving Ground (APG) was established on October 20, 1917 and is the U.S. Army's oldest active testing and evaluation facility. As a center for Army material testing, laboratory research and military training, the post is a key element in the nation's defense. APG is one of the Army's finest test, evaluation, research, development, engineering and training installations in the world. More than 7,500 civilians work at APG and more than 3,900 military personnel are assigned there.

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

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

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

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

Like many other Maryland wastewater plants, the Aberdeen plant is mandated to upgrade to an ENR process. This mandated upgrade will also require other additional additions to the plant. These projects are in the design phase with construction to begin in FY 2011. Financing for these projects will come from grants and loans administered by the Maryland Department of the Environment.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to City of Aberdeen for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2009. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting. In order to be awarded a Certificate of Achievement, a governmental unit must publish an

easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

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

ACKNOWLEDGMENTS

The preparation of this report could not have been accomplished without the efficient and dedicated service of the entire staff of the Finance Department. We extend our sincere appreciation to each member of this department.

Also, special thanks go to the Mayor and City Council for their leadership and support in planning and overseeing the governmental operations in a responsible and progressive manner.

Respectfully submitted,



Douglas R. Miller
City Manager



Opirio Jack, CPA
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Aberdeen
Maryland

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

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



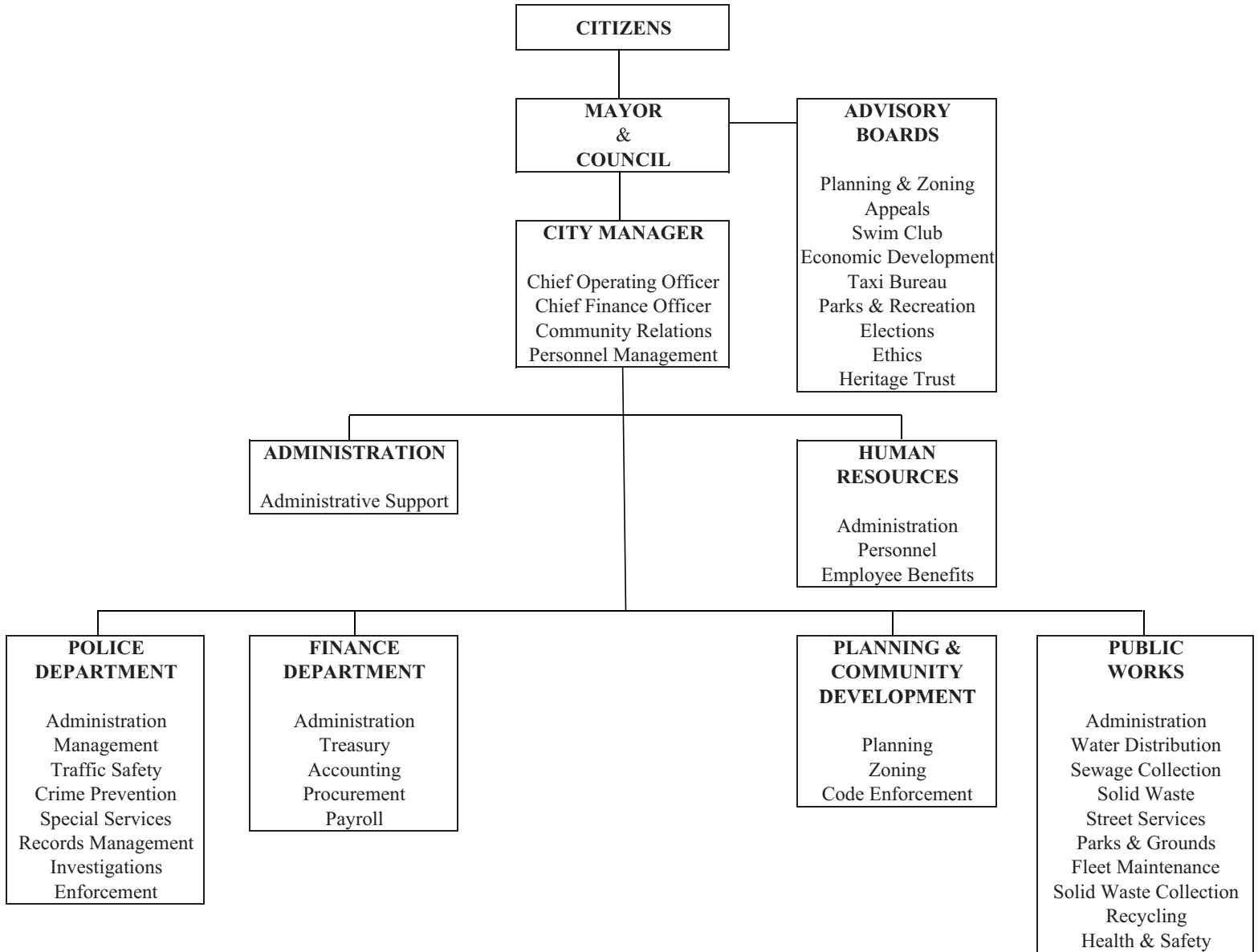
A stylized, handwritten signature in black ink.

President

A handwritten signature in black ink that reads "Jeffrey R. Emer".

Executive Director

CITY OF ABERDEEN - ORGANIZATIONAL CHART



CITY OF ABERDEEN
HARFORD COUNTY, MARYLAND
GOVERNMENT ORGANIZATION

ELECTED AND APPOINTED OFFICIALS

AS OF JUNE 30, 2010

ELECTED OFFICIALS

City Mayor	Mr. Michael E. Bennett
City Council President	Mrs. Ruth Ann Young
City Council Members	Mrs. Sandra Landbeck Mr. Bruce Garner Mrs. Ruth Elliott

APPOINTED OFFICIALS

City Manager	Mr. Douglas Miller
Director of Finance	Mr. Opiribo Jack
Police Chief	Mr. Randy Rudy
Director of Public Works	Mr. Matt Lapinsky
Director of Planning & Community Development	Mrs. Phyllis Grover

City Attorneys	Stark & Keenan, PA
Bond Counsel	Miles & Stockbridge



Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Aberdeen, Maryland as of and for the year ended June 30, 2010, which collectively comprise the City of Aberdeen, Maryland's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Aberdeen, Maryland's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Aberdeen, Maryland as of June 30, 2010 and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 10 to the basic financial statements, effective July 1, 2009, the City adopted Government Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

As described in Note 1 G, the City changed its definition of cash equivalents for purposes of reporting cash flows.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 29, 2010, on our consideration of the City of Aberdeen, Maryland's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the Schedules of Employer Contributions and of Funding Progress for the Defined Benefit Pension Plan, the Police Defined Benefit Pension Plan and the Other Post Employment Benefits on pages 10 through 20, 61 through 63 are not a required part of the basic financial statements but are supplementary information required by the accounting standards generally accepted in the United States of America. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

McGladrey & Pullen, LLP

Frederick, Maryland
October 29, 2010

City of Aberdeen, Maryland

Management's Discussion and Analysis

June 30, 2010

Introduction

As management of the City of Aberdeen, Maryland (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2010. The Management's Discussion and Analysis (MD&A) is best understood if read in conjunction with the City's basic financial statements.

Financial Highlights

1. The City's assets exceeded its liabilities at the close of the most recent fiscal year by \$39.5 million (*net assets*). Of this amount, \$1.4 million (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
2. The City's total net assets increased \$1.4 million. Most of this increase is attributable to increases in property tax revenues, charges for services and, general governmental capital grants and contributions.
3. The City's total Long-term liabilities decreased by \$242 thousand during the current fiscal year from \$18.1 million to \$17.8 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 \$4.5 million. This represents an increase of \$818 thousand over the prior year. About 87.7% (\$4.0 million) is unreserved and is available for spending at the City's discretion.
5. At the end of the current fiscal year, unreserved fund balance for the General Fund was \$3.6 million or 27.7% of total General Fund expenditures (includes transfers to the Capital Projects, Sewer and Stadium funds).

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components:

- 1) Government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required and non-required supplementary information in addition to the basic financial statements themselves.

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

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

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

City of Aberdeen, Maryland

Management's Discussion and Analysis

June 30, 2010

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, parks and recreation, municipal buildings, and economic and community development. The business-type activities of the City include water, sewer, and stadium operations.

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

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Aberdeen, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

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

The City adopts an annual appropriated budget for its individual governmental funds, except for the Special Revenue fund. A budgetary comparison statement has been provided for the General fund to demonstrate compliance with this budget. The governmental funds financial statements can be found on pages 23 to 27 of this report. In addition, a more detailed schedule showing budgetary comparison of the general fund and a budgetary comparison of the capital fund is included as other supplementary information.

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

City of Aberdeen, Maryland
Management's Discussion and Analysis
June 30, 2010

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are part of the basic financial statements and can be found on pages 33 to 60 of this report.

Other information. In addition to the basic financials statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 61 to 63 of this report. Supplementary information as noted in the table of contents can be found on pages 64 to 68 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's overall financial condition and position. In the case of the City, assets exceeded liabilities by \$39.5 million at the close of the most recent fiscal year. City of Aberdeen net assets are divided into three categories – invested in capital assets (net of related debt), restricted net assets and unrestricted net assets.

The largest portion of the City's net assets (95.4%) reflects its investment in capital assets net of depreciation (e.g., land and improvements, buildings, machinery, equipment, infrastructure, and improvements); less any un-matured debt used to acquire these assets. The debt used to acquire these assets must be repaid using other financial resources because the assets themselves cannot be used for repayment.

Restricted net assets represent 1.1% of total net assets. Restricted net assets are resources that are subject to external restrictions on how they may be used.

Unrestricted net assets of the government have a balance of \$1.4 million (3.5% of total net assets) that may be used to meet the government's ongoing obligations to citizens and creditors. The unrestricted net assets for business-type activities have a deficit balance of \$1.2 million.

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

The City's net assets experienced a 3.6% increase. This reflects the increase in tax revenues and utility usage charges.

City of Aberdeen, Maryland
Management's Discussion and Analysis
June 30, 2010

The following table summarizes the net assets for governmental and business-type activities as of June 30, 2010 and 2009:

	Governmental Activities (000)		Business-type Activities (000)		Total (000)	
	2010	2009	2010	2009	2010	2009
Assets						
Current and other assets	\$ 7,502	\$ 5,933	\$ 2,827	\$ 4,484	\$ 10,329	\$ 10,417
Capital assets, net	19,003	18,643	32,721	30,445	51,724	49,088
Total assets	26,505	24,576	35,548	34,929	62,053	59,505
Liabilities						
Long-term liabilities	7,845	7,421	9,992	10,659	17,837	18,080
Other liabilities	2,414	1,720	2,257	1,542	4,671	3,262
Total liabilities	10,259	9,141	12,249	12,201	22,508	21,342
Net Assets						
Invested in capital assets, net of related debt	13,244	12,421	24,466	22,250	37,710	34,671
Restricted	452	427	-	-	452	427
Unrestricted	2,550	2,587	(1,167)	478	1,383	3,065
Total Net Assets	\$ 16,246	\$ 15,435	\$ 23,299	\$ 22,728	\$ 39,545	\$ 38,163

City of Aberdeen, Maryland
Management's Discussion and Analysis
June 30, 2010

The following table indicates the changes in net assets for governmental and business-type activities for the years ended June 30, 2010 and 2009:

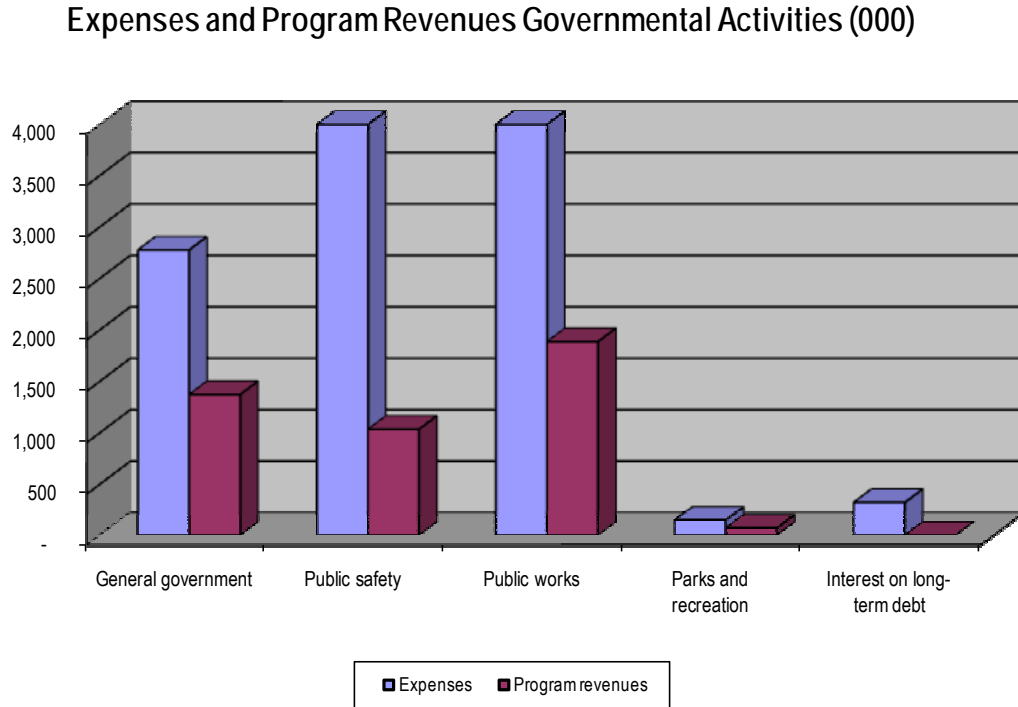
	Governmental Activities (000)		Business-type Activities (000)		Total (000)	
	2010	2009	2010	2009	2010	2009
Revenues						
Program revenues						
Charges for service	\$ 2,249	\$ 1,862	\$ 4,749	\$ 4,720	\$ 6,998	\$ 6,582
Operating grants	1,176	1,928	-	-	1,176	1,928
Capital grants	942	513	601	804	1,543	1,317
General revenues						
Property taxes	9,090	8,719	-	-	9,090	8,719
State shared taxes	1,121	955	228	192	1,349	1,147
Miscellaneous	178	250	18	11	196	261
Total revenues	<u>14,756</u>	<u>14,227</u>	<u>5,596</u>	<u>5,727</u>	<u>20,352</u>	<u>19,954</u>
Program Expenses						
General government	2,777	2,685	-	-	2,777	2,685
Public safety	5,890	5,460	-	-	5,890	5,460
Public works	4,270	3,797	-	-	4,270	3,797
Parks and recreation	149	65	-	-	149	65
Interest on long-term debt	324	341	-	-	324	341
Utilities and other enterprise funds	-	-	5,560	5,576	5,560	5,576
Total expenses	<u>13,410</u>	<u>12,348</u>	<u>5,560</u>	<u>5,576</u>	<u>18,970</u>	<u>17,924</u>
Increase in net assets before transfers	1,346	1,879	36	151	1,382	2,030
Transfers	(535)	(293)	535	293	-	-
Increase in net assets	<u>811</u>	<u>1,586</u>	<u>571</u>	<u>444</u>	<u>1,382</u>	<u>2,030</u>
Net Assets, July 1	<u>15,435</u>	<u>13,849</u>	<u>22,728</u>	<u>22,284</u>	<u>38,163</u>	<u>36,133</u>
Net Assets, June 30	<u>\$ 16,246</u>	<u>\$ 15,435</u>	<u>\$ 23,299</u>	<u>\$ 22,728</u>	<u>\$ 39,545</u>	<u>\$ 38,163</u>

Governmental activities: The increase in net assets for governmental activities was \$811 thousand. The line items that had significant increases compared to 2009 are listed below:

- Property taxes increased by \$371 thousand or 4.3% during the year. This increase is due to new growth and increased property values as assessed by the State Department of Assessments and Taxation. Most other revenues did not change significantly from the prior year.
- Capital grants increased \$429 thousand due to increased funding from various Federal, State and County agencies.
- Expenditures increased by \$1.1 million or 8.6% from the prior year. The major changes in expenditures from the prior year can mostly be attributed to: an increase in human resource expenses, and the first year recognition of the other post employment benefits (OPEB) obligation.

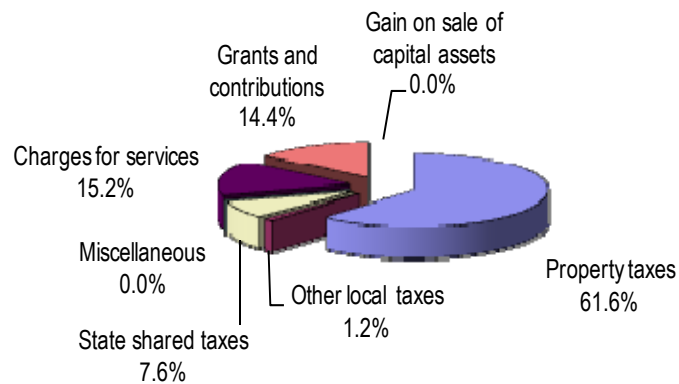
City of Aberdeen, Maryland
Management's Discussion and Analysis
June 30, 2010

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



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

Revenues by Source Governmental Activities

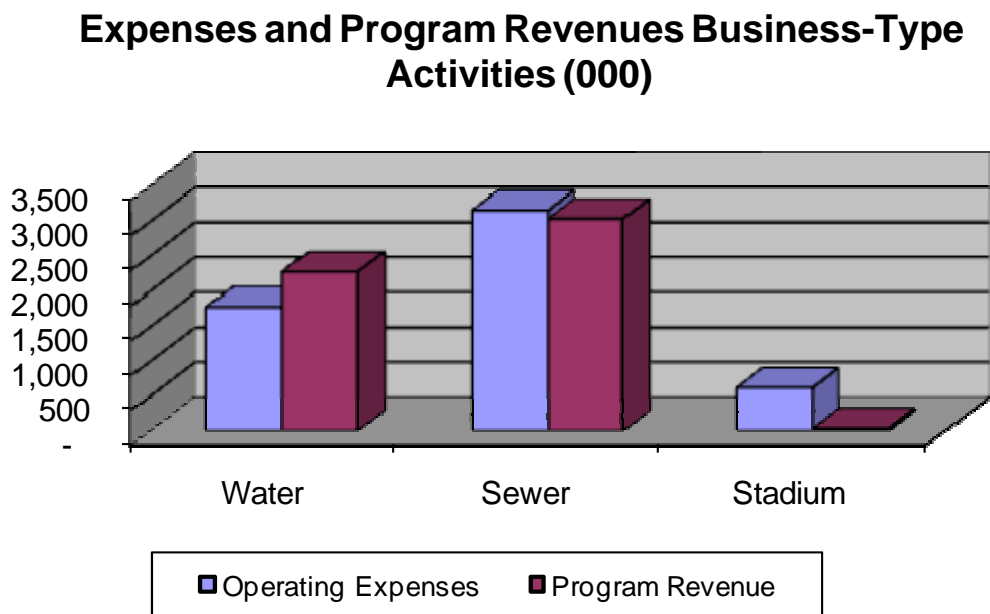


City of Aberdeen, Maryland
Management's Discussion and Analysis
June 30, 2010

Business-type Activities: Business-type activities increased the City's net assets by \$571 thousand, which is \$127 thousand more than the increase from 2008 to 2009. Key elements of this increase are as follows:

- Operating transfers increased \$242 thousand. Capital grants and contributions decreased \$203 thousand.
- Business-type expenses and charges for services remained relatively consistent with the previous year.

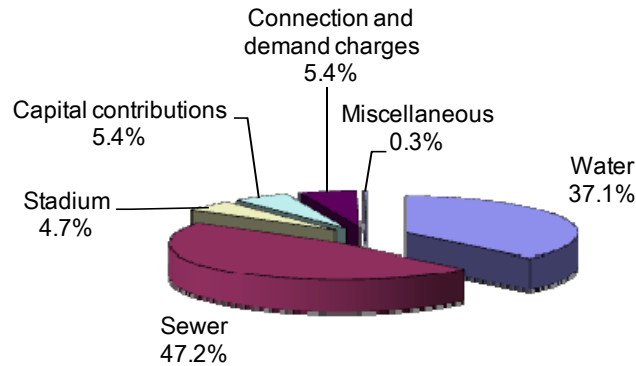
The following chart compares the Expenses and Program Revenues of the City's Business-type Activities.



City of Aberdeen, Maryland
Management's Discussion and Analysis
June 30, 2010

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

Revenues by Source Business-Type Activities



Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City of Aberdeen's governmental funds reported combined ending balances of \$4.5 million, an increase of \$818 thousand in comparison with the prior year. Approximately 87.7% of this total amount (\$4.0 million) constitutes unreserved fund balance, which represents working capital available to support governmental operating needs and future years' expenditures. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) for other assets, mostly inventories and prepaid items (\$72 thousand), 2) for notes receivable, mostly in the revolving loan fund (\$291 thousand), 3) dedicated for a variety of restricted purposes (\$194 thousand). The reserved fund balance represents 12.3% of total balance.

The General Fund is the chief operating fund of the City of Aberdeen. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$3.6 million, while total fund balance was \$3.7 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 29.3% of total General Fund expenditures, while total fund balance represents 30.0% of that same amount. The General Fund balance increased by \$857 thousand during the current fiscal year which amounted to \$126 thousand more net revenue than 2009.

City of Aberdeen, Maryland

Management's Discussion and Analysis

June 30, 2010

The key elements are:

- Total revenues increased compared to the prior year by \$90 thousand.
- Taxes decreased \$319 thousand due to the reduction in Highway User Revenue.
- APG management fees increased \$327 thousand due to changes in the overhead allocation methodology.
- Total expenditures decreased over last year by \$294 thousand.
- Public works costs increased by \$381 thousand due to the purchase of a street sweeper, salaries, snow storm clean up and storm drain and tree maintenance. Public Safety expense decreased by \$225 thousand due to mostly unfilled vacant positions.

Financial resources of the Capital Project Fund are used in the acquisition or construction of major capital projects not financed by the proprietary funds. At the end of the current fiscal year, unreserved fund balance of the Capital Projects Fund had a balance of \$145 thousand, while total fund balance was \$306 thousand. The Capital Projects Fund balance increased by \$19 thousand during the current fiscal year which amounted to \$127 thousand less net revenue over 2009.

The key element is:

- Intergovernmental revenues increased over the prior year by \$475 thousand largely due to a \$242 thousand increase in Community Development Block Grant revenue, \$64 thousand increase in law enforcement grant revenue, and \$70 thousand increase in parks and recreation revenue over 2009. This also accounted for a comparable increase in capital outlay expenditures in 2010.

Proprietary funds. The City of Aberdeen's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the three funds at the end of the year amounted to a deficit of \$249 thousand for the Water Fund, a deficit of \$1.3 million for the Sewer Fund, and a surplus of \$334 thousand for the Stadium Fund. The total net assets increased by \$571 thousand. Other factors concerning these funds' finances have been addressed in the discussion of the City of Aberdeen's business-type activities.

General Fund Budgetary Highlights

The final budget for the General Fund was increased \$199 thousand (1.7%) over the original budget to adjust for situations arising during the year. The most significant increases relate to snow removal costs of \$92 thousand and equipment purchase of \$77 thousand financed through long-term debt.

Capital Asset and Debt Administration

Capital assets. The City of Aberdeen's investment in capital assets for its governmental and business-type activities as of June 30, 2010, amounts to \$51.7 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment (including vehicles), infrastructure (including park facilities, roads, highways and bridges) and construction in progress. The total increase in City of Aberdeen's investment in capital assets for the current fiscal year was \$2.6 million or 5.4% (a 1.9% increase for governmental activities and a 7.5% increased for business-type activities). The major capital asset activities in the current year included water system capital projects totaling \$886 thousand and upgrades to the waste water treatment plant totaling \$688 thousand.

City of Aberdeen, Maryland
Management's Discussion and Analysis
June 30, 2010

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

	Governmental Activities (000)		Business-type Activities (000)		Total (000)	
	2010	2009	2010	2009	2010	2009
Land	\$ 4,471	\$ 4,471	\$ 1,904	\$ 1,904	\$ 6,375	\$ 6,375
Buildings	5,358	5,450	16,149	16,629	21,507	22,079
Improvements other than buildings	12	15	24	26	36	41
Machinery and equipment	1,068	780	1,646	1,598	2,714	2,378
Vehicles	669	752	-	-	669	752
Recreational facilities	187	140	-	-	187	140
Infrastructure	7,205	7,014	-	-	7,205	7,014
Water and sewer systems	-	-	10,018	9,082	10,018	9,082
Construction in progress	33	21	2,980	1,206	3,013	1,227
Total	\$ 19,003	\$ 18,643	\$ 32,721	\$ 30,445	\$ 51,724	\$ 49,088

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

Long-term debt. At the end of the current fiscal year, the City of Aberdeen had total long-term liabilities outstanding of \$17.8 million. The full faith and credit and unlimited taxing power of the City are irrevocably pledged to the levy and collection of taxes in order to provide for the payment of principal and interest due on the bonds.

City of Aberdeen's Outstanding Long-term Liabilities

	Governmental Activities (000)		Business-type Activities (000)		Total (000)	
	2010	2009	2010	2009	2010	2009
General obligation	\$ 4,969	\$ 5,176	\$ 8,271	\$ 8,745	\$ 13,240	\$ 13,921
Notes payable	797	911	1,333	1,644	2,130	2,555
Financing agreement	144	135	-	-	144	135
Compensated absences	1,082	1,068	276	270	1,358	1,338
Net pension obligation	121	130	-	-	121	130
OPEB obligation	732	-	112	-	844	-
Total	\$ 7,845	\$ 7,420	\$ 9,992	\$ 10,659	\$ 17,837	\$ 18,079

During the current fiscal year the City of Aberdeen's total long-term liabilities decreased by \$242 thousand or 1.3%. The City obtained a new financing agreement for the acquisition of equipment in the amount of \$77 thousand. The City has strictly adhered to its debt repayment amortization schedules.

The amount of general obligation debt the City of Aberdeen may issue is not limited by State statute or local ordinance. However, the City adheres to a fiscal policy adopted by its elected officials that prohibits general obligation debt from exceeding 15% of the assessed value of taxable property. The City was in full compliance at June 30, 2010. Additional information on the City of Aberdeen's long-term liabilities can be found in Note 7, pages 46 through 49 of this report.

City of Aberdeen, Maryland
Management's Discussion and Analysis
June 30, 2010

Economic Factors and Next Year's Budgets and Rates

- Regional employment that also impacts the City has been stable and is expected to remain stable. Harford County unemployment rates are lower than many other Maryland counties and Maryland unemployment rates are lower than most states in the country.
- The U.S. Army is currently adding jobs (mostly civilian) to the Aberdeen Proving Grounds as a result of Base Realignment and Closure (BRAC). Additionally there is expected to be more employment opportunities within the private sector which will support the Government jobs expansion. Generally speaking, the BRAC related activity will result in increased municipal revenue, but will also increase the services needed by the increased workforce population.
- New construction, both residential and commercial, is expected to improve slightly during the year, which will impact the real estate tax base.
- The real estate tax rate remains unchanged at \$0.6875 per \$100 of assessed value for the FY 2011 budget.
- The water and sewer base rates remain unchanged at \$14.50 and \$16.52 respectively for the FY 2011 budget.
- The City has been given a mandate by the State of Maryland to upgrade our wastewater treatment plant to Enhanced Nutrient Removal (ENR) technology. The City's share of this upgrade is about \$9 million. To pay for the City's portion of this mandate, the City will impose an ENR Upgrade Fee on the sewer user. This fee will be determined later in the fiscal year once the City's share of this project has been determined and after all other funding sources have been explored. It is anticipated that the fee will begin in FY 2011.

All of these factors were considered in preparing the City of Aberdeen's budget for fiscal year 2011.

Requests for Information:

This financial report is designed to provide a general overview of the City of Aberdeen's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Department of Finance, City of Aberdeen, 60 North Parke Street, Aberdeen, MD 21001 or by telephone at (410) 275-1600.

City Of Aberdeen, Maryland

Statement Of Net Assets

June 30, 2010

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash	\$ 3,570,904	\$ 1,910,305	\$ 5,481,209
Receivables, current	1,527,253	672,446	2,199,699
Notes receivable, current	-	253,733	253,733
Prepays	5,334	3,228	8,562
Internal balances	2,147,464	(2,147,464)	-
Inventory	66,539	536,172	602,711
Receivables, noncurrent	33,743	249,552	283,295
Deferred charges	150,634	54,825	205,459
Temporarily restricted assets – cash	-	1,294,426	1,294,426
Capital assets:			
Nondepreciable assets	4,504,986	4,884,397	9,389,383
Depreciable assets, net	14,498,367	27,836,412	42,334,779
Total assets	<u>26,505,224</u>	<u>35,548,032</u>	<u>62,053,256</u>
Liabilities			
Line of credit	719,981	1,000,000	1,719,981
Accounts payable	866,548	803,280	1,669,828
Accrued liabilities	256,469	103,118	359,587
Deferred revenue	252,914	350,000	602,914
Other liabilities	318,691	-	318,691
Noncurrent liabilities:			
Due within one year	873,241	939,429	1,812,670
Due in more than one year	6,971,439	9,052,804	16,024,243
Total liabilities	<u>10,259,283</u>	<u>12,248,631</u>	<u>22,507,914</u>
Net Assets			
Invested in capital assets, net of related debt	13,244,196	24,466,036	37,710,232
Restricted for:			
Stormwater management	160,243	-	160,243
Blockgrant loans	291,425	-	291,425
Unrestricted	2,550,077	(1,166,635)	1,383,442
Total net assets	<u>\$ 16,245,941</u>	<u>\$ 23,299,401</u>	<u>\$ 39,545,342</u>

See Notes To Basic Financial Statements.

City Of Aberdeen, Maryland

Statement Of Activities
Year Ended June 30, 2010

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue And Changes In Net Assets		
		Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	Governmental Activities	Business- Type Activities	Total
Governmental activities:							
General government	\$ 2,777,534	\$ 453,230	\$ 102,185	\$ 817,692	\$ (1,404,427)	\$ -	\$ (1,404,427)
Public safety	5,889,590	7,516	984,233	44,819	(4,853,022)	-	(4,853,022)
Public works	4,270,376	1,788,128	89,890	9,061	(2,383,297)	-	(2,383,297)
Parks and recreation	148,666	-	-	70,654	(78,012)	-	(78,012)
Interest on long-term debt	323,712	-	-	-	(323,712)	-	(323,712)
Total governmental activities	13,409,878	2,248,874	1,176,308	942,226	(9,042,470)	-	(9,042,470)
Business-type activities:							
Water	1,780,578	2,073,874	-	202,374	-	495,670	495,670
Sewer	3,157,487	2,639,041	-	398,814	-	(119,632)	(119,632)
Stadium	621,708	36,476	-	-	-	(585,232)	(585,232)
Total business-type activities	5,559,773	4,749,391	-	601,188	-	(209,194)	(209,194)
Total primary government	\$ 18,969,651	\$ 6,998,265	\$ 1,176,308	\$ 1,543,414	(9,042,470)	(209,194)	(9,251,664)
General revenues:							
Property tax					9,090,293	-	9,090,293
Other local taxes					171,859	-	171,859
State shared taxes, unrestricted					1,120,426	228,370	1,348,796
Investment earnings					6,316	4,953	11,269
Gain on disposal of capital assets					-	11,852	11,852
Transfers					(535,102)	535,102	-
Total general revenues and transfers					9,853,792	780,277	10,634,069
Change in net assets					811,322	571,083	1,382,405
Net assets:							
Beginning					15,434,619	22,728,318	38,162,937
Ending					\$ 16,245,941	\$ 23,299,401	\$ 39,545,342

See Notes To Basic Financial Statements.

City Of Aberdeen, Maryland

Balance Sheet – Governmental Funds
June 30, 2010

	General Fund	Special Revenue	Capital Projects Fund	Total Governmental Funds
Assets				
Cash	\$ 2,854,844	\$ 433,173	\$ 282,887	\$ 3,570,904
Receivables (net of allowance for uncollectibles)	978,105	174,288	408,603	1,560,996
Due from other funds	2,388,109	-	328,027	2,716,136
Prepays	5,334	-	-	5,334
Inventory	66,539	-	-	66,539
Total assets	\$ 6,292,931	\$ 607,461	\$ 1,019,517	\$ 7,919,909
Liabilities				
Line of credit	\$ 719,981	\$ -	\$ -	\$ 719,981
Accounts payable	372,035	10,090	484,423	866,548
Due to other funds	333,090	40,068	195,514	568,672
Accrued liabilities	256,469	-	-	256,469
Deferred revenue	627,884	3,900	33,909	665,693
Other liabilities	318,691	-	-	318,691
Total liabilities	2,628,150	54,058	713,846	3,396,054
Fund Balances				
Reserved for:				
Receivables	7,079	26,664	-	33,743
Stormwater management	-	-	160,243	160,243
Blockgrant loans	-	291,425	-	291,425
Prepays	5,334	-	-	5,334
Inventory	66,539	-	-	66,539
Unreserved	3,585,829	235,314	145,428	3,966,571
Total fund balances	3,664,781	553,403	305,671	4,523,855
Total liabilities and fund balances	\$ 6,292,931	\$ 607,461	\$ 1,019,517	\$ 7,919,909

See Notes To Basic Financial Statements.

City Of Aberdeen, Maryland

Reconciliation Of The Governmental Funds Balance Sheet
To The Statement Of Net Assets
June 30, 2010

Total fund balances – governmental funds	\$ 4,523,855
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Amounts reported for governmental activities in the statement of net assets are different because:

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

Cost of capital assets	35,315,282	
Accumulated depreciation	<u>(16,311,929)</u>	19,003,353

Bond issuance costs expensed by the funds at the time of issuance but deferred and amortized in the governmental statement of activities.	150,634
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Long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	412,779
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

General obligation bonds payable	(4,969,200)	
Notes payable	(796,970)	
Financing agreement	(143,621)	
Net pension obligation	(120,877)	
Net OPEB obligation	(732,315)	
Compensated absences	<u>(1,081,697)</u>	<u>(7,844,680)</u>

Net assets of governmental activities	<u><u>\$ 16,245,941</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, 2010

	General Fund	Special Revenue	Capital Projects Fund	Total Governmental Funds
Revenues:				
Taxes	\$ 10,443,370	\$ -	\$ -	\$ 10,443,370
Licenses and permits	170,944	-	-	170,944
Intergovernmental	1,023,398	43,983	905,162	1,972,543
APG management fees	1,669,750	-	-	1,669,750
Miscellaneous	428,553	4,770	210	433,533
Total revenues	13,736,015	48,753	905,372	14,690,140
Expenditures:				
Current:				
General government	1,544,782	71,017	381,448	1,997,247
Public safety	3,836,626	-	193,963	4,030,589
Public works	3,575,483	-	429,060	4,004,543
Parks and recreation	54,715	-	70,654	125,369
Miscellaneous	2,552,305	-	-	2,552,305
Debt service:				
Principal	353,622	36,000	-	389,622
Interest	314,607	-	-	314,607
Total expenditures	12,232,140	107,017	1,075,125	13,414,282
Excess (deficiency) of revenue over (under) expenditures	1,503,875	(58,264)	(169,753)	1,275,858
Other financing sources (uses):				
Transfers in (out)	(724,102)	-	189,000	(535,102)
Proceeds from long-term borrowings	77,291	-	-	77,291
Total other financing sources (uses)	(646,811)	-	189,000	(457,811)
Net change in fund balances	857,064	(58,264)	19,247	818,047
Fund balance:				
Beginning	2,807,717	611,667	286,424	3,705,808
Ending	\$ 3,664,781	\$ 553,403	\$ 305,671	\$ 4,523,855

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, 2010

Total net change in fund balances – governmental funds	\$ 818,047
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays of \$1,216,687 exceeded depreciation of \$856,625 in the current period.	360,062
In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for compensated absences are measured by the amount of financial resources used (essentially, the amounts actually paid or expected to be paid). This year, vacation and sick leave used, was less than the amount earned by \$13,358.	(13,358)
The net pension obligation is not an expenditure in the governmental funds until paid, however they are expensed in the statement of activities when incurred. This year, the net pension obligation decreased.	9,498
The OPEB obligation is not an expenditure in the governmental funds until paid, however they are expensed in the statement of activities when incurred. This year, the OPEB obligation increased.	(732,315)
Long-term debt repayments are an expenditure in the governmental funds, but the repayment reduced long-term liabilities in the statement of net assets. This is the amount of long-term repayments for 2010.	389,622
Bond issuance costs related to long-term debt is an expenditure in the general fund, however, this cost increased noncurrent assets in the statement of net assets.	(9,105)
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.	66,162
Some of the capital assets acquired this year were through financing agreements. The amount funded by the agreements is reported in the governmental funds as a source of financing. However, the financing agreements are not revenue in the statement of activities, but rather constitute long-term liabilities in the statement of net assets.	(77,291)
Change in net assets of governmental activities	<u>\$ 811,322</u>

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, 2010

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 10,513,405	\$ 10,513,405	\$ 10,472,811	\$ (40,594)
Licenses and permits	99,500	99,500	170,944	71,444
Intergovernmental	1,222,913	1,234,245	1,023,398	(210,847)
APG management fees	276,692	276,692	490,532	213,840
Miscellaneous	299,480	318,057	428,553	110,496
Total revenues	12,411,990	12,441,899	12,586,238	144,339
Expenditures:				
Current:				
General government	1,689,362	1,689,362	1,544,782	144,580
Public safety	4,019,295	4,044,804	3,836,626	208,178
Public works	2,350,506	2,521,826	2,396,265	125,561
Parks and recreation	46,500	56,500	54,715	1,785
Miscellaneous	2,705,542	2,695,542	2,514,360	181,182
Debt service:				
Principal	449,820	449,820	453,622	(3,802)
Interest	317,722	320,222	316,336	3,886
Total expenditures	11,578,747	11,778,076	11,116,706	661,370
Other financing sources (uses):				
Proceeds from long-term borrowings	-	77,291	77,291	-
Appropriation of fund balance	-	92,129	-	(92,129)
Transfers out	(833,243)	(833,243)	(724,102)	109,141
Total other financing sources (uses)	(833,243)	(663,823)	(646,811)	17,012
Net change in fund balance – budgetary basis	\$ -	\$ -	822,721	\$ 822,721
Adjustments to conform with generally accepted accounting principles (GAAP)			34,343	
Net change in fund balance - GAAP basis			857,064	
Fund balance:				
Beginning			2,807,717	
Ending			\$ 3,664,781	

See Notes To Basic Financial Statements.

City Of Aberdeen, Maryland

Statement Of Net Assets – Proprietary Funds
June 30, 2010

	Business-Type Activities – Enterprise Funds			
	Water	Sewer	Stadium	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 798,919	\$ 877,138	\$ 234,248	\$ 1,910,305
Receivables, current	265,639	400,997	5,810	672,446
Notes receivable, current	-	-	253,733	253,733
Prepays	-	-	3,228	3,228
Due from other funds	333,090	89,524	50,000	472,614
Inventory	172,327	363,845	-	536,172
	<u>1,569,975</u>	<u>1,731,504</u>	<u>547,019</u>	<u>3,848,498</u>
Noncurrent assets:				
Temporarily restricted assets – cash	1,294,426	-	-	1,294,426
Receivables, noncurrent	-	249,552	-	249,552
Bond issue costs	54,825	-	-	54,825
Capital assets, net	6,450,182	13,058,012	13,212,615	32,720,809
	<u>7,799,433</u>	<u>13,307,564</u>	<u>13,212,615</u>	<u>34,319,612</u>
Total assets	<u>9,369,408</u>	<u>15,039,068</u>	<u>13,759,634</u>	<u>38,168,110</u>
Liabilities				
Current liabilities:				
Line of credit	1,000,000	-	-	1,000,000
Accounts payable	212,365	586,187	4,728	803,280
Due to other funds	179,452	2,280,278	160,348	2,620,078
Accrued liabilities	31,083	24,064	47,971	103,118
Deferred revenue	350,000	-	-	350,000
Notes payable	206,615	80,179	36,313	323,107
Bonds payable	117,000	-	380,000	497,000
Compensated absences	15,159	104,163	-	119,322
	<u>2,111,674</u>	<u>3,074,871</u>	<u>629,360</u>	<u>5,815,905</u>
Noncurrent liabilities:				
Notes payable	611,337	359,140	39,340	1,009,817
Bonds payable	2,642,500	-	5,131,600	7,774,100
Compensated absences	20,375	136,529	-	156,904
Net OPEB obligation	10,669	101,314	-	111,983
	<u>3,284,881</u>	<u>596,983</u>	<u>5,170,940</u>	<u>9,052,804</u>
Total liabilities	<u>5,396,555</u>	<u>3,671,854</u>	<u>5,800,300</u>	<u>14,868,709</u>
Net Assets				
Invested in capital assets, net of related debt	4,221,981	12,618,693	7,625,362	24,466,036
Unrestricted (deficit)	(249,128)	(1,251,479)	333,972	(1,166,635)
Total net assets	<u>\$ 3,972,853</u>	<u>\$ 11,367,214</u>	<u>\$ 7,959,334</u>	<u>\$ 23,299,401</u>

See Notes To Basic Financial Statements.

City Of Aberdeen, Maryland

Statement Of Revenues, Expenses, And Changes In
Fund Net Assets – Proprietary Funds
Year Ended June 30, 2010

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Stadium	Total
Operating revenues:				
Charges for services	\$ 1,889,210	\$ 2,607,270	\$ 228,370	\$ 4,724,850
Other operating revenues	156,822	31,551	36,476	224,849
Miscellaneous	27,842	220	-	28,062
	<u>2,073,874</u>	<u>2,639,041</u>	<u>264,846</u>	<u>4,977,761</u>
Operating expenses:				
Cost of service	1,218,497	2,406,490	-	3,624,987
Other operating expenses	207,758	247,091	43,594	498,443
Depreciation	218,429	481,948	273,515	973,892
	<u>1,644,684</u>	<u>3,135,529</u>	<u>317,109</u>	<u>5,097,322</u>
Operating income (loss)	<u>429,190</u>	<u>(496,488)</u>	<u>(52,263)</u>	<u>(119,561)</u>
Non-operating revenues (expenses):				
Investment interest	2,055	1,574	1,324	4,953
Bond cost amortization	(3,225)	-	-	(3,225)
Capital demand charges	119,094	-	-	119,094
Capital connection fees	83,280	81,000	-	164,280
Other fees	-	17,649	-	17,649
Gain on disposal of capital assets	-	11,852	-	11,852
Interest expense	(132,669)	(21,958)	(304,599)	(459,226)
	<u>68,535</u>	<u>90,117</u>	<u>(303,275)</u>	<u>(144,623)</u>
Income (loss) before transfers and contributions	<u>497,725</u>	<u>(406,371)</u>	<u>(355,538)</u>	<u>(264,184)</u>
Transfers in	-	121,000	414,102	535,102
Capital contributions	-	300,165	-	300,165
Change in net assets	<u>497,725</u>	<u>14,794</u>	<u>58,564</u>	<u>571,083</u>
Net assets:				
Beginning	3,475,128	11,352,420	7,900,770	22,728,318
Ending	<u>\$ 3,972,853</u>	<u>\$ 11,367,214</u>	<u>\$ 7,959,334</u>	<u>\$ 23,299,401</u>

See Notes To Basic Financial Statements.

City Of Aberdeen, Maryland

Statement Of Cash Flows – Proprietary Funds
Year Ended June 30, 2010

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Stadium	Total
Cash Flows From Operating Activities				
Receipts from customers	\$ 2,444,885	\$ 2,681,229	\$ 264,020	\$ 5,390,134
Payments to employees	(505,001)	(955,259)	-	(1,460,260)
Payments to suppliers	(1,446,706)	(1,733,133)	(42,094)	(3,221,933)
Net cash provided by (used in) operating activities	493,178	(7,163)	221,926	707,941
Cash Flows From Non-Capital Financing Activities				
Internal activity - payments from (to) other funds	(341,777)	310,311	73,351	41,885
Net transfers in	-	121,000	414,102	535,102
Net cash provided by (used in) non-capital financing activities	(341,777)	431,311	487,453	576,987
Cash Flows From Capital And Related Financing Activities				
Principal payments on notes payable	(196,492)	(78,068)	(36,313)	(310,873)
Principal payments on bonds payable	(112,500)	-	(361,700)	(474,200)
Proceeds from line of credit	1,000,000	-	-	1,000,000
Interest paid	(133,811)	(35,689)	(307,303)	(476,803)
Capital assessment charges	-	17,649	-	17,649
Capital demand charge	119,094	-	-	119,094
Capital connection fees	83,280	81,000	-	164,280
Proceeds from disposal of capital assets	12,481	11,223	-	23,704
Capital grants	-	896,117	-	896,117
Purchase of capital assets	(2,049,573)	(1,211,920)	-	(3,261,493)
Net cash used in capital and related financing activities	(1,277,521)	(319,688)	(705,316)	(2,302,525)
Cash Flows From Investing Activities				
Investment earnings	2,055	1,574	1,324	4,953
Principal collections on notes receivable	-	-	87,683	87,683
Interest collections increasing deferred profit on notes receivable	-	-	71,595	71,595
Net cash provided by investing activities	2,055	1,574	160,602	164,231
Net increase (decrease) in cash and cash equivalents	(1,124,065)	106,034	164,665	(853,366)
Cash And Cash Equivalents:				
Beginning of year (as restated, Note 1 G)	3,217,410	771,104	69,583	4,058,097
End of year	\$ 2,093,345	\$ 877,138	\$ 234,248	\$ 3,204,731
Reconciliation of Operating Income (Loss) To Net Cash Provided By (Used In) Operating Activities				
Operating income (loss)	\$ 429,190	\$ (496,488)	\$ (52,263)	\$ (119,561)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	218,429	481,948	273,515	973,892
Changes in assets and liabilities:				
Accounts receivable	21,011	42,188	(826)	62,373
Prepays	-	-	(3,228)	(3,228)
Inventory	(41,706)	(14,517)	-	(56,223)
Accounts payable	(497,646)	(67,876)	4,728	(560,794)
Accrued expenses	1,263	(58,465)	-	(57,202)
Deferred revenue	350,000	-	-	350,000
Compensated absences	1,968	4,733	-	6,701
OPEB liabilities	10,669	101,314	-	111,983
Net cash provided by (used in) operating activities	\$ 493,178	\$ (7,163)	\$ 221,926	\$ 707,941

See Notes To Basic Financial Statements.

City Of Aberdeen, Maryland

Statement Of Fiduciary Net Assets – Pension Trust Funds
June 30, 2010

Assets	
Cash	\$ 11,486
Participant loans	223,863
	<u>235,349</u>
Investments in mutual funds, at fair-value:	
Equities	5,982,116
Fixed income	259,003
Bonds	3,323,888
	<u>9,565,007</u>
Total assets	<u>\$ 9,800,356</u>
Net Assets	
Held in trust for pension benefits	<u>\$ 9,800,356</u>

See Notes To Basic Financial Statements.

City Of Aberdeen, Maryland

Statement Of Changes In Fiduciary Net Assets – Pension Trust Funds
Year Ended June 30, 2010

Additions	
Contributions:	
Employer contributions	\$ 765,639
Employee contributions	<u>269,567</u>
Total contributions	1,035,206
Investment losses:	
Investment income and net depreciation	<u>864,651</u>
Total additions	<u>1,899,857</u>
Deductions	
Benefit payments	356,478
Administrative expenses	<u>43,003</u>
Total deductions	<u>399,481</u>
Change in net assets	1,500,376
Net assets:	
Beginning	<u>8,299,980</u>
Ending	<u>\$ 9,800,356</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, (City), located in Harford County, was incorporated in 1892 under the provisions of Maryland State Law. The City operates under a form of government which comprises an elected City Council (4 members) and an elected Mayor and provides such services as authorized by its Charter.

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

A. Reporting Entity

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

B. Government-wide and Fund Financial Statements

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

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

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

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

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, fund balance/net assets, revenues, and expenditures or expenses, as appropriate. The City has the following funds:

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

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

Proprietary Fund Types: Proprietary fund types are used to account for a government's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon income determination, financial position, and cash flows. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

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

Fiduciary Fund Types:

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

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

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

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

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

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

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

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

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 forty days before the beginning of the fiscal year. The operating budget includes proposed expenditures, the means of financing them, and the use of the federal and/or state grants.
2. Prior to June 30th the budget is passed by vote of the Mayor and City Council. Formal budgetary integration is employed as a management control device during the year for the general fund. Budgets are adopted according to procedures set by the Mayor and City Council of Aberdeen.
3. Monthly statements are provided by the Director of Finance and budget review is executed by the Mayor and City Council periodically. The City Council legally adopts an annual budget for the general fund and the capital projects fund. The City has no legally adopted annual budget for the water, sewer, and stadium enterprise funds. However, a budget is used as a management tool for these funds.

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

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

City Of Aberdeen, Maryland

Notes To Basic Financial Statements

Note 1. Summary Of Significant Accounting Policies (Continued)

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

General Fund	Revenues	Expenditures And Encumbrances	Other Financing Sources (Uses)	Current Year Effect On Fund Balance
Budgetary basis:	\$ 12,586,238	\$ 11,116,706	\$ (646,811)	\$ 822,721
Reimbursable salaries under APG contract	1,179,218	1,179,218	-	-
Principal received on special assessments receivable	(29,441)	-	-	(29,441)
Increase in allowance for uncollectible receivables	-	38,087	-	(38,087)
Repayments on line of credit	-	(100,000)	-	100,000
Increase in prepaid expenditures	-	(142)	-	142
Decrease in accrued interest payable	-	(1,729)	-	1,729
GAAP basis	<u>\$ 13,736,015</u>	<u>\$ 12,232,140</u>	<u>\$ (646,811)</u>	<u>\$ 857,064</u>

G. Cash, Cash Equivalents and Investments

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

Excess funds are also permitted to be invested in either bonds or other obligations for the payment of principal and interest of which the faith and credit of the United States of America are pledged, or in obligations of Federal government agencies issued pursuant to acts of Congress, or in the local government investment pool created by the State of Maryland. The Pension Trust Funds are also authorized to invest in corporate bonds and notes, preferred stocks and common stocks. Investments are reported at fair value. Net assets for benefits used to calculate the unfunded pension benefit obligation in the Pension Trust Funds are also reported at fair value.

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

During the year ended June 30, 2010, the City changed its policy for cash and cash equivalents to include temporarily restricted cash. As a result, on the statement of cash flows the beginning Water Fund cash and cash equivalents was restated from \$1,081,071 to \$3,217,410, to include temporarily restricted cash of \$2,136,339.

Notes To Basic Financial Statements

Note 1. Summary Of Significant Accounting Policies (Continued)

H. Receivables

Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history, and current economic conditions. As of June 30, 2010, management has provided an allowance for uncollectible delinquent personnel property taxes in the amount of \$170,152. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

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

I. Notes Receivable

Notes receivable recorded in the Stadium Fund represent a land contract and ground leases for four land lots. Collectively, these transactions are being accounted for in accordance with Financial Accounting Standards Board Statement (FASB) No. 66, *Accounting for Sales of Real Estate*. As such, since the City's receivables are subject to future subordination, the profit on Lots 3, 5, and 6 are being recognized under the cost recovery method. Under the cost recovery method, no profit is recognized until cash payments by Ripken Baseball and affiliated entities, including principal and interest, exceed the City's cost of the property. Gross profit not yet recognized is offset against the related receivable on the balance sheet. Principal collections reduce the related receivable, and interest collections on such receivables increase the unrecognized gross profit on the balance sheet.

J. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2010, 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 expendable supplies, and equipment used in the operation of the municipal water system and sewer system. Inventory in the general fund is recorded under the consumption method, an expenditure when used, and is equally offset by a fund balance reserve in the fund financial statements which indicates that inventory does not constitute "available spendable resources" even though it is a component of net current assets.

L. Capital Assets

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

City Of Aberdeen, Maryland

Notes To Basic Financial Statements

Note 1. Summary Of Significant Accounting Policies (Continued)

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

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

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

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

M. Inter-fund Transactions

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

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

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

N. Bond Premiums and Issuance Costs

In the government-wide financial statements and proprietary fund statements, bond premiums and issuance costs are deferred and amortized over the term of the bonds using the bond-outstanding method which approximates the effective interest method. In the governmental fund statements, bond premiums and issuance costs are recognized as expense immediately. At June 30, 2010, bond issue costs amounted to \$150,634 in the government-wide financial statements and \$54,825 in the proprietary fund statements. During the year ended June 30, 2010, amortized expense of \$9,855 and \$3,225 was recorded in the governmental activities financial statements and the proprietary fund statements, respectively. Additional bond issue costs of \$750 were capitalized in the governmental activities financial statements during the year ended June 30, 2010.

Notes To Basic Financial Statements

Note 1. Summary Of Significant Accounting Policies (Continued)

O. Compensated Absences

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

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

P. Fund Balance

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

Q. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets invested in capital assets, net of related debt excludes unspent debt proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted resources are used first to fund appropriation.

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

R. Deferred Compensation Plan

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

Note 2. Cash And Investments

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

Notes To Basic Financial Statements

Note 2. Cash And Investments (Continued)

Fair value fluctuates with interest rates, and increasing interest rates could cause fair value to decline below the original cost. To limit the City's exposure to fair value losses arising from increasing interest rates, the City's investment policy limits the term of investment maturities. City management believes the liquidity in the portfolio is adequate to meet cash flow requirements and to preclude the City from having to sell investments below original costs for that purpose. The investments at June 30, 2010 met the City's investment policy.

Custodial credit risk is the risk that, in the event of failure of the counterparty, the City will not be able to recover all or a portion of the value of its deposits, investments or collateral securities that are in the possession of an outside party. The City's investment custodial risk policy requires all investments to be insured or registered, or for which the securities are held by the City or its agent in the City's name. At June 30, 2010, the City's cash and investments were not exposed to custodial credit risk.

Defined Benefit and Defined Contribution Plan investments include separate and guaranteed accounts held by Principal Financial Group and ICMA-RA Services, both agents of the Plans. Plan investments include various types of mutual funds which are not rated. Such investments are exposed to various risks such as market and credit. Due to the level of risk associated with such investments, and the level of uncertainty related to change in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements. Dividends earned and realized and unrealized gains and losses attributable to the mutual funds are included in investment income. Plan investments are reported at fair value.

Note 3. Notes Receivable

In September 2006, the City entered into a land contract with Ripken Baseball Academy, LLC (Ripken Baseball) whereby the City will sell to Ripken Baseball Lot 3 and the McDonald property within the stadium complex. This contract supersedes two ground leases previously entered into by the City and Ripken Baseball, but leaves the repayment terms of the original leases unchanged. Under the contract, Ripken Baseball received credit for all payments made under the respective ground leases and made the effective date of the contract that of which the ground leases were entered into. Ripken Baseball exercised an option to reduce payments on Lot 3 by real estate taxes paid on the property annually. The City estimates total future real estate taxes to reduce future principal payment of approximately \$264,000.

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, 2010, is as follows:

	Notes Receivable	Less Deferred Profit	Notes Receivable, Net
Lot 3; original receivable amount \$1,507,118 and deferred profit of \$(522,020) amortized over 20 years plus interest ranging from 4.77% to 6.81%; combined monthly installments of principal and interest of \$10,977; due May 2023	\$ 1,211,421	\$ (1,056,373)	\$ 155,048
McDonald Lot; original receivable amount \$326,820; monthly principal installments of \$3,206 plus interest at the bank's prime rate due July 2012	84,731	-	84,731
Lot 6; original receivable amount \$393,996 and deferred profit of \$(136,104) amortized over 20 years plus interest ranging from 4.77% to 6.81%; combined monthly installments of principal and interest of \$2,870; due March 2023	305,206	(291,252)	13,954
	<u>\$ 1,601,358</u>	<u>\$ (1,347,625)</u>	<u>\$ 253,733</u>

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

Years Ending June 30,	
2011	\$ 169,203
2012	118,063
2013	86,939
2014	92,465
2015	98,349
Thereafter	1,036,339
	<u>\$ 1,601,358</u>

Note 4. Receivables And Payables

Receivables at June 30, 2010, consist of the following:

	General Fund	Special Revenue	Capital Projects	Water	Sewer	Stadium	Total
Receivables:							
Taxes	\$ 270,254	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 270,254
Intergovernmental	718,703	32,222	408,603	-	14,215	5,810	1,179,553
Charges for services	-	-	-	265,639	379,366	-	645,005
Assessments/improvements	8,718	142,066	-	-	256,968	-	407,752
Other	150,582	-	-	-	-	-	150,582
Gross receivables	1,148,257	174,288	408,603	265,639	650,549	5,810	2,653,146
Allowance for uncollectibles	(170,152)	-	-	-	-	-	(170,152)
Net receivables	<u>\$ 978,105</u>	<u>\$ 174,288</u>	<u>\$ 408,603</u>	<u>\$ 265,639</u>	<u>\$ 650,549</u>	<u>\$ 5,810</u>	<u>\$ 2,482,994</u>

City Of Aberdeen, Maryland

Notes To Basic Financial Statements

Note 4. Receivables And Payables (Continued)

Payables at June 30, 2010, consist of the following:

	General Fund	Water	Sewer	Stadium	Total
Accrued liabilities:					
Interest	\$ 44,311	\$ 19,555	\$ -	\$ 47,971	\$ 111,837
Payroll	212,158	11,528	24,064	-	247,750
	<u>\$ 256,469</u>	<u>\$ 31,083</u>	<u>\$ 24,064</u>	<u>\$ 47,971</u>	<u>\$ 359,587</u>
Other liabilities:					
Payroll withholdings	\$ 7,832	\$ -	\$ -	\$ -	\$ 7,832
Performance bonds	149,801	-	-	-	149,801
Seized property	160,458	-	-	-	160,458
Other	400	-	-	-	400
	<u>\$ 318,491</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 318,491</u>

Note 5. Interfund Receivables, Payables And Transfers

Interfund receivable and payable balances at June 30, 2010, are as follows:

	Due To Fund						
Due From Fund	General Fund	Special Revenue	Capital Projects	Water	Sewer	Stadium	Total
General	\$ -	\$ 39,984	\$ 195,514	\$ -	\$ 1,992,263	\$ 160,348	\$ 2,388,109
Capital Projects	-	84	-	89,928	238,015	-	328,027
Water	333,090	-	-	-	-	-	333,090
Sewer	-	-	-	89,524	-	-	89,524
Stadium	-	-	-	-	50,000	-	50,000
	<u>\$ 333,090</u>	<u>\$ 40,068</u>	<u>\$ 195,514</u>	<u>\$ 179,452</u>	<u>\$ 2,280,278</u>	<u>\$ 160,348</u>	<u>\$ 3,188,750</u>

Interfund transfers for the year ended June 30, 2010, consisted of transfers from the General Fund to the Capital Projects Fund in the amount of \$189,000, for capital projects, from the General Fund to the Sewer fund in the amount of \$121,000 to establish a reserve fund related to loan repayment, and from the General Fund to the Stadium Fund in the amount of \$414,102 for debt service.

City Of Aberdeen, Maryland

Notes To Basic Financial Statements

Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2010, is as follows:

	Balance, July 1, 2009	Additions	Deletions	Transfers	Balance, June 30, 2010
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 4,471,113	\$ -	\$ -	\$ -	\$ 4,471,113
Construction in process	20,893	33,873	-	(20,893)	33,873
	<u>4,492,006</u>	<u>33,873</u>	<u>-</u>	<u>(20,893)</u>	<u>4,504,986</u>
Capital assets being depreciated:					
Buildings	10,728,670	71,751	-	-	10,800,421
Improvements other than buildings	30,000	-	-	-	30,000
Machinery and equipment, including equipment under financing agreement	3,911,940	442,462	(13,000)	20,893	4,362,295
Vehicles	1,919,037	153,850	(21,857)	-	2,051,030
Recreational facilities	400,352	70,654	-	-	471,006
Infrastructure	12,651,447	444,097	-	-	13,095,544
	<u>29,641,446</u>	<u>1,182,814</u>	<u>(34,857)</u>	<u>20,893</u>	<u>30,810,296</u>
Accumulated depreciation for:					
Buildings	(5,278,889)	(163,504)	-	-	(5,442,393)
Improvements other than buildings	(15,000)	(3,000)	-	-	(18,000)
Machinery and equipment, including equipment under financing agreement	(3,131,629)	(176,064)	13,000	-	(3,294,693)
Vehicles	(1,166,625)	(236,992)	21,857	-	(1,381,760)
Recreational facilities	(260,527)	(23,296)	-	-	(283,823)
Infrastructure	(5,637,491)	(253,769)	-	-	(5,891,260)
	<u>(15,490,161)</u>	<u>(856,625)</u>	<u>34,857</u>	<u>-</u>	<u>(16,311,929)</u>
Total depreciable assets, net	<u>14,151,285</u>	<u>326,189</u>	<u>-</u>	<u>20,893</u>	<u>14,498,367</u>
Governmental activities capital assets, net	<u>\$ 18,643,291</u>	<u>\$ 360,062</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,003,353</u>

City Of Aberdeen, Maryland

Notes To Basic Financial Statements

Note 6. Capital Assets (Continued)

	Balance, July 1, 2009	Additions	Deletions	Transfers	Balance, June 30, 2010
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 1,903,993	\$ -	\$ -	\$ -	\$ 1,903,993
Construction in process	1,206,002	1,958,581	(9,419)	(174,760)	2,980,404
	<u>3,109,995</u>	<u>1,958,581</u>	<u>(9,419)</u>	<u>(174,760)</u>	<u>4,884,397</u>
Capital assets being depreciated:					
Buildings	24,007,026	-	-	-	24,007,026
Improvements other than buildings	31,097	-	-	-	31,097
Machinery and equipment	10,009,679	249,844	(255,999)	-	10,003,524
Water systems	7,544,534	747,312	-	174,760	8,466,606
Sewer system	6,718,579	305,756	-	-	7,024,335
	<u>48,310,915</u>	<u>1,302,912</u>	<u>(255,999)</u>	<u>174,760</u>	<u>49,532,588</u>
Accumulated depreciation for:					
Buildings	(7,377,750)	(480,521)	-	-	(7,858,271)
Improvements other than buildings	(5,052)	(1,943)	-	-	(6,995)
Machinery and equipment	(8,411,779)	(199,486)	253,566	-	(8,357,699)
Water systems	(3,634,969)	(142,062)	-	-	(3,777,031)
Sewer system	(1,546,300)	(149,880)	-	-	(1,696,180)
	<u>(20,975,850)</u>	<u>(973,892)</u>	<u>253,566</u>	<u>-</u>	<u>(21,696,176)</u>
Total depreciable assets, net	<u>27,335,065</u>	<u>329,020</u>	<u>(2,433)</u>	<u>174,760</u>	<u>27,836,412</u>
Business-type activities capital assets, net	<u>\$ 30,445,060</u>	<u>\$ 2,287,601</u>	<u>\$ (11,852)</u>	<u>\$ -</u>	<u>\$ 32,720,809</u>

During the year ended June 30, 2010, the City incurred interest costs in the amount of \$24,952 which were capitalized on projects in the business-type activities above.

Depreciation expense was charged in the statement of activities for the year ended June 30, 2010, as follows:

Governmental activities:	
General government	\$ 424,503
Public safety	212,908
Public works	195,917
Recreation	23,297
	<u>\$ 856,625</u>
Business-type activities:	
Water	\$ 218,429
Sewer	481,948
Stadium	273,515
	<u>\$ 973,892</u>

City Of Aberdeen, Maryland

Notes To Basic Financial Statements

Note 7. Long-Term Liabilities

Long-term liability activity as of and for the year ended June 30, 2010, is as follows:

	Balance, July 1, 2009	Additions	Deductions	Balance, June 30, 2010	Amounts Due Within One Year
Governmental activities:					
General obligation bonds payable	\$ 5,175,700	\$ -	\$ (206,500)	\$ 4,969,200	\$ 211,600
Notes payable	911,010	-	(114,040)	796,970	86,088
Financing agreement	135,412	77,291	(69,082)	143,621	107,232
Compensated absences	1,068,339	100,365	(87,007)	1,081,697	468,321
Net pension obligation	130,375	-	(9,498)	120,877	-
Net OPEB obligation	-	732,315	-	732,315	-
	<u>\$ 7,420,836</u>	<u>\$ 909,971</u>	<u>\$ (486,127)</u>	<u>\$ 7,844,680</u>	<u>\$ 873,241</u>
Business-type activities:					
General obligation bonds payable	\$ 8,745,300	\$ -	\$ (474,200)	\$ 8,271,100	\$ 497,000
Notes payable	1,643,797	-	(310,873)	1,332,924	323,107
Compensated absences	269,525	18,846	(12,145)	276,226	119,322
Net OPEB obligation	-	111,983	-	111,983	-
	<u>\$ 10,658,622</u>	<u>\$ 130,829</u>	<u>\$ (797,218)</u>	<u>\$ 9,992,233</u>	<u>\$ 939,429</u>

General obligation bonds payable relating to governmental activities at June 30, 2010, consist of the following:

Series A Infrastructure Bonds of 2000; authorized amount \$3,700,000; interest at rates ranging from 5.125% to 5.875%; payable in annual payments of principal ranging from \$44,600 to \$250,000 and semiannual payments of interest through May 2030	\$ 2,975,900
Series A Infrastructure Bonds of 2002; authorized amount \$2,091,200; interest at rates ranging from 2.25% to 4.375%; payable in annual payments of principal ranging from \$38,900 to \$156,500 and semiannual payments of interest through May 2022	1,463,300
Series B Infrastructure Bonds of 2004; authorized amount \$679,800; interest at rates ranging from 3.0% to 4.2%; payable in annual payments of principal ranging from \$10,500 to \$50,000 and semiannual payments of interest through May 2024	530,000
	<u>\$ 4,969,200</u>

City Of Aberdeen, Maryland

Notes To Basic Financial Statements

Note 7. Long-Term Liabilities (Continued)

A schedule of maturities of the general obligation bonds payable relating to governmental activities as of June 30, 2010, is as follows:

Years Ending June 30,	Principal	Interest	Totals
2011	\$ 211,600	\$ 246,807	\$ 458,407
2012	214,300	238,449	452,749
2013	226,700	229,765	456,465
2014	237,200	220,515	457,715
2015	245,200	210,415	455,615
2016-2020	1,426,200	873,399	2,299,599
2021-2025	1,298,000	512,082	1,810,082
2026-2030	1,110,000	203,569	1,313,569
	<u>\$ 4,969,200</u>	<u>\$ 2,735,001</u>	<u>\$ 7,704,201</u>

Notes payable relating to governmental activities at June 30, 2010, consists of the following:

Liquidation liability, Harford County Liquor Control Board; original amount \$20,920; annual principal and interest payments of \$1,529, interest at 7.0%, maturing June 2020	\$ 11,686
Loan payable, Department of Housing and Community Development, non-interest bearing; payments of \$36,000, beginning December 2007 through December 2012	35,284
Bank term loan, issued in amount of \$1,000,000; currently being liquidated in quarterly installments of principal and interest payments of approximately \$76,378, accruing interest at rate of 3.67%; maturing June 2025	750,000
	<u>\$ 796,970</u>

A schedule of maturities of the notes payable relating to governmental activities as of June 30, 2010, is as follows:

Years Ending June 30,	Principal	Interest	Total
2011	\$ 86,088	\$ 27,103	\$ 113,191
2012	50,860	25,212	76,072
2013	50,921	23,316	74,237
2014	50,985	21,417	72,402
2015	51,054	19,513	70,567
2016-2020	256,484	68,826	325,310
2021-2025	250,578	21,788	272,366
	<u>\$ 796,970</u>	<u>\$ 207,175</u>	<u>\$ 1,004,145</u>

City Of Aberdeen, Maryland

Notes To Basic Financial Statements

Note 7. Long-Term Liabilities (Continued)

Financing agreements relating to governmental activities at June 30, 2010, consists of the following:

Bank financing agreement, original amount \$167,202; annual principal and interest payments of \$71,296, interest at 5.1%, maturing June 2011	\$ 69,398
Bank financing agreement, original amount \$77,291; annual principal and interest payments ranging from \$37,311 to \$40,703, interest at 5.03%, maturing June 2012	74,223
	<u>\$ 143,621</u>

A schedule of maturities of the financing agreement relating to governmental activities as of June 30, 2010, is as follows:

Years Ending June 30,	Principal	Interest	Total
2011	\$ 107,232	\$ 4,767	\$ 111,999
2012	36,389	922	37,311
	<u>\$ 143,621</u>	<u>\$ 5,689</u>	<u>\$ 149,310</u>

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

General obligation bonds payable relating to business-type activities at June 30, 2010, consist of the following:

Series B Infrastructure Bonds of 2007; authorized amount \$3,084,500; interest at rates ranging from 3.5% to 4.25%; payable in annual payments of principal ranging from \$105,000 to \$221,000 and semiannual payments of interest through May 2027	\$ 2,759,500
Series A Infrastructure Bonds of 2002; authorized amount \$1,045,700; interest at rates ranging from 2.25% to 4.375%; payable in annual payments of principal ranging from \$19,400 to \$78,500 and semiannual payments of interest through May 2022	729,900
Series B Infrastructure Bonds of 2001; authorized amount \$4,812,700; interest at rates ranging from 4.0% to 5.0%; payable in annual payments of principal ranging from \$184,000 to \$383,500 and semiannual payments of interest through May 2021	3,361,700
Series B Land Purchase Bonds of 2001; authorized amount \$1,930,000; interest at rates ranging from 6.25% to 6.8%; payable in annual payments of principal ranging from \$60,000 to \$175,000 and semiannual payments of interest through May 2021	1,420,000
	<u>\$ 8,271,100</u>

City Of Aberdeen, Maryland

Notes To Basic Financial Statements

Note 7. Long-Term Liabilities (Continued)

A schedule of maturities of the general obligation bonds payable relating to the business-type activities as of June 30, 2010, is as follows:

Years Ending June 30,	Principal	Interest	Total
2011	\$ 497,000	\$ 411,383	\$ 908,383
2012	522,100	391,226	913,326
2013	546,500	369,727	916,227
2014	569,600	346,377	915,977
2015	599,600	295,591	895,191
2016-2020	3,458,100	1,015,615	4,473,715
2021-2025	1,645,200	255,187	1,900,387
2026-2027	433,000	29,416	462,416
	<u>\$ 8,271,100</u>	<u>\$ 3,114,522</u>	<u>\$ 11,385,622</u>

Notes payable relating to business-type activities at June 30, 2010, consists of the following:

Loans payable, Maryland Water Quality Financing Administration, accruing interest at rates ranging from 3.38% to 4.894%; payable in annual principal payments at varying amounts and semiannual payments of interest; due dates through 2018	\$ 439,319
Bank term loans, issued for a combined amount of \$2,884,916, accruing interest at rates ranging from 3.38% to 4.894%; payable monthly, quarterly or semiannually at varying amounts; due dates through 2014	893,605
	<u>\$ 1,332,924</u>

A schedule of maturities of the notes payable relating to the business-type activities as of June 30, 2010, is as follows:

Years Ending June 30,	Principal	Interest	Total
2011	\$ 323,107	\$ 55,654	\$ 378,761
2012	255,211	39,223	294,434
2013	338,621	27,551	366,172
2014	213,676	13,901	227,577
2015	50,534	10,078	60,612
2016-2018	151,775	6,853	158,628
	<u>\$ 1,332,924</u>	<u>\$ 153,260</u>	<u>\$ 1,486,184</u>

During the year ended June 30, 2010, the City obtained a \$640,490 loan from the Maryland Department of the Environment to assist with improvements to the wastewater treatment plant. There were no draws against this loan at June 30, 2010.

Note 8. Line Of Credit

The City entered into a revolving line of credit agreement with a commercial bank for \$2,000,000 with interest adjusted daily to seventy percent of the bank prime rate published in the Wall Street Journal, subject to a 2.8 percent floor. The line of credit is used for operating expenditures and capital purchases. The line is renewed annually. There was \$1,719,981 outstanding on the line of credit at June 30, 2010 with \$719,981 recorded in the General Fund and \$1,000,000 recorded in the Water Fund.

City Of Aberdeen, Maryland

Notes To Basic Financial Statements

Note 9. Retirement Plans

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 plans: Defined Benefit Plan, Defined Contribution Plan and Police Department Pension Plan.

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

Defined Benefit Plan

Plan Description:

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

Plan Membership:

The DB Plan's membership consisted of the following as of July 1, 2009, the date of the last actuarial valuation:

Active employees	1
Retirees and beneficiaries currently receiving benefits	20
Terminated employees entitled to benefits but not yet receiving them	<u>3</u>
Total	<u>24</u>

Contribution Information and Funding Policy:

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

The contribution requirements of the City are established and may be amended by the City legislature. The City is required to contribute at an actuarially determined rate. The actuarially required contribution rate and the amount paid into the DB Plan for the year ended June 30, 2010 was \$114,001. The DB Plan does not provide for a maximum employer contribution. No contributions are required of employees. As of July 1, 2009, the date of the last actuarial valuation, only one plan participant was actively working and that person has reached normal retirement age. Therefore, there is no compensation for members expected to continue earning benefits. Administrative costs are financed through investment earnings.

Valuation of Investments:

The DB Plan's Unallocated Insurance contracts are valued at contract value. Contract value represents contributions made under the contract, plus interest and contract rate, less funds used to purchase annuities or pay administrative expenses charged by Principal Financial Group. Funds under the contract that have been allocated and applied to purchase annuities are excluded from the DB Plan's assets. At June 30, 2010, no investment in any one organization exceeded five percent or more of net assets available for benefits.

City Of Aberdeen, Maryland

Notes To Basic Financial Statements

Note 9. Retirement Plans (Continued)

Annual Pension Cost and Net Pension Obligation:

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

Annual required contribution	\$ 114,001
Interest on net pension obligation	7,829
Adjustment to annual required contribution	(17,728)
Annual pension cost	104,102
Less contributions made	(114,001)
Decrease in net pension obligation	(9,899)
Net pension obligation:	
Beginning	130,477
Ending	\$ 120,578

The annual required contributions for the current year were determined as part of the July 1, 2009 actuarial valuation using the entry age normal cost method. The actuarial assumptions included (a) 6.0% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4.1% and 7.3% per year. Both (a) and (b) included an inflation component of 2.2%. The assumptions did not include postretirement benefit increases, which are funded by City appropriation when granted. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period. The unfunded actuarial accrued liability is amortized as a level dollar of projected payroll on an open basis. The remaining amortization period at June 30, 2009 was 10 years, which is re-established each year.

Three-year trend information:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation
June 30, 2010	\$104,102	106.9%	\$120,578
June 30, 2009	\$106,609	101.2%	\$130,477
June 30, 2008	\$103,453	111.2%	\$141,189

Funding Status and Funding Progress:

As of July 1, 2009, the most recent actuarial valuation date, the plan was 85.67% funded. The actuarial accrued liability for benefits was \$1,878,626, and the actuarial value of assets was \$1,609,339, resulting in an unfunded actuarial liability (UAAL) of \$269,287.

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

City Of Aberdeen, Maryland

Notes To Basic Financial Statements

Note 9. Retirement Plans (Continued)

Defined Contribution Plan

Description of Plan:

The City of Aberdeen Defined Contribution Plan (DC Plan) is a defined contribution pension plan established by the City to provide benefits at retirement to employees of the City who are not participants in the defined pension plan or the police pension plan. At June 30, 2010, there were 109 plan members. DC Plan participants are required to contribute 2% of covered salary. The City is required to contribute 7% of annual covered payroll. DC Plan provisions and contribution requirements are established and may be amended by the Aberdeen City Council. Participants' and the City's actual contributions were \$99,032 and \$346,638, respectively.

Basis of Accounting:

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

Method Used to Value Investments:

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

Police Department Pension Plan

Description of Plan:

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

Plan Membership:

The PD Pension Plan's membership consisted of the following as of July 1, 2009, the date of the last actuarial valuation:

Active employees	40
Retirees and beneficiaries currently receiving benefits	-
Terminated employees entitled to benefits but not yet receiving them	<u>10</u>
Total	<u>50</u>

Contribution Information and Funding Policy:

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

The contribution requirements of the City are established and may be amended by the City legislature. The City is required to contribute at an actuarially determined rate; the current rate is 17.1% 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, 2010 was \$434,789. 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 \$170,535 at June 30, 2010.

City Of Aberdeen, Maryland

Notes To Basic Financial Statements

Note 9. Retirement Plans (Continued)

Annual Pension Cost and Net Pension Obligation:

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

Annual required contribution	\$ 434,789
Interest on net pension obligation	23
Adjustment to annual required contribution	(35)
Prior year over payment	(368)
Annual pension cost	434,409
Less contributions made	(434,789)
Decrease in net pension obligation	(380)
Net pension obligation:	
Beginning	679
Ending	\$ 299

The annual required contributions for the current year was determined as part of the July 1, 2009 actuarial valuation using the entry age normal cost method. The actuarial assumptions included (a) 7.5% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 5.4% and 8.6% per year. Both (a) and (b) included an inflation component of 3.5%. The assumptions did not include postretirement benefit increases, which are funded by City appropriation when granted. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period. The unfunded actuarial accrued liability is amortized as a level dollar of projected payroll on an open basis. The remaining amortization period at June 30, 2009 was 15 years, which is re-established each year.

Three-year trend information:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation
June 30, 2010	\$434,409	100.0%	\$299
June 30, 2009	\$304,605	100.0%	\$679
June 30, 2008	\$289,074	100.0%	\$706

Funding Status and Funding Progress:

As of July 1, 2009, the most recent actuarial valuation date, the plan was 63.2% funded. The actuarial accrued liability for benefits was \$6,119,155, and the actuarial value of assets was \$3,867,470, resulting in an unfunded accrued actuarial liability (UAAL) of \$2,251,685. The covered payroll (annual payroll of active employees covered by the plan) was \$1,782,548, and the ratio of the UAAL to the covered payroll was 126.3%.

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

City Of Aberdeen, Maryland

Notes To Basic Financial Statements

Note 9. Retirement Plans (Continued)

The financial information for each plan as of and for the year ended June 30, 2010, is summarized as follows:

Combining Statement Of Fiduciary Net Assets				
	401k Plan	Police Pension Plan	Defined Benefit Plan	Total
Assets				
Cash and short-term investments	\$ 11,486	\$ -	\$ -	\$ 11,486
Participant loans	223,863	-	-	223,863
	<u>235,349</u>	<u>-</u>	<u>-</u>	<u>235,349</u>
Investments in mutual funds, at fair-value:				
Equities	3,714,093	2,268,023	-	5,982,116
Fixed Income	29,015	229,988	-	259,003
Bonds	107,709	1,583,929	1,632,250	3,323,888
	<u>3,850,817</u>	<u>4,081,940</u>	<u>1,632,250</u>	<u>9,565,007</u>
Total assets	<u>\$ 4,086,166</u>	<u>\$ 4,081,940</u>	<u>\$ 1,632,250</u>	<u>\$ 9,800,356</u>
Net Assets				
Held in trust for pension benefits	<u>\$ 4,086,166</u>	<u>\$ 4,081,940</u>	<u>\$ 1,632,250</u>	<u>\$ 9,800,356</u>
Combining Statement Of Changes In Fiduciary Net Assets				
	401k Plan	Police Pension Plan	Defined Benefit Plan	Total
Additions				
Contributions:				
Employer contributions	\$ 346,638	\$ 305,000	\$ 114,001	\$ 765,639
Employee contributions	99,032	170,535	-	269,567
Total contributions	<u>445,670</u>	<u>475,535</u>	<u>114,001</u>	<u>1,035,206</u>
Investment earnings:				
Investment income & net appreciation	316,869	464,556	83,226	864,651
Total additions	<u>762,539</u>	<u>940,091</u>	<u>197,227</u>	<u>1,899,857</u>
Deductions				
Benefit payments	142,773	53,601	160,104	356,478
Administrative expenses	1,350	27,443	14,210	43,003
Total deductions	<u>144,123</u>	<u>81,044</u>	<u>174,314</u>	<u>399,481</u>
Change in net assets	<u>618,416</u>	<u>859,047</u>	<u>22,913</u>	<u>1,500,376</u>
Net Assets:				
Beginning	3,467,750	3,222,893	1,609,337	8,299,980
Ending	<u>\$ 4,086,166</u>	<u>\$ 4,081,940</u>	<u>\$ 1,632,250</u>	<u>\$ 9,800,356</u>

Notes To Basic Financial Statements

Note 10. Post-Employment Health Care Benefits

The City provides other post employment benefits (OPEB) to employees who qualify as a retiree and meet specific service requirements. Currently 22 retirees and dependents are eligible for health benefits and 16 of those are also eligible for life insurance coverage. The cost of retiree health care and life insurance benefits is recognized as an expenditure when claims are accrued. For fiscal year 2010, those costs totaled \$80,702.

General Plan Description and Provisions:

Healthcare and prescription drug insurance benefits are provided to non-Medicare eligible retirees and their non-Medicare eligible dependents. Healthcare insurance benefits are provided to Medicare eligible retirees and their Medicare eligible dependents. The City also provides life insurance benefits to eligible retirees. The City pays 90% of the premium for the retiree, spouse and covered dependents. All full time active employees who retire or are disabled directly from the City and meet eligible criteria may participate.

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

- a. Retiring employees have coverage in effect when they stop working.
- b. Retire or terminate with an immediate benefit and:
 1. Defined contribution plan members must have at least 20 years of service and be at least age 50 for law enforcement or at least 55 for all others.
 2. Defined benefit plan members must be age 60 or have 25 years of service for law enforcement or at least age 55 for all others.
- c. An employee must have been a permanent active employee.

The City pays 90% of premium, including spousal and dependent coverage for participants in the Defined Benefit Plan. The City pays 90% of premium for individual coverage for participants in the defined contribution plan.

Underlying Plan Description:

Pre-Medicare retirees may choose between several medical plans, a PPO, HMO or Hybrid HMO/POS plan. All three plan options have both in and out of network options.

Once the participant is Medicare-eligible, a Medicare supplement plan is available.

Retirees may choose between Preferred or Traditional Dental plans.

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

Funding Policy:

The City is required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The current ARC rate is 12% of annual covered payroll. The ARC consisted of the normal cost of \$611,000 and the amortization of unfunded accrued liability of \$278,000. The City contributed \$80,702 for current health care and life insurance premiums for the year ended June 30, 2010. As of the year ended June 30, 2010, the City has not established an OPEB trust to pre-fund future benefits.

City Of Aberdeen, Maryland

Notes To Basic Financial Statements

Note 10. Post-Employment Health Care Benefits (Continued)

Annual OPEB Cost and Net OPEB Obligation:

The City had an actuarial valuation performed as of July 1, 2009 to determine the funded status of the plan as of that date as well as the City's ARC for the fiscal year ended June 30, 2010. The annual OPEB cost (expense) for the year ended June 30, 2010 was \$925,000 which was equal to the ARC, as the transition liability was set at zero as of July 1, 2009. The City's annual OPEB cost, the percentage of annual OPEB cost contributed and the OPEB obligation for fiscal year 2010, was as follows:

Fiscal Year Ended	Annual OPEB Cost (AOC)	Percentage Of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$925,000	8.7%	\$844,298

Funding Status and Progress:

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

Actuarial Methods and Assumptions:

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

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

The unfunded liability was amortized over a period of thirty years as a level percentage of pay.

Life insurance costs are nominal and excluded from the calculation.

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

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

City Of Aberdeen, Maryland

Notes To Basic Financial Statements

Note 10. Post-Employment Health Care Benefits (Continued)

100% of police officers are assumed to retire at the earlier of age sixty-two with five years of service or with twenty-five years of service.

Interest assumptions – discount rate of 4.0% and payroll growth of 5.0%.

Healthcare cost trend assumptions -

Year	Annual Rate Of Increase
2009	9.5%
2010	8.5%
2011	7.5%
2012	6.5%
2013	5.5%
2014	5.5%
2015 and Later	5.5%

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

Retirement rate assumptions –

	Age					
	45	50	55	60	65	70
Early Retirement						
First Year Eligibility:						
Male			.060	.060		
Female			.040	.100		
Subsequent Years:						
Male				.040		
Female				.060		

	Age					
	45	50	55	60	65	70
Normal Retirement						
First Year Eligibility:						
Male	.150	.150	.250	.250	.250	.250
Female	.150	.150	.250	.300	.300	.300
Subsequent Years:						
Male	.050	.050	.070	.120	.250	.200
Female	.050	.050	.070	.100	.250	.220

City Of Aberdeen, Maryland

Notes To Basic Financial Statements

Note 10. Post-Employment Health Care Benefits (Continued)

Turnover assumptions -

General

Years Of Service	Prior To Ten Years Of Service	
	Male	Female
1	.161	.150
2	.111	.106
3	.099	.100
4	.092	.078
5	.076	.078
6	.076	.064
7	.060	.060
8	.060	.051
9	.053	.045

Age	After Ten Years Of Service	
	Male	Female
30	.052	.044
35	.046	.034
40	.034	.025
45	.027	.022
50	.028	.021
55	.033	.028

Police

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

City Of Aberdeen, Maryland

Notes To Basic Financial Statements

Note 10. Post-Employment Health Care Benefits (Continued)

Disability

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

Note 11. Other Information

Risk Management:

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

Commitments and Contingencies:

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

The City entered into two contracts for construction to upgrade the Wastewater Treatment Plant to Enhanced Nutrient Removal (ENR) technology. The projects are being funded 39% by the City and 61% through State grant proceeds. The value of the City's remaining commitment under these contracts at June 30, 2010 is \$19,495,421.

Subsequent Events:

In August 2010, the Council approved an Ordinance to obtain a low-interest loan from the Maryland Department of the Environment in the amount of \$10 million to assist with improvements to the wastewater treatment plant. In addition, during August 2010 the City also obtained a \$5 million loan from the Maryland Community Development Administration to secure water rights from Harford County.

Notes To Basic Financial Statements

Note 12. New Governmental Accounting Standards Board (GASB) Standards

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the year ended June 30, 2010, 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 Number 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, will be effective for the City beginning with its year ending June 30, 2011. This Statement is intended to improve the usefulness of information provided to financial report users about fund balance by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types.

GASB Statement Number 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, will be effective for the City beginning with its year ending June 30, 2011. This Statement addresses issues related to measurement of OPEB obligations by certain employers participating in agent multiple employer OPEB plans.

GASB Statement Number 59, *Financial Instruments Omnibus*, will be effective for the City beginning with its year ending June 30, 2011. This Statement updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice.

City Of Aberdeen, Maryland

Required Supplementary Information (Unaudited)

Defined Benefit Pension Plan:

Schedule of Employer Contributions

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

Years Ended June 30,	Annual Required Contribution	Actual Contribution	Percentage Contributed
2010	\$ 114,001	\$ 114,001	100.00%
2009	117,321	117,321	100.00%
2008	115,053	115,053	100.00%
2007	103,598	103,598	100.00%
2006	81,951	81,951	100.00%
2005	76,275	76,275	100.00%

Schedule of Funding Progress

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

Actuarial Valuation Date July 1,	Actuarial Value Of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll c	UAAL As A Percentage Of Covered Payroll [(b - a) / c]
2009	\$ 1,609,339	\$ 1,878,626	\$ 269,287	85.67%	\$ -	0%
2008	\$ 1,590,396	\$ 2,006,397	\$ 416,001	79.26%	\$ -	0%
2007	\$ 1,570,833	\$ 1,988,133	\$ 417,300	79.01%	\$ -	0%
2006	\$ 1,560,997	\$ 1,870,390	\$ 309,393	83.46%	\$ -	0%

City Of Aberdeen, Maryland

Required Supplementary Information (Unaudited)

Police Department Defined Benefit Pension Plan:

Schedule of Employer Contributions

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

Years Ended June 30,	Annual Required Contribution	Actual Contribution	Percentage Contributed
2010	\$ 434,789	\$ 434,789	100.00%
2009	304,632	304,632	100.00%
2008	289,102	289,102	100.00%
2007	228,903	228,903	100.00%
2006	199,541	199,541	100.00%
2005	196,198	196,198	100.00%

Schedule of Funding Progress

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

Actuarial Valuation Date July 1,	Actuarial Value Of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll c	UAAL As A Percentage Of Covered Payroll [(b - a) / c]
2009	\$ 3,867,470	\$ 6,119,155	\$ 2,251,685	63.20%	\$ 1,782,548	126.32%
2008	\$ 4,032,415	\$ 5,429,131	\$ 1,396,716	74.31%	\$ 1,546,417	90.32%
2007	\$ 3,431,199	\$ 4,612,228	\$ 1,181,029	74.39%	\$ 1,547,471	76.31%
2006	\$ 2,827,760	\$ 3,817,996	\$ 990,236	74.06%	\$ 1,353,452	73.16%

City Of Aberdeen, Maryland

Required Supplementary Information (Unaudited)

Other Post Employment Benefits (OPEB):

Schedule of Employer Contributions

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

Years Ended June 30,	Annual Required Contribution	Actual Contribution	Percentage Contributed
2010	\$ 925,000	\$ 80,702	8.72%

Schedule of Funding Progress

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

Actuarial Valuation Date July 1,	Actuarial Value Of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll c	UAAL As A Percentage Of Covered Payroll [(b - a) / c]
2009	\$ -	\$ 9,625,000	\$ 9,625,000	0.00%	\$ 7,630,981	126.13%

City Of Aberdeen, Maryland

Schedule Of Revenues And Other Financing Sources – Budget And Actual – General Fund
Year Ended June 30, 2010

	Budget Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget Positive (Negative)
Taxes:				
Property taxes:				
Real estate taxes	\$ 8,287,825	\$ 8,287,825	\$ 8,315,518	\$ 27,693
Corporation personal property taxes	703,800	703,800	702,998	(802)
Utilities personal property tax	262,638	262,638	267,293	4,655
Penalties and interest	48,000	48,000	53,684	5,684
Semi-annual service charge	2,500	2,500	2,098	(402)
Additions and abatements	(20,000)	(20,000)	(16,837)	3,163
Discount on taxes	(53,000)	(53,000)	(54,921)	(1,921)
Tax credit - firemen exemptions	(16,731)	(16,731)	(15,469)	1,262
Tax credit - no water or sewer	(10,559)	(10,559)	(6,564)	3,995
Enterprise Zone tax credits	(203,205)	(203,205)	(173,386)	29,819
	<u>9,001,268</u>	<u>9,001,268</u>	<u>9,074,414</u>	<u>73,146</u>
Local taxes:				
Franchise tax	123,211	123,211	83,449	(39,762)
Mobile home excise tax	36,000	36,000	29,550	(6,450)
Utilities pole tax	56,850	56,850	57,366	516
Hospitality Way special assessment	30,935	30,935	30,935	-
	<u>246,996</u>	<u>246,996</u>	<u>201,300</u>	<u>(45,696)</u>
State shared taxes:				
Income tax	780,000	780,000	1,107,207	327,207
Highway tax	485,141	485,141	89,890	(395,251)
	<u>1,265,141</u>	<u>1,265,141</u>	<u>1,197,097</u>	<u>(68,044)</u>
Total taxes	<u>10,513,405</u>	<u>10,513,405</u>	<u>10,472,811</u>	<u>(40,594)</u>
Licenses and permits:				
Traders' licenses	25,000	25,000	36,696	11,696
Liquor licenses	1,500	1,500	15,870	14,370
Grading permits	6,000	6,000	16,169	10,169
Building permits	22,000	22,000	27,556	5,556
Site plan review	20,000	20,000	60,802	40,802
Mobile home park licenses	-	-	4,500	4,500
Public works agreement revenue	25,000	25,000	9,351	(15,649)
Total licenses and permits	<u>99,500</u>	<u>99,500</u>	<u>170,944</u>	<u>71,444</u>

(Continued)

City Of Aberdeen, Maryland

Schedule Of Revenues And Other Financing Sources – Budget And Actual – General Fund

(Continued)

Year Ended June 30, 2010

	Budget Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget Positive (Negative)
Intergovernmental:				
Grants from state government:				
Police state aid	254,128	254,128	168,505	(85,623)
Police supplemental aid	35,357	35,357	22,141	(13,216)
Law enforcement grant	-	10,144	-	(10,144)
Other	-	1,188	1,188	-
	<u>289,485</u>	<u>300,817</u>	<u>191,834</u>	<u>(108,983)</u>
Grants from county government:				
In lieu of financial corporation	7,142	7,142	7,142	-
Tax differential - Harford County	834,998	834,998	745,295	(89,703)
Senior Center reimbursement	46,288	46,288	46,290	2
	<u>888,428</u>	<u>888,428</u>	<u>798,727</u>	<u>(89,701)</u>
Grants from local government:				
Residential special patrol	45,000	45,000	32,837	(12,163)
Total intergovernmental	<u>1,222,913</u>	<u>1,234,245</u>	<u>1,023,398</u>	<u>(210,847)</u>
APG management fees	<u>276,692</u>	<u>276,692</u>	<u>490,532</u>	<u>213,840</u>
Miscellaneous revenues:				
Trash collection stickers fees	170,000	170,000	162,622	(7,378)
Police seized money	-	14,177	14,267	90
Police miscellaneous income	17,000	17,000	7,516	(9,484)
Antenna leases	30,480	30,480	32,579	2,099
Fines and forfeitures	6,000	6,000	21,368	15,368
Interest on savings	15,000	15,000	6,106	(8,894)
Other miscellaneous	61,000	65,400	184,095	118,695
Total miscellaneous revenues	<u>299,480</u>	<u>318,057</u>	<u>428,553</u>	<u>110,496</u>
Total revenues	<u>12,411,990</u>	<u>12,441,899</u>	<u>12,586,238</u>	<u>144,339</u>
Other financing sources:				
Proceeds from long-term borrowings	-	77,291	77,291	-
Appropriation of fund balance	-	92,129	-	(92,129)
Total other financing sources	<u>-</u>	<u>169,420</u>	<u>77,291</u>	<u>(92,129)</u>
Total revenues and other financing sources	<u>\$ 12,411,990</u>	<u>\$ 12,611,319</u>	<u>\$ 12,663,529</u>	<u>\$ 52,210</u>

City Of Aberdeen, Maryland

Schedule Of Expenditures And Other Financing Uses – Budget And Actual – General Fund
Year Ended June 30, 2010

	Budget Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget Positive (Negative)
General Government:				
Legislative:				
Elected officials	\$ 40,000	\$ 40,000	\$ 40,383	\$ (383)
Operating expenditures	48,000	48,000	36,513	11,487
Maryland Municipal League	16,000	16,000	15,677	323
National League of Cities	2,000	2,000	1,266	734
Volunteer dinner	2,500	2,500	-	2,500
	<u>108,500</u>	<u>108,500</u>	<u>93,839</u>	<u>14,661</u>
Executive:				
Salaries	313,863	313,863	286,006	27,857
Operating expenditures	46,741	46,741	45,253	1,488
	<u>360,604</u>	<u>360,604</u>	<u>331,259</u>	<u>29,345</u>
Election:				
Operating costs	16,000	16,000	5,731	10,269
	<u>16,000</u>	<u>16,000</u>	<u>5,731</u>	<u>10,269</u>
Finance:				
Salaries	288,644	288,644	290,925	(2,281)
Operating expenditures	15,000	15,000	13,493	1,507
Audit expenditures	29,000	29,000	20,809	8,191
	<u>332,644</u>	<u>332,644</u>	<u>325,227</u>	<u>7,417</u>
Legal:				
Codification	5,000	5,000	7,610	(2,610)
Counsel	135,000	135,000	113,447	21,553
	<u>140,000</u>	<u>140,000</u>	<u>121,057</u>	<u>18,943</u>
Planning and community development:				
Salaries	211,020	211,020	209,598	1,422
Operating expenditures	21,000	21,000	16,604	4,396
	<u>232,020</u>	<u>232,020</u>	<u>226,202</u>	<u>5,818</u>
Government buildings:				
Salaries	15,750	15,750	12,601	3,149
Operating expenditures	389,184	389,184	352,143	37,041
	<u>404,934</u>	<u>404,934</u>	<u>364,744</u>	<u>40,190</u>
General government:				
Operating expenditures	94,160	94,160	75,886	18,274
Health and safety:				
Operating expenditures	500	500	837	(337)
Total general government	<u>1,689,362</u>	<u>1,689,362</u>	<u>1,544,782</u>	<u>144,580</u>
Public Safety:				
Police Department:				
Salaries	3,456,195	3,456,195	3,320,430	135,765
Operating expenditures	463,100	488,609	416,196	72,413
	<u>3,919,295</u>	<u>3,944,804</u>	<u>3,736,626</u>	<u>208,178</u>

(Continued)

City Of Aberdeen, Maryland

Schedule Of Expenditures And Other Financing Uses – Budget And Actual – General Fund
(Continued)
Year Ended June 30, 2010

	Budget Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget Positive (Negative)
Volunteer fire department:				
Contribution	100,000	100,000	100,000	-
Total public safety	4,019,295	4,044,804	3,836,626	208,178
Public Works:				
Public works administration:				
Salaries	363,534	363,534	295,804	67,730
Operating expenditures	27,657	25,157	22,175	2,982
	391,191	388,691	317,979	70,712
Streets:				
Salaries	704,924	766,673	724,171	42,502
Operating expenditures	388,525	460,816	445,350	15,466
	1,093,449	1,227,489	1,169,521	57,968
Street lighting:				
Operating expenditures	300,000	300,000	292,216	7,784
Winter operation:				
Operating expenditures	10,500	45,880	37,992	7,888
Solid waste:				
Salaries	299,717	299,717	311,317	(11,600)
Operating expenditures	255,649	260,049	267,240	(7,191)
	555,366	559,766	578,557	(18,791)
Total public works	2,350,506	2,521,826	2,396,265	125,561
Parks and Recreation:				
Operating expenditures	46,500	56,500	54,715	1,785
Miscellaneous:				
Retirement plans	713,495	713,495	729,522	(16,027)
Payroll expenditures	1,870,682	1,870,682	1,681,161	189,521
Miscellaneous	121,365	111,365	103,677	7,688
	2,705,542	2,695,542	2,514,360	181,182
Debt Service:				
Debt service principal	449,820	449,820	453,622	(3,802)
Debt service interest	317,722	320,222	316,336	3,886
	767,542	770,042	769,958	84
Total expenditures	11,578,747	11,778,076	11,116,706	661,370
Other Financing Uses:				
Transfers out	833,243	833,243	724,102	109,141
Total expenditures and other financing uses	\$ 12,411,990	\$ 12,611,319	\$ 11,840,808	\$ 770,511

City Of Aberdeen, Maryland

Schedule Of Revenues, Expenditures And Other Financing Sources –
Budget And Actual – Capital Projects Fund
Year Ended June 30, 2010

	Original Budget	Amended Budget	Actual	Variance With Amended Budget Positive (Negative)
Revenues:				
Revenues from other agencies	\$ 118,000	\$ 1,113,291	\$ 755,755	\$ (357,536)
Miscellaneous	-	-	210	210
Total revenues	118,000	1,113,291	755,965	(357,326)
Expenditures:				
General government	103,000	873,230	381,448	491,782
Public safety	110,000	196,057	193,963	2,094
Public works	324,141	389,541	279,653	109,888
Parks and recreation	-	73,604	70,654	2,950
Total expenditures	537,141	1,532,432	925,718	606,714
Other financing sources:				
Transfers from general fund	419,141	419,141	189,000	(230,141)
Net change in fund balance (budgetary basis)	<u>\$ -</u>	<u>\$ -</u>	19,247	<u>\$ 19,247</u>
Fund balance:				
Beginning			286,424	
Ending			<u>\$ 305,671</u>	

Net Assets By Component
Last Five Years
(Accrual Basis of Accounting)

Table 1

	2010	2009	2008	2007	2006	2005	2004
Governmental Activities							
Invested in Capital Assets, Net of Related Debt	\$ 13,244,196	\$ 12,421,169	\$ 10,795,988	\$ 9,595,925	\$ 10,431,798	\$ 10,279,920	\$ 11,682,443
Restricted	451,668	426,970	392,998	932,988	702,871	822,018	706,096
Unrestricted	<u>2,550,077</u>	<u>2,586,480</u>	<u>2,660,726</u>	<u>1,643,724</u>	<u>481,501</u>	<u>401,623</u>	<u>(45,535)</u>
Total Governmental Activities Net Assets	<u>16,245,941</u>	<u>15,434,619</u>	<u>13,849,712</u>	<u>12,172,637</u>	<u>11,616,170</u>	<u>11,503,561</u>	<u>12,343,004</u>
Business-Type Activities							
Invested in Capital Assets, Net of Related Debt	24,466,036	22,250,352	20,368,984	19,771,744	19,513,200	19,310,251	18,423,963
Unrestricted	<u>(1,166,635)</u>	<u>477,966</u>	<u>1,914,926</u>	<u>1,898,230</u>	<u>870,825</u>	<u>1,909,540</u>	<u>1,368,527</u>
Total Business-Type Activities Net Assets	<u>23,299,401</u>	<u>22,728,318</u>	<u>22,283,910</u>	<u>21,669,974</u>	<u>20,384,025</u>	<u>21,219,791</u>	<u>19,792,490</u>
Primary Government							
Invested in Capital Assets, Net of Related Debt	37,710,232	34,671,521	31,164,972	29,367,669	29,944,998	29,590,171	30,106,406
Restricted	451,668	426,970	392,998	932,988	702,871	822,018	706,096
Unrestricted	<u>1,383,442</u>	<u>3,064,446</u>	<u>4,575,652</u>	<u>3,541,954</u>	<u>1,352,326</u>	<u>2,311,163</u>	<u>1,322,992</u>
Total Primary Government Net Assets	<u>\$ 39,545,342</u>	<u>\$ 38,162,937</u>	<u>\$ 36,133,622</u>	<u>\$ 33,842,611</u>	<u>\$ 32,000,195</u>	<u>\$ 32,723,352</u>	<u>\$ 32,135,494</u>

Source:

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

Changes in Net Assets
Last Five Years
(Accrual Basis of Accounting)

Table 2

	Fiscal Year						
	2010	2009	2008	2007	2006	2005	2004
Expenses							
Governmental Activities:							
General Government	\$ 2,777,534	\$ 2,685,612	\$ 2,799,968	\$ 2,594,746	\$ 2,030,600	\$ 2,451,455	\$ 1,966,904
Public Safety	5,889,590	5,460,448	5,202,358	4,827,596	4,590,880	3,793,289	3,589,255
Public Works	4,270,376	3,797,298	3,725,529	3,645,846	2,449,570	2,644,919	2,022,735
Parks and Recreation	148,666	64,827	81,574	77,148	77,432	99,161	91,891
Interest on Long-Term Debt	323,712	340,908	358,733	377,165	361,623	314,519	288,980
Total Governmental Activities Expenses	13,409,878	12,349,093	12,168,162	11,522,501	9,510,105	9,303,343	7,959,765
Business-Type Activities:							
Water	1,780,578	1,817,802	1,976,315	1,579,997	1,637,339	1,300,626	1,525,990
Sewer	3,157,487	2,917,769	3,009,494	2,321,829	2,462,258	1,993,563	2,025,621
Stadium	621,708	840,062	676,822	688,757	717,743	842,424	854,098
Total Business-Type Activities Expenses	5,559,773	5,575,633	5,662,631	4,590,583	4,817,340	4,136,613	4,405,709
Total Primary Government Expenses	\$ 18,969,651	\$ 17,924,726	\$ 17,830,793	\$ 16,113,084	\$ 14,327,445	\$ 13,439,956	\$ 12,365,474
Program Revenues							
Governmental Activities:							
Charges for Services:							
General Government	\$ 453,230	\$ 422,716	\$ 1,086,951	\$ 327,737	\$ 548,402	\$ 515,345	\$ 675,197
Public Safety	7,516	29,797	14,468	59,177	135,411	142,980	102,288
Public Works	1,788,128	1,409,014	1,424,643	1,590,460	297,736	213,674	233,159
Operating Grants and Contributions	1,176,308	1,928,185	1,877,862	1,750,903	1,538,318	1,676,546	1,346,774
Capital Grants and Contributions	942,226	513,477	156,294	37,000	50,959	-	-
Total Governmental Activities Program Revenues	4,367,408	4,303,189	4,560,218	3,765,277	2,570,826	2,548,545	2,357,418
Business-Type Activities:							
Charges for Services:							
Water	2,073,874	2,140,638	2,317,759	2,224,057	1,768,070	1,317,407	1,396,207
Sewer	2,639,041	2,528,610	2,294,824	2,196,583	2,061,576	1,664,691	1,640,288
Stadium	36,476	50,310	58,279	72,766	34,702	66,580	72,741
Operating Grants and Contributions	-	-	-	-	-	6,146	53,272
Capital Grants and Contributions	601,188	804,182	996,608	1,013,386	-	-	-
Total Business-Type Activities Program Revenues	5,350,579	5,523,740	5,667,470	5,506,792	3,864,348	3,054,824	3,162,508
Total Primary Government Program Revenues	\$ 9,717,987	\$ 9,826,929	\$ 10,227,688	\$ 9,272,069	\$ 6,435,174	\$ 5,603,369	\$ 5,519,926
Net (Expense)/Revenue							
Governmental Activities	\$ (9,042,470)	\$ (8,045,904)	\$ (7,607,944)	\$ (7,757,224)	\$ (6,939,279)	\$ (6,754,798)	\$ (5,602,347)
Business-Type Activities	(209,194)	(51,893)	4,839	916,209	(952,992)	(1,081,789)	(1,243,201)
Total Primary Government Net Expense	\$ (9,251,664)	\$ (8,097,797)	\$ (7,603,105)	\$ (6,841,015)	\$ (7,892,271)	\$ (7,836,587)	\$ (6,845,548)
General Revenues and Other Changes in Net Assets							
Governmental Activities:							
Taxes							
Property Taxes	\$ 9,090,293	\$ 8,719,008	\$ 8,195,655	\$ 7,419,615	\$ 5,122,663	\$ 4,641,710	\$ 4,419,323
Other Local Taxes	171,859	219,082	212,141	216,578	210,113	136,221	196,421
State Shared Taxes, Unrestricted	1,120,426	954,638	1,151,137	1,032,544	952,016	1,130,873	1,229,646
Investment Earnings	6,316	31,157	37,111	18,292	41,136	4,676	7,374
Gain on Sale of Capital Assets	-	-	-	-	725,960	1,875	125,471
Transfers	(535,102)	(293,074)	(311,025)	(373,338)	-	-	-
Total Governmental Activities	9,853,792	9,630,811	9,285,019	8,313,691	7,051,888	5,915,355	5,978,235
Business-Type Activities:							
Taxes							
Other Local Taxes	-	-	-	-	-	-	-
State Shared Taxes, Unrestricted	228,370	192,582	230,917	14,598	245,274	140,000	160,000
Investment Earnings	4,953	10,645	42,155	6,284	25,781	4,098	3,163
Gain (loss) on Sale of Capital Assets	11,852	-	25,000	(24,480)	-	2,366,844	-
Transfers	535,102	293,074	311,025	373,338	-	-	-
Total Business-Type Activities	780,277	496,301	609,097	369,740	271,055	2,510,942	163,163
Total Primary Government	\$ 10,634,069	\$ 10,127,112	\$ 9,894,116	\$ 8,683,431	\$ 7,322,943	\$ 8,426,297	\$ 6,141,398
Change in Net Assets							
Governmental Activities	\$ 811,322	\$ 1,584,907	\$ 1,677,075	\$ 556,467	\$ 112,609	\$ (839,443)	\$ 375,888
Business-Type Activities	571,083	444,408	613,936	1,285,949	(681,937)	1,429,153	(1,080,038)
Total Primary Government Change in Net Assets	\$ 1,382,405	\$ 2,029,315	\$ 2,291,011	\$ 1,842,416	\$ (569,328)	\$ 589,710	\$ (704,150)

Source:

City financial records. The City implemented GASB Statement N0. 34 in Fiscal Year 2004; therefore, tables presenting government-wide information includes only data from 2004 to present.

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

Table 3

Fiscal Year	Property Tax	Income Tax	Admissions Tax	Other Local Taxes	Total
2010	\$ 9,090,293	\$ 1,120,426	\$ -	\$ 171,859	\$ 10,382,578
2009	8,719,008	954,638	-	219,082	9,892,728
2008	8,195,655	1,151,137	-	212,141	9,558,933
2007	7,419,615	1,007,088	25,456	216,578	8,668,737
2006	5,122,663	883,318	46,692	232,119	6,284,792
2005	4,641,710	1,085,574	45,299	136,221	5,908,804
2004	4,419,323	1,174,569	55,077	196,421	5,845,390

Source:

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

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

Table 4

	Fiscal Year									
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
General Fund										
Reserved	\$ 78,952	\$ 70,413	\$ 77,590	\$ 75,471	\$ 313,906	\$ 351,020	\$ 260,006	\$ 286,517	\$ 317,721	\$ 341,646
Unreserved	<u>3,585,829</u>	<u>2,737,304</u>	<u>1,998,778</u>	<u>1,091,376</u>	<u>841,538</u>	<u>518,034</u>	<u>1,185,408</u>	<u>1,076,036</u>	<u>1,698,407</u>	<u>1,100,632</u>
Total General Fund	<u>\$ 3,664,781</u>	<u>\$ 2,807,717</u>	<u>\$ 2,076,368</u>	<u>\$ 1,166,847</u>	<u>\$ 1,155,444</u>	<u>\$ 869,054</u>	<u>\$ 1,445,414</u>	<u>\$ 1,362,553</u>	<u>\$ 2,016,128</u>	<u>\$ 1,442,278</u>
Special Revenue Fund										
Reserved	\$ 318,089	\$ 406,910	\$ 506,877	\$ 509,250	\$ 424,532	\$ 463,243	\$ 447,047	\$ 447,047	\$ 372,735	\$ 342,671
Unreserved	<u>235,314</u>	<u>204,757</u>	<u>138,133</u>	<u>116,074</u>	<u>198,765</u>	<u>152,390</u>	<u>159,480</u>	<u>-</u>	<u>18,335</u>	<u>-</u>
Total Special Revenue Fund	<u>\$ 553,403</u>	<u>\$ 611,667</u>	<u>\$ 645,010</u>	<u>\$ 625,324</u>	<u>\$ 623,297</u>	<u>\$ 615,633</u>	<u>\$ 606,527</u>	<u>\$ 447,047</u>	<u>\$ 391,070</u>	<u>\$ 342,671</u>
Capital Projects Fund										
Reserved	\$ 160,243	\$ 309,650	\$ 489,785	\$ 730,019	\$ 390,253	\$ 160,243	\$ 177,715	\$ 177,716	\$ 174,029	\$ 176,099
Unreserved	<u>145,428</u>	<u>(23,226)</u>	<u>(349,672)</u>	<u>(325,717)</u>	<u>(235,217)</u>	<u>(184,525)</u>	<u>(1,159,448)</u>	<u>(1,081,561)</u>	<u>(1,183,532)</u>	<u>288,332</u>
Total Capital Projects Fund	<u>\$ 305,671</u>	<u>\$ 286,424</u>	<u>\$ 140,113</u>	<u>\$ 404,302</u>	<u>\$ 155,036</u>	<u>\$ (24,282)</u>	<u>\$ (981,733)</u>	<u>\$ (903,845)</u>	<u>\$ (1,009,503)</u>	<u>\$ 464,431</u>

Source: City financial records.

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

Table 5

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Revenues										
Taxes	\$ 10,443,370	\$ 10,761,701	\$ 10,288,820	\$ 9,514,458	\$ 6,978,414	\$ 6,535,704	\$ 5,984,439	\$ 5,742,014	\$ 5,410,870	\$ 5,389,593
Licenses and permits	170,944	106,314	100,404	107,599	166,226	109,197	307,574	85,438	99,741	81,483
Revenues from other agencies	1,972,543	1,582,144	1,191,511	943,894	926,400	1,113,234	899,330	1,030,952	978,932	1,467,980
APG management fee:	1,669,750	1,342,864	1,362,843	1,511,396	289,193	303,639	291,471	306,989	172,079	136,507
Miscellaneous	433,533	570,917	1,163,612	408,206	1,179,693	393,592	479,243	508,811	420,670	415,051
Total Revenues	<u>14,690,140</u>	<u>14,363,940</u>	<u>14,107,190</u>	<u>12,485,553</u>	<u>9,539,926</u>	<u>8,455,366</u>	<u>7,962,057</u>	<u>7,674,204</u>	<u>7,082,292</u>	<u>7,490,614</u>
Expenditures										
General government	1,997,247	1,982,372	1,750,112	1,609,401	1,347,777	1,607,596	1,149,418	1,268,895	1,516,234	3,906,041
Public safety	4,030,589	4,264,153	4,046,493	3,945,451	3,261,424	2,867,065	2,768,517	2,717,707	2,525,187	2,444,144
Public works	4,004,543	3,937,387	4,269,247	3,347,816	1,985,844	2,741,008	4,049,075	2,133,732	1,852,269	2,207,261
Parks and recreation	125,369	72,092	64,574	54,308	39,576	63,494	81,752	156,148	120,828	35,311
Miscellaneous	2,552,305	2,400,513	2,287,315	2,197,424	2,143,563	1,853,161	1,530,728	1,515,442	1,619,459	1,446,701
Debt service										
Principal	389,622	405,899	364,413	327,694	324,621	299,655	245,613	267,874	165,153	144,643
Interest	314,607	331,335	348,993	367,425	351,883	312,990	287,921	277,769	233,836	174,774
Miscellaneous										
Total Expenditures	<u>13,414,282</u>	<u>13,393,751</u>	<u>13,131,147</u>	<u>11,849,519</u>	<u>9,454,688</u>	<u>9,744,969</u>	<u>10,113,024</u>	<u>8,337,567</u>	<u>8,032,966</u>	<u>10,358,875</u>
Excess of revenues over (under) expenditures:	1,275,858	970,189	976,043	636,034	85,238	(1,289,603)	(2,150,967)	(663,363)	(950,674)	(2,868,261)
Other financing sources										
Loan proceeds	77,291	167,202	-	-	-	1,679,800	2,172,135	227,065	-	2,051,012
Transfer in (out)	(535,102)	(293,074)	(311,025)	(373,338)	-	-	-	43,374	-	-
Total other financing sources	<u>(457,811)</u>	<u>(125,872)</u>	<u>(311,025)</u>	<u>(373,338)</u>	<u>-</u>	<u>1,679,800</u>	<u>2,172,135</u>	<u>270,439</u>	<u>-</u>	<u>2,051,012</u>
Net change in fund balances	<u>\$ 818,047</u>	<u>\$ 844,317</u>	<u>\$ 665,018</u>	<u>\$ 262,696</u>	<u>\$ 85,238</u>	<u>\$ 390,197</u>	<u>\$ 21,168</u>	<u>\$ (392,924)</u>	<u>\$ (950,674)</u>	<u>\$ (817,249)</u>
Debt service as a percentage of noncapital expenditures	6.13%	6.60%	6.45%	6.62%	8.08%	7.34%	7.56%	7.00%	5.23%	3.18%

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	Admissions Tax	Other Local Taxes	Total
2010	\$ 9,074,414	\$ 1,107,207	\$ 89,890	\$ -	\$ 171,859	\$ 10,443,370
2009	8,760,795	1,112,667	669,154	-	219,085	10,761,701
2008	8,172,879	1,124,841	778,959	-	212,141	10,288,820
2007	7,419,615	1,040,335	812,474	25,426	216,608	9,514,458
2006	5,122,663	873,499	725,447	46,692	210,113	6,978,414
2005	4,641,646	1,077,064	635,293	45,299	136,402	6,535,704
2004	4,399,430	820,935	509,779	55,007	199,288	5,984,439
2003	3,988,704	856,137	666,026	61,949	169,198	5,742,014
2002	3,634,611	846,130	642,024	139,884	148,221	5,410,870
2001	3,693,631	808,756	677,382	49,142	160,682	5,389,593

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

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 (1)	Total Direct Rate	Assessed Value	Estimated Actual Value	Total Direct Rate	Assessed Value	Estimated Actual Value (1)	Amount	Percentage
2010	1,234,699,160	1,234,699,160	0.6875	54,983,560	54,983,560	1.7000	1,289,682,720	1,289,682,720	64,707,581	5.28%
2009	1,168,908,946	1,168,908,946	0.7000	56,066,193	56,066,193	1.7000	1,224,975,139	1,224,975,139	115,464,478	10.41%
2008	1,051,857,687	1,051,857,687	0.7150	57,652,974	57,652,974	1.7000	1,109,510,661	1,109,510,661	116,418,992	11.72%
2007	934,874,053	934,874,053	0.7350	58,217,616	58,217,616	1.7000	993,091,669	993,091,669	150,609,144	17.88%
2006	804,175,635	804,175,635	0.5500	38,306,890	38,306,890	1.4000	842,482,525	842,482,525	79,862,385	10.47%
2005	710,478,812	710,478,812	0.5500	52,141,328	52,141,328	1.4000	762,620,140	762,620,140	15,043,100	2.01%
2004	696,009,183	696,009,183	0.5500	51,567,857	51,567,857	1.4000	747,577,040	747,577,040	39,118,950	5.52%
2003	648,268,750	648,268,750	0.5500	60,189,340	60,189,340	1.4000	708,458,090	708,458,090	14,875,694	2.14%
2002	630,603,350	630,603,350	0.5120	62,979,046	62,979,046	1.4000	693,582,396	693,582,396	61,563,212	9.74%
2001	235,762,765	589,406,913	1.2800	42,612,271	42,612,271	1.4000	278,375,036	632,019,184	N/A	N/A

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

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

Source: City financial records.

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

Table 8

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			
2010	\$ 0.6875	\$ 0.6875	\$ 1.062	\$ 0.112	\$ 1.862
2009	0.7000	0.7000	1.082	0.112	1.894
2008	0.7150	0.7150	1.082	0.112	1.909
2007	0.7350	0.7350	1.082	0.112	1.929
2006	0.5500	0.5500	1.092	0.112	1.754
2005	0.5500	0.5500	1.092	0.132	1.774
2004	0.5500	0.5500	1.092	0.132	1.774
2003	0.5500	0.5500	1.092	0.132	1.774
2002 (1)	0.5120	0.5120	1.092	0.084	1.688
2001	1.2800	1.2800	2.730	0.084	4.094

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			
2010	\$ 1.700	\$ 1.700	\$ 2.660	\$ -	\$ 4.360
2009	1.700	1.700	2.705	-	4.405
2008	1.700	1.700	2.705	-	4.405
2007	1.700	1.700	2.705	-	4.405
2006	1.400	1.400	2.705	-	4.105
2005	1.400	1.400	2.730	-	4.130
2004	1.400	1.400	2.730	-	4.130
2003	1.400	1.400	2.730	-	4.130
2002	1.400	1.400	2.730	-	4.130
2001	1.400	1.400	2.730	-	4.130

Source: City financial records.

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

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

Table 9

Taxpayer	2010			
	Real Estate Assessment	Personal Property Assessment	Total Assessment	Percentage of Total Assessment
Inland American Aberdeen	\$ 30,157,033	\$ -	\$ 30,157,033	2.34%
913 Old Philadelphia Road LLC	25,908,500	-	25,908,500	2.01%
Catellus Land and Development	25,446,333	-	25,446,333	1.97%
Frito-Lay	17,957,033	4,253,600	22,210,633	1.72%
H & S Development Corp	17,231,966	-	17,231,966	1.34%
State of Wisconsin Investment Board	15,330,066	-	15,330,066	1.19%
Wal-Mart Real Estate	14,830,066	1,351,330	16,181,396	1.25%
Aberdeen Marketplace, Inc.	9,848,566	-	9,848,566	0.76%
One Thousand and One Partnership	8,027,500	-	8,027,500	0.62%
Stancills, Inc	7,659,400	-	7,659,400	0.59%
TOTAL	\$172,396,463	\$ 5,604,930	\$178,001,393	13.80%

Taxpayer	2001			
	Real Estate Assessment	Personal Property Assessment	Total Assessment	Percentage of Total Assessment
Metropolitan Life Insurance/Pier I	\$ 9,037,170	N/A	\$ 9,037,170	3.25%
Frito-Lay, Inc.	5,877,480	N/A	5,877,480	2.11%
Hickory Ridge Properties, Inc.	3,656,500	N/A	3,656,500	1.31%
Wagner/Kinsley Ptnr./Camden Cold	3,217,680	N/A	3,217,680	1.16%
One Thousand & One Ptnr	3,085,520	N/A	3,085,520	1.11%
Colgate Investments	2,814,450	N/A	2,814,450	1.01%
Aberdeen Marketplace, Inc.	2,698,290	N/A	2,698,290	0.97%
Fast Food Merchandisers	2,437,760	N/A	2,437,760	0.88%
Stancill's, Inc.	2,165,820	N/A	2,165,820	0.78%
WalMart Stores, Inc.	2,146,240	N/A	2,146,240	0.77%
TOTAL	\$ 37,136,910	N/A	\$ 37,136,910	13.34%

Source: City financial records.

N/A - Currently not available

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	Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Total Tax Levy
2010	9,396,201	9,298,812	98.96%	\$ 6,566	9,305,377	99.03%	\$ 172,865	1.84%
2009	9,116,713	9,069,347	99.48%	59,128	9,128,476	100.13%	171,960	1.89%
2008	8,470,443	8,351,509	98.60%	26,808	8,378,317	98.91%	111,714	1.32%
2007	7,419,615	7,338,288	98.90%	1,009	7,339,297	98.92%	57,195	0.77%
2006	5,133,979	5,079,671	98.94%	43,474	5,123,145	99.79%	44,465	0.87%
2005	4,872,985	4,786,003	98.22%	39,890	4,825,893	99.03%	87,939	1.80%
2004	4,543,716	4,476,131	98.51%	21,098	4,497,229	98.98%	38,468	0.85%
2003	4,089,560	4,038,691	98.76%	168,737	4,207,428	102.88%	42,822	1.05%
2002	4,034,820	3,748,146	92.89%	10,929	3,759,075	93.17%	162,513	4.03%
2001	3,797,501	3,693,631	97.26%	11,835	3,705,466	97.58%	41,910	1.10%

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	General Obligation Bonds	Loans Payable			
2010	\$ 4,969,200	\$ 796,970	\$ 8,271,100	\$ 1,332,924	\$ 15,370,194	0.00%	\$ 1,090
2009	5,175,700	911,010	8,745,300	1,643,797	16,475,807	0.00%	1,168
2008	5,372,000	1,088,819	9,201,800	1,942,855	17,605,474	0.00%	1,258
2007	5,561,500	1,263,732	6,560,900	2,229,186	15,615,318	0.00%	1,092
2006	5,738,600	1,271,042	6,878,400	2,495,371	16,383,413	0.00%	1,179
2005	5,910,500	1,423,763	7,189,600	2,756,358	17,280,221	0.00%	1,243
2004	5,429,478	524,640	7,486,200	5,210,914	18,651,232	0.00%	1,342
2003	3,746,800	264,845	7,769,000	6,148,147	17,928,792	0.00%	1,290
2002	3,656,018	396,436	7,840,286	4,341,517	16,234,257	0.00%	1,168
2001	3,739,180	478,457	4,432,530	4,528,662	13,178,829	0.00%	948

Source: City financial records.

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

Table 12

Fiscal Year Ending June 30	Population	Estimated Actual Value (2)	Gross Bonded Debt (1)	Debt Payable From Enterprise Revenue	Net Bonded Debt (1)	Ratio of Net Bonded Debt To Assessed Value	Net Bonded Debt Per Capita
2010	14,099	\$ 1,289,682,720	\$ 15,370,194	\$ 9,604,024	\$ 5,766,170	0.45%	\$ 409
2009	14,100	1,224,975,139	16,475,807	10,389,097	6,086,710	0.50%	432
2008	14,000	1,109,510,661	17,605,474	11,144,655	6,460,819	0.58%	461
2007	14,300	993,091,669	15,615,318	8,790,086	6,825,232	0.69%	477
2006	13,900	842,482,525	16,383,413	9,373,771	7,009,642	0.83%	504
2005	13,900	762,620,140	17,280,221	9,945,958	7,334,263	0.96%	528
2004	13,900	747,577,040	18,651,232	12,697,114	5,954,118	0.80%	428
2003	13,900	708,458,090	17,928,792	13,917,147	4,011,645	0.57%	289
2002	13,900	693,582,396	16,234,255	12,181,801	4,052,454	0.58%	292
2001	13,900	632,019,184	13,195,628	3,764,000	9,431,628	1.49%	679

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

This schedule includes all debt payable from general tax revenues.

(2) Table 7

Source: City financial records.

**Computation of Legal Debt Margin and
Computation of Direct and Overlapping Debt
June 30, 2010**

Table 13

COMPUTATION OF LEGAL DEBT MARGIN

TOTAL ASSESSED VALUE OF PROPERTY	<u>\$ 1,289,682,720</u>
Debt limit 15%	193,452,408
Amount of debt applicable to debt limit	<u>15,370,194</u>
LEGAL DEBT MARGIN	<u><u>\$ 178,082,214</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	\$ 15,370,194	100.00%	\$ 15,370,194
Indirect debt:			
Harford County	<u>449,590,057 ²</u>	5.34% ¹	<u>24,008,109</u>
TOTAL DIRECT AND OVERLAPPING DEBT	<u><u>\$ 464,960,251</u></u>		<u><u>\$ 39,378,303</u></u>

¹ Rate of assessed value in the City \$ 1,289,682,720
to total assessed value of the County \$24,133,640,712

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									
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Debt Limit	\$ 193,452,408	\$ 183,746,271	\$ 166,426,599	\$ 148,963,750	\$ 126,372,379	\$ 114,393,021	\$ 112,136,556	\$ 106,268,714	\$ 104,037,359	\$ 41,756,255
Total net debt applicable to limit	<u>15,370,194</u>	<u>16,475,807</u>	<u>17,605,474</u>	<u>15,615,318</u>	<u>16,383,413</u>	<u>17,280,221</u>	<u>18,651,232</u>	<u>17,928,792</u>	<u>16,234,257</u>	<u>13,178,829</u>
Legal debt margin	<u><u>\$ 178,082,214</u></u>	<u><u>\$ 167,270,464</u></u>	<u><u>\$ 148,821,125</u></u>	<u><u>\$ 133,348,432</u></u>	<u><u>\$ 109,988,966</u></u>	<u><u>\$ 97,112,800</u></u>	<u><u>\$ 93,485,324</u></u>	<u><u>\$ 88,339,922</u></u>	<u><u>\$ 87,803,102</u></u>	<u><u>\$ 28,577,426</u></u>
Total net debt applicable to the limit as a percentage of debt limit	7.95%	8.97%	10.58%	10.48%	12.96%	15.11%	16.63%	16.87%	15.60%	31.56%

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
2010	14,099	N/A	N/A	N/A	42,503	7.3%
2009	14,100	N/A	N/A	38.1	38,610	7.7%
2008	14,000	45,091	10,884,557	37.8	39,175	4.1%
2007	14,300	43,106	10,319,796	37.7	39,582	3.8%
2006	13,900	40,609	9,728,548	37.5	40,212	3.7%
2005	13,900	38,595	9,218,447	37.2	40,313	4.1%
2004	13,900	36,664	8,618,412	36.8	40,204	4.0%
2003	13,900	34,887	8,081,911	37.2	40,264	4.7%
2002	13,900	33,692	7,657,674	37.0	39,995	4.3%
2001	13,900	32,737	7,289,414	36.6	39,562	4.3%

(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, 2010. Income and Median Age information were not available.

**Principal Employers
Current Year**

Table 16

2010			
Company	Number Employed	Percentage of Total County Employment	Product/ Service
U.S. Army Aberdeen Proving Ground	16,944	24.18%	Government
Harford County Public Schools	5,350	7.63%	Government
Upper Chesapeake Health	2,426	3.46%	Healthcare
Harford County Government	1,609	2.30%	Government
Harford Community College	1,219	1.74%	Education
Rite Aid Mid-Atlantic Customer Dist. Ctr.	1,198	1.71%	Retailer
Jacobs Technology	785	1.12%	Technology
SAIC	700	1.00%	Technology
Shop Rite	635	0.91%	Groceries
Saks Fifth Avenue	528	0.75%	Manufacturing
TOTAL	31,394	44.80%	
Total Employees in Harford County (Data available for county only)	70,078		

2000			
Company	Number Employed	Percentage of Total County Employment	Product/ Service
U.S. Army Aberdeen Proving Ground	10,878	18.14%	Government
Harford County Public Schools	4,598	7.67%	Government
Upper Chesapeake Health	1,762	2.94%	Healthcare
Harford County Government	1,379	2.30%	Government
Saks Fifth Avenue	863	1.44%	Retailer
Frito-Lay	565	0.94%	Manufacturing
The GAP-Atlantic Dist. Ctr.	515	0.86%	Retailer
Michel Distribution Services	440	0.73%	Warehouse
TOTAL	21,000	35.02%	
Total Employees in Harford County (Data available for county only)	59,968		

Source:

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

Table 17

<u>Function</u>	<u>Full-time Equivalent City Government Employees by Function</u>									
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
General Government										
Mayor and Council	5	5	5	5	5	5	5	5	5	5
Administration	5	5	4	4	5	3	3	3	3	2
Finance	6	6	7	7	6	6	6	6	6	6
Planning	4	4	4	4	3	3	2	2	2	2
Human Resources	1	1	1	1	1	1	1	1	1	1
Building Custodian	1	1	1	1	-	-	-	-	-	-
Public Safety										
Police										
Officers	45	46	46	45	41	39	39	39	39	39
Civilians	14	14	14	14	14	12	12	12	12	12
Building (Construction) Inspection	1	1	1	1	1	1	1	1	1	1
Public Works	78	78	74	73	69	54	40	40	40	40
Sanitation	8	8	8	7	7	7	-	-	-	-
Parks and Recreation	-	-	-	-	-	-	-	-	-	-
Total	168	169	165	161	152	131	109	109	109	108

Source: City Fiscal Year Budgets

**Operating Indicators By Function
Last Ten Fiscal Years**

Table 18

<u>Function</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
General Government										
Construction Permits Issued	305	306	460	588	626	215	284	115	63	72
Estimated Value of Construction	\$ 72,730,957	\$ 32,886,480	\$ 17,348,304	\$ 45,420,588	\$ 29,979,342	\$ 60,960,339	\$ 25,312,583	\$ 26,123,000	\$ 9,200,660	\$ 50,251,951
Public Safety										
Traffic Contacts	3,998	5,741	4,180	3,504	3,478	2,995	3,236	3,295	3,991	2,960
Calls for Service	38,341	49,969	52,550	46,729	46,029	42,721	42,715	38,725	40,856	31,732
Public Works										
Street Resurfacing (miles)	0.98	2.05	2.22	1.22	1.40	1.46	1.04	1.06	2.10	1.74
Sidewalk Replacement/Repair (miles)	0.04	0.08	0.03	0.03	0.02	-	-	-	0.09	0.05
Stormwater Ponds Managed	10	10	10	2	3	2	2	18	1	3
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	11	19	25	134	38	47	43	-	-	-
Water Main/Lateral Breaks	44.0	54.0	26.0	145.0	-	-	-	-	-	-
Average Daily Consumption (millions of gallons)	1.333	1.410	1.502	1.531	1.540	1.473	1.545	1.638	1.602	1.681
Sewer										
Sewer Main/Lateral Breaks	14.0	10.0	6.0	5.0	-	-	-	-	-	-
Average Daily Sewage Treatment (millions of gallons)	1.97	1.69	1.76	1.90	2.02	1.82	1.91	2.18	1.53	1.49

Source: Various City departments

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

Table 19

<u>Function</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Public Safety - Police										
Stations	1	1	1	1	1	1	1	1	1	1
Vehicles	54	53	52	48	47	40	40	40	38	-
Highways and Streets										
Streets (miles)	72.92	72.67	72.67	72.55	71.47	68.76	68.42	67.77	67.57	67.44
Storm Sewers (miles)	15.00	15.00	15.00	14.25	13.24	12.76	12.70	12.58	12.54	12.51
Catch Basins	1,013	1,013	1,013	1,009	942	906	902	896	892	890
Street Lights	1,753	1,753	1,748	1,717	-	-	-	-	-	-
Culture and Recreation										
Number of Parks/Playgrounds	8	8	8	8	8	8	8	8	8	6
Park Acreage	36.98	36.98	34.06	34.06	34.06	34.06	34.06	34.06	34.06	33.32
Tennis Courts	1	1	2	2	2	2	2	2	2	-
Water										
Treatment Plants	1	1	1	1	1	1	1	1	1	1
Wells	16	16	16	17	13	13	12	11	11	11
Reservoirs	-	-	-	-	-	-	-	-	-	-
Water Towers	4	4	4	4	4	4	4	4	4	4
Pumping Stations	4	4	4	4	4	4	4	4	4	4
Maximum Daily Capacity (million gallons)	2.00	2.50	2.50	2.50	2.37	2.21	2.16	2.47	2.26	2.25
Number of Customer Accounts	4,759	4,963	4,773	4,758	4,720	4,727	4,624	4,525	4,461	4,438
Water Mains (miles)	66.73	66.23	66.23	65.30	64.32	61.88	61.59	60.99	60.81	60.70
Fire Hydrants	517	502	502	483	470	453	451	447	446	445
Wastewater										
Treatment Plants	1	1	1	1	1	1	1	1	1	1
Maximum Daily Treatment Capacity (million gallons)	4.00	4.00	4.00	4.00	4.21	4.01	3.92	4.38	2.66	2.61
Pumping Stations	10	10	10	10	10	9	10	10	10	9
Sanitary Sewers (miles)	68.79	68.54	68.54	68.10	67.54	64.97	64.67	64.03	63.01	63.73

Source: Various city departments