

# City Of Aberdeen, Maryland

Comprehensive Annual Financial Report  
June 30, 2011

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October 31, 2011

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, 2011, 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, 2011 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, 2011 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 14,959 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 66 and 70 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.

In 2005, Congress completed its BRAC (Base Realignment and Closure) process. APG had had its mission changed from ordinance development, testing and training to high tech electronic research and development. As a result, it is projected that jobs at APG will grow from 17,450 to between 27,000 and 32,000, including contractors, by 2015. 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, 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*** – In October 2011, Fitch Ratings, and Standard and Poor's Rating Services assigned their AA rating to the City.

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. Construction has begun on these projects and is expected to be completed in FY 2013. These projects are estimated to cost about \$25 million. The upgrades are financed through 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, 2010. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.


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

#### ***ACKNOWLEDGMENTS***


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

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

Respectfully submitted,



Douglas R. Miller  
City Manager



Opiribo Jack, CPA  
Director of Finance

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Aberdeen  
Maryland

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2010

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.



*Linda C. Dandson*

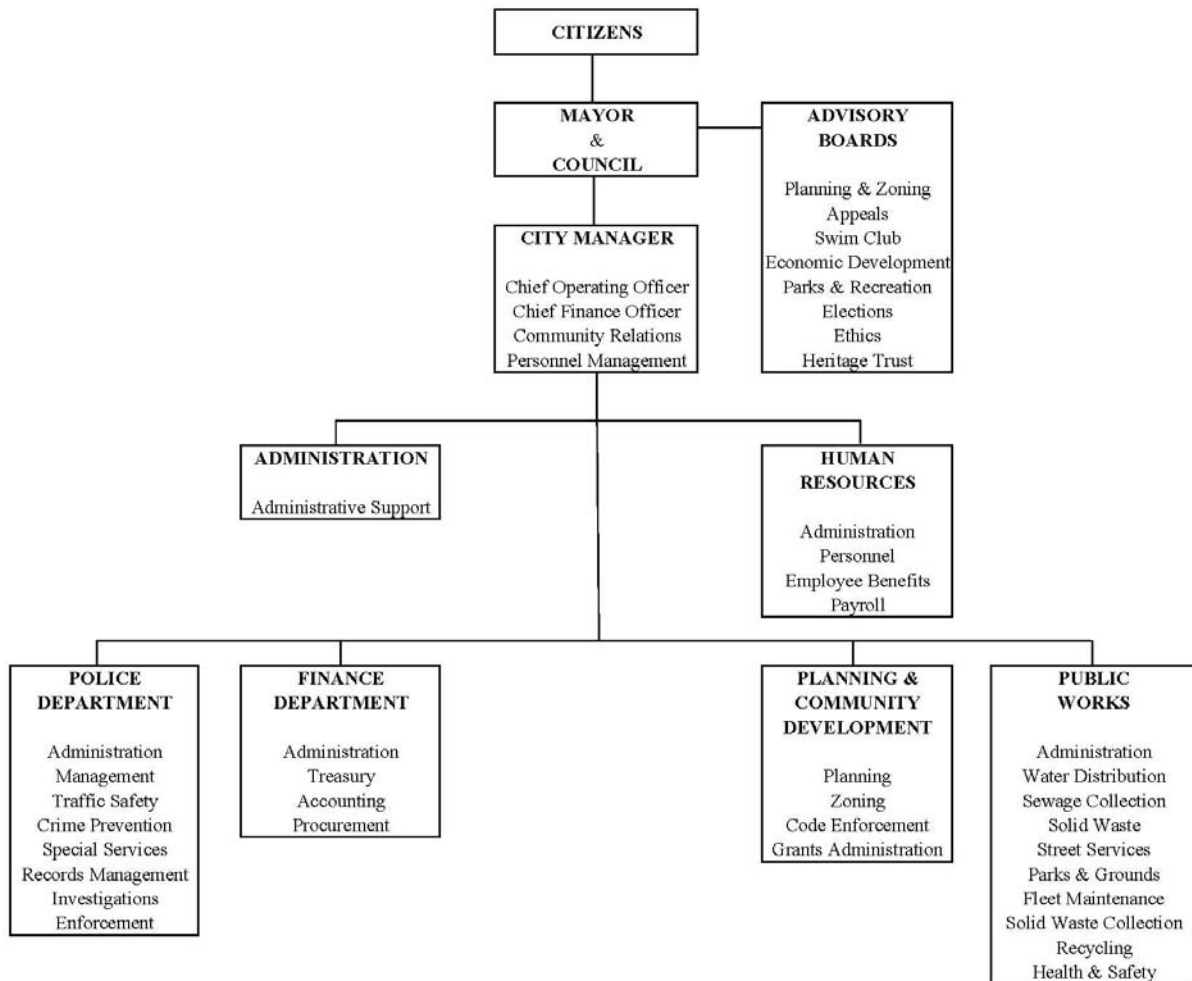
President

*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, 2011

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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. Henry Trabert
Director of Public Works	Mr. Matt Lapinsky
Director of Planning & Community Development	Mrs. Phyllis Grover
City Attorneys	Stark & Keenan, PA
Bond Counsel	Royston, Mueller, McLean & Reid, LLP



## 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, 2011, 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, 2011 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 discussed in Note 12, the City of Aberdeen changed its method of accounting for inventory in the Water Fund and Sewer Fund.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 31, 2011 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 and 63 through 65 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 31, 2011

# City of Aberdeen, Maryland

## Management's Discussion and Analysis

### June 30, 2011

#### 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, 2011. 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 \$47.4 million (*net assets*). Of this amount, \$3.8 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 \$8.3 million. Most of this increase is attributable to increases in property tax revenues, charges for services and, sewer fund capital grants and contributions.
3. The City's total long-term liabilities increased by \$5.3 million during the current fiscal year from \$17.8 million to \$23.2 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 \$6.8 million. This represents an increase of \$2.2 million over the prior year. About 86.8% (\$5.9 million) is unassigned and is available for spending at the City's discretion.
5. At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5.9 million or 45.4% of total General Fund expenditures (including transfers).

#### 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, 2011**

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 projects 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.

**City of Aberdeen, Maryland**  
**Management's Discussion and Analysis**  
**June 30, 2011**

**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 62 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 63 to 65 of this report. Other supplementary information as noted in the table of contents can be found on pages 66 to 70 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 \$47.4 million at the close of the most recent fiscal year. City of Aberdeen net assets are divided into three categories – invested in capital assets (net of related debt), restricted net assets and unrestricted net assets.

The largest portion of the City's net assets (90.3%) 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 1.8% of total net assets. Restricted net assets are resources that are subject to external restrictions on how they may be used.

Unrestricted net assets of the government have a balance of \$3.8 million (7.9% 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 \$1.1 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.

The City's net assets experienced a 21.2% increase. This reflects the increase in tax revenues, utility usage charges and, sewer fund capital grants and contributions.

**City of Aberdeen, Maryland**  
**Management's Discussion and Analysis**  
June 30, 2011

The following table summarizes the net assets for governmental and business-type activities as of June 30, 2011 and 2010:

	Governmental Activities (000)		Business-type Activities (000)		Total (000)	
	2011	2010	2011	2010	2011	2010
<b>Assets</b>						
Current and other assets	\$ 9,012	\$ 7,502	\$ 1,845	\$ 2,827	\$ 10,857	\$ 10,329
Capital assets, net	18,585	19,003	43,927	32,721	62,512	51,724
<b>Total assets</b>	<b>27,597</b>	<b>26,505</b>	<b>45,772</b>	<b>35,548</b>	<b>73,369</b>	<b>62,053</b>
<b>Liabilities</b>						
Long-term liabilities	7,394	7,845	15,767	9,992	23,161	17,837
Other liabilities	1,747	2,414	1,075	2,257	2,822	4,671
<b>Total liabilities</b>	<b>9,141</b>	<b>10,259</b>	<b>16,842</b>	<b>12,249</b>	<b>25,983</b>	<b>22,508</b>
<b>Net Assets</b>						
Invested in capital assets, net of related debt	13,080	13,244	29,693	24,466	42,773	37,710
Restricted	425	452	331	-	756	452
Unrestricted	4,951	2,550	(1,094)	(1,167)	3,857	1,383
<b>Total Net Assets</b>	<b>\$ 18,456</b>	<b>\$ 16,246</b>	<b>\$ 28,930</b>	<b>\$ 23,299</b>	<b>\$ 47,386</b>	<b>\$ 39,545</b>



**City of Aberdeen, Maryland**  
**Management's Discussion and Analysis**  
June 30, 2011

The following table indicates the changes in net assets for governmental and business-type activities for the years ended June 30, 2011 and 2010:

	Governmental Activities (000)		Business-type Activities (000)		Total (000)	
	2011	2010	2011	2010	2011	2010
<b>Revenues</b>						
<b>Program revenues</b>						
Charges for service	\$ 2,705	\$ 2,249	\$ 6,253	\$ 4,749	\$ 8,958	\$ 6,998
Operating grants	1,237	1,176	-	-	1,237	1,176
Capital grants	21	942	5,335	601	5,356	1,543
<b>General revenues</b>						
Property taxes	9,653	9,090	-	-	9,653	9,090
State shared taxes	1,320	1,121	-	228	1,320	1,349
Miscellaneous	283	178	50	18	333	196
<b>Total revenues</b>	<u>15,219</u>	<u>14,756</u>	<u>11,638</u>	<u>5,596</u>	<u>26,857</u>	<u>20,352</u>
<b>Program Expenses</b>						
General government	3,058	2,777	-	-	3,058	2,777
Public safety	5,409	5,890	-	-	5,409	5,890
Public works	3,878	4,270	-	-	3,878	4,270
Parks and recreation	71	149	-	-	71	149
Interest on long-term debt	301	324	-	-	301	324
Utilities and other enterprise funds	-	-	5,850	5,560	5,850	5,560
<b>Total expenses</b>	<u>12,717</u>	<u>13,410</u>	<u>5,850</u>	<u>5,560</u>	<u>18,567</u>	<u>18,970</u>
<b>Increase in net assets before transfers</b>	2,502	1,346	5,788	36	8,290	1,382
<b>Transfers</b>	<u>(292)</u>	<u>(535)</u>	<u>292</u>	<u>535</u>	<u>-</u>	<u>-</u>
<b>Increase in net assets</b>	2,210	811	6,080	571	8,290	1,382
<b>Net Assets, July 1 (as restated)</b>	<u>16,246</u>	<u>15,435</u>	<u>22,850</u>	<u>22,728</u>	<u>39,096</u>	<u>38,163</u>
<b>Net Assets, June 30</b>	<u>\$ 18,456</u>	<u>\$ 16,246</u>	<u>\$ 28,930</u>	<u>\$ 23,299</u>	<u>\$ 47,386</u>	<u>\$ 39,545</u>

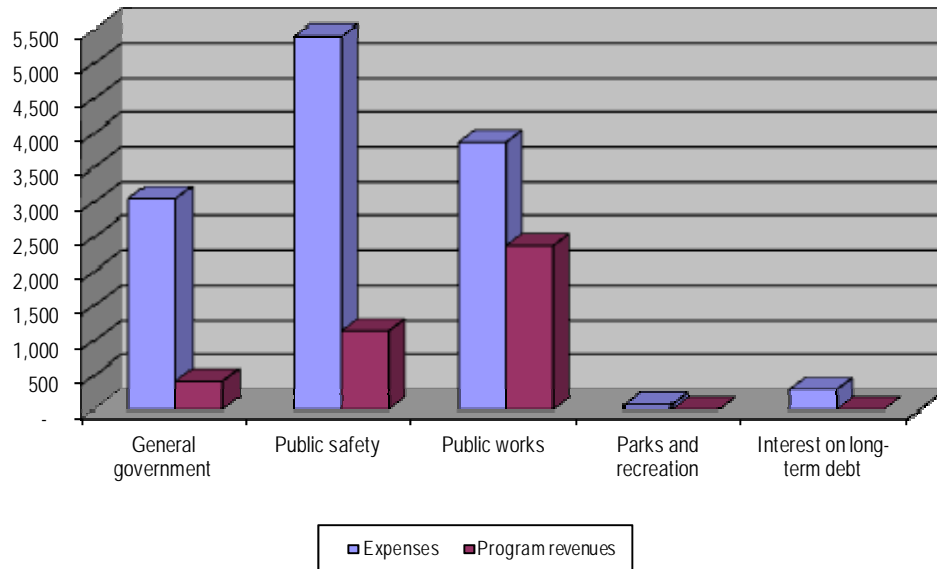
**Governmental activities:** The increase in net assets for governmental activities was \$2.2 million. The line items that had significant increases compared to 2010 are listed below:

- Property taxes increased by \$563 thousand or 6.2% 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.
- Charges for services increased \$456 thousand or 20.3% largely due to increases in APG water and sewer management fees.
- Expenses decreased by \$693 thousand or 5.2% from the prior year. The major changes in expenses from the prior year can mostly be attributed to: unfilled vacant positions, savings in medical insurance premiums, and controlled spending.

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**Management's Discussion and Analysis**  
June 30, 2011

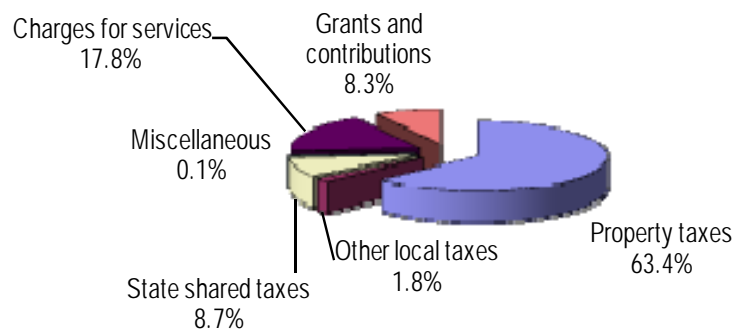
The following chart compares the Expenses and Program Revenues of the City's Governmental Activities:

**Expenses and Program Revenues Governmental Activities (000)**



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

**Revenues by Source Governmental Activities**



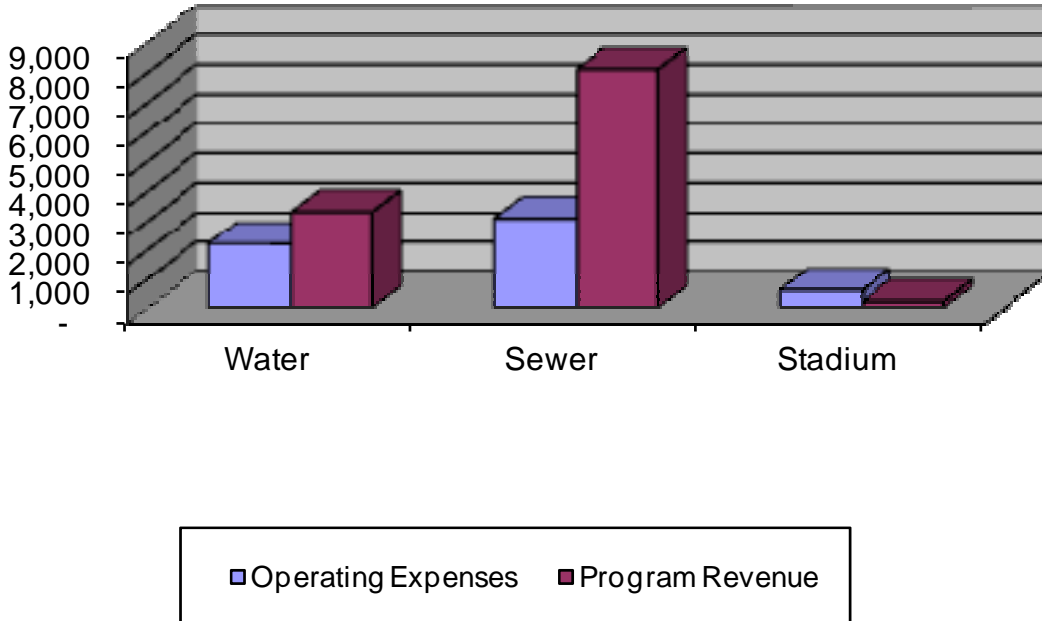
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**Business-type Activities:** Business-type activities increased the City's net assets by \$6.1 million, which is \$5.5 million more than the increase from 2010 to 2011. Key elements of this increase are as follows:

- Capital grants and contributions increased \$4.7 million due to increased state funding for capitalized upgrades to the wastewater treatment plant, which resulted in program revenue significantly exceeding expenses.
- Charges for services increased \$1.5 million due to increased consumption levels, APG management fees, and the establishment of the ENR fee which will be utilized for debt service payments.
- Business-type expenses remained relatively consistent with the previous year. Payments for upgrades to the wastewater treatment plant have been capitalized and therefore, are not recorded as expenses when incurred.

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

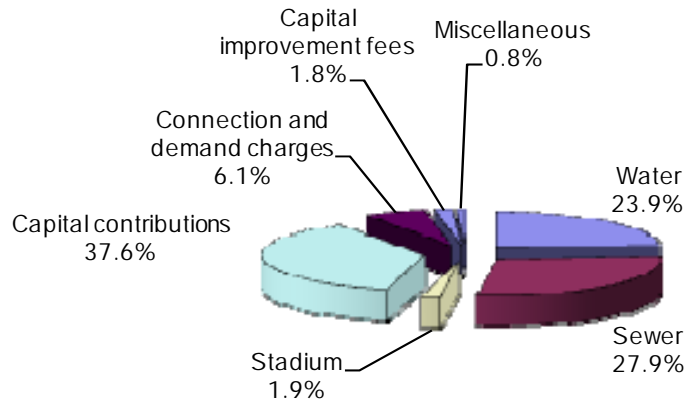
**Expenses and Program Revenues Business-Type Activities (000)**



**City of Aberdeen, Maryland**  
**Management's Discussion and Analysis**  
**June 30, 2011**

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

As of the end of the current fiscal year, the City of Aberdeen's governmental funds reported combined ending balances of \$6.8 million, an increase of \$2.2 million in comparison with the prior year. Approximately 86.8% of this total amount (\$5.9 million) constitutes unassigned fund balance, which represents working capital available to support governmental operating needs and future years' expenditures. The remainder of fund balance is classified to reflect constraints on the City's remaining fund balance, including: 1) non-spendable fund balance for other assets, including prepaid items, inventory, and long-term receivables (\$31 thousand), 2) restricted for community development (\$521 thousand), and 3) assigned balances for storm water management and capital projects (\$341 thousand).

The General Fund is the chief operating fund of the City of Aberdeen. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$5.9 million, which represents 99.5% of total fund balance. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 45.4% of total General Fund expenditures (including transfers), while total fund balance represents 45.7% of that same amount. The General Fund balance increased by \$2.2 million during the current fiscal year.

# City of Aberdeen, Maryland

## Management's Discussion and Analysis

### June 30, 2011

The key elements are:

- Total revenues increased compared to the prior year by \$1.4 million.
- Taxes increased \$809 thousand due to new growth and increased property values as assessed by the State Department of Assessment and Taxation.
- APG management fees increased \$581 thousand due to fiscal year 2011 being the first full year under the new overhead allocation methodology.
- Total expenditures remained consistent with the prior year.

Financial resources of the Capital Project Fund are used in the acquisition or construction of major capital projects not financed by the proprietary funds. At the end of the current fiscal year, fund balance of \$160 thousand was assigned to storm water management, and the remaining fund balance of \$180 thousand was assigned to capital projects for a total fund balance of \$340 thousand. The fund balance increased by \$35 thousand during the current fiscal year.

The key element is:

- Intergovernmental revenues decreased from the prior year by \$858 thousand largely due to lower Community Development Block Grant revenue and one-time federal funding in fiscal year 2010 which was not obtained in fiscal year 2011.
- The reduction in revenue was offset with a \$648 thousand decrease in expenditures and a \$414 thousand increase in operating transfers in from the General Fund.

**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 surplus of \$1.2 million for the Water Fund, a deficit of \$2.4 million for the Sewer Fund, and a surplus of \$154 thousand for the Stadium Fund. The total net assets increased by \$6.1 million. 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 \$271 thousand (2.4%) over the original budget to adjust for situations arising during the year. The most significant increases relate to a \$106 thousand increase in required pension contributions, \$80 thousand increase for lighting replacements at City Hall and a \$33 thousand increase for swimming pool repairs.

### 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, 2011, amounts to \$62.5 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 \$10.8 million or 20.9% (a 2.2% decrease for governmental activities and a 34.3% increase for business-type activities). The major capital asset activities in the current year included water system capital projects totaling approximately \$5.4 million and upgrades to the waste water treatment plant totaling approximately \$7.4 million.

**City of Aberdeen, Maryland**  
**Management's Discussion and Analysis**  
June 30, 2011

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

	Governmental Activities (000)		Business-type Activities (000)		Total (000)	
	2011	2010	2011	2010	2011	2010
Land	\$ 4,471	\$ 4,471	\$ 1,904	\$ 1,904	\$ 6,375	\$ 6,375
Buildings	5,220	5,358	15,672	16,149	20,892	21,507
Improvements other than buildings	9	12	22	24	31	36
Machinery and equipment	1,058	1,068	1,573	1,646	2,631	2,714
Vehicles	564	669	-	-	564	669
Recreational facilities	201	187	-	-	201	187
Infrastructure	6,942	7,205	-	-	6,942	7,205
Water and sewer systems	-	-	15,360	10,018	15,360	10,018
Construction in progress	120	33	9,396	2,980	9,516	3,013
<b>Total</b>	<b>\$ 18,585</b>	<b>\$ 19,003</b>	<b>\$ 43,927</b>	<b>\$ 32,721</b>	<b>\$ 62,512</b>	<b>\$ 51,724</b>

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

**Long-term debt.** At the end of the current fiscal year, the City of Aberdeen had total long-term liabilities outstanding of \$23.2 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)	
	2011	2010	2011	2010	2011	2010
General obligation	\$ 4,758	\$ 4,969	\$ 12,669	\$ 8,271	\$ 17,427	\$ 13,240
Notes payable	711	797	2,759	1,333	3,470	2,130
Financing agreement	36	144	-	-	36	144
Compensated absences	391	1,082	117	276	508	1,358
Net pension obligation	112	121	-	-	112	121
OPEB obligation	1,386	732	222	112	1,608	844
<b>Total</b>	<b>\$ 7,394</b>	<b>\$ 7,845</b>	<b>\$ 15,767</b>	<b>\$ 9,992</b>	<b>\$ 23,161</b>	<b>\$ 17,837</b>

During the current fiscal year the City of Aberdeen's total long-term liabilities increased by \$5.3 million or 30.0%. The City obtained a new water fund infrastructure bond in the amount of \$5.0 million and new MDE loans for wastewater treatment plan upgrades with proceeds totaling \$1.7 million during the year. The City has strictly adhered to its debt repayment amortization schedules.

**City of Aberdeen, Maryland**  
**Management's Discussion and Analysis**  
**June 30, 2011**

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, 2011. Additional information on the City of Aberdeen's long-term liabilities can be found in Note 7, pages 46 through 50 of this report

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

- Regional employment that also impacts the City has been stable and is expected to remain stable. Harford County unemployment rates are lower than many other Maryland counties and Maryland unemployment rates are lower than most states in the country.
- The U.S. Army is currently adding jobs (mostly civilian) to the Aberdeen Proving Grounds as a result of BRAC (Base Realignment and Closure). 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 was decreased to \$0.6800 per \$100 of assessed value for the FY 2012 budget.
- The water base rate remains unchanged at \$14.50 and the Sewer base rate was increased to \$17.02 for the FY 2012 budget.

All of these factors were considered in preparing the City of Aberdeen's budget for fiscal year 2012.

**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, 2011

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash	\$ 3,170,648	\$ 1,784,917	\$ 4,955,565
Receivables, current	1,145,008	2,865,908	4,010,916
Notes receivable, current	-	36,356	36,356
Prepays	8,478	-	8,478
Internal balances	4,508,327	(4,508,327)	-
Inventory	16,939	108,482	125,421
Receivables, noncurrent	22,245	242,552	264,797
Deferred charges	140,436	98,462	238,898
Temporarily restricted assets - cash	-	1,216,193	1,216,193
Capital assets:			
Nondepreciable assets	4,590,953	11,299,963	15,890,916
Net of accumulated depreciation	13,994,081	32,627,303	46,621,384
<b>Total assets</b>	<b>27,597,115</b>	<b>45,771,809</b>	<b>73,368,924</b>
<b>Liabilities</b>			
Line of credit	594,981	-	594,981
Accounts payable	328,731	907,399	1,236,130
Accrued liabilities	262,306	167,607	429,913
Unearned revenue	255,886	-	255,886
Other liabilities	305,447	-	305,447
Noncurrent liabilities:			
Due within one year	531,017	1,063,914	1,594,931
Due in more than one year	6,862,893	14,702,964	21,565,857
<b>Total liabilities</b>	<b>9,141,261</b>	<b>16,841,884</b>	<b>25,983,145</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	13,080,163	29,692,671	42,772,834
Restricted for:			
Community development	521,296	-	521,296
Debt service	-	331,641	331,641
Unrestricted	4,854,395	(1,094,387)	3,760,008
<b>Total net assets</b>	<b>\$ 18,455,854</b>	<b>\$ 28,929,925</b>	<b>\$ 47,385,779</b>

See Notes To Basic Financial Statements.



City Of Aberdeen, Maryland

Statement Of Activities  
Year Ended June 30, 2011

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	\$ 3,058,171	\$ 356,149	\$ 54,822	\$ 15,497	\$ (2,631,703)	\$ -	\$ (2,631,703)
Public safety	5,408,853	14,468	1,135,370	4,977	(4,254,038)	-	(4,254,038)
Public works	3,877,699	2,334,406	47,244	-	(1,496,049)	-	(1,496,049)
Parks and recreation	70,806	-	-	-	(70,806)	-	(70,806)
Interest on long-term debt	301,412	-	-	-	(301,412)	-	(301,412)
<b>Total governmental activities</b>	<b>12,716,941</b>	<b>2,705,023</b>	<b>1,237,436</b>	<b>20,474</b>	<b>(8,754,008)</b>	<b>-</b>	<b>(8,754,008)</b>
Business-type activities:							
Water	2,191,486	2,779,442	-	505,172	-	1,093,128	1,093,128
Sewer	3,059,799	3,250,654	-	4,829,383	-	5,020,238	5,020,238
Stadium	598,721	222,869	-	-	-	(375,852)	(375,852)
<b>Total business-type activities</b>	<b>5,850,006</b>	<b>6,252,965</b>	<b>-</b>	<b>5,334,555</b>	<b>-</b>	<b>5,737,514</b>	<b>5,737,514</b>
<b>Total primary government</b>	<b>\$ 18,566,947</b>	<b>\$ 8,957,988</b>	<b>\$ 1,237,436</b>	<b>\$ 5,355,029</b>	<b>(8,754,008)</b>	<b>5,737,514</b>	<b>(3,016,494)</b>
General revenues:							
Property tax					9,652,855	-	9,652,855
Other local taxes					274,763	-	274,763
State shared taxes, unrestricted					1,320,327	-	1,320,327
Interest earnings					8,154	50,245	58,399
Transfers					(292,178)	292,178	-
<b>Total general revenues and transfers</b>					<b>10,963,921</b>	<b>342,423</b>	<b>11,306,344</b>
<b>Change in net assets</b>					<b>2,209,913</b>	<b>6,079,937</b>	<b>8,289,850</b>
Net assets:							
Beginning, as restated (Note 12)					16,245,941	22,849,988	39,095,929
Ending					<b>\$ 18,455,854</b>	<b>\$ 28,929,925</b>	<b>\$ 47,385,779</b>

See Notes To Basic Financial Statements.

City Of Aberdeen, Maryland

Balance Sheet - Governmental Funds  
June 30, 2011

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
<b>Assets</b>				
Cash	\$ 2,337,068	\$ 440,403	\$ 393,177	\$ 3,170,648
Receivables (net of allowance for uncollectibles)	1,046,219	120,874	160	1,167,253
Due from other funds	4,675,111	-	328,027	5,003,138
Prepays	8,478	-	-	8,478
Inventory	16,939	-	-	16,939
<b>Total assets</b>	<b>\$ 8,083,815</b>	<b>\$ 561,277</b>	<b>\$ 721,364</b>	<b>\$ 9,366,456</b>
<b>Liabilities</b>				
Line of credit	\$ 594,981	\$ -	\$ -	\$ 594,981
Accounts payable	242,914	-	85,817	328,731
Due to other funds	254,683	39,981	200,147	494,811
Accrued liabilities	262,306	-	-	262,306
Earned but not available revenue	357,635	-	160	357,795
Deferred revenue	161,291	-	94,595	255,886
Other liabilities	305,447	-	-	305,447
<b>Total liabilities</b>	<b>2,179,257</b>	<b>39,981</b>	<b>380,719</b>	<b>2,599,957</b>
<b>Fund Balances</b>				
Non-spendable:				
Prepaid	8,478	-	-	8,478
Inventory	16,939	-	-	16,939
Receivables	5,532	-	-	5,532
Restricted:				
Community development	-	521,296	-	521,296
Assigned:				
Stormwater management	-	-	160,243	160,243
Capital projects	-	-	180,402	180,402
Unassigned:	5,873,609	-	-	5,873,609
<b>Total fund balances</b>	<b>5,904,558</b>	<b>521,296</b>	<b>340,645</b>	<b>6,766,499</b>
<b>Total liabilities and fund balances</b>	<b>\$ 8,083,815</b>	<b>\$ 561,277</b>	<b>\$ 721,364</b>	<b>\$ 9,366,456</b>

See Notes To Basic Financial Statements.

City Of Aberdeen, Maryland

Reconciliation Of The Governmental Funds Balance Sheet  
To The Statement Of Net Assets  
June 30, 2011

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Total fund balances - governmental funds	\$	6,766,499
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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	35,433,378	
Accumulated depreciation	<u>(16,848,344)</u>	18,585,034

Bond issuance costs expensed by the funds at the time of issuance but deferred and amortized in the governmental statement of activities.	140,436
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Long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	357,795
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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	(4,757,600)	
Notes payable	(710,882)	
Financing agreement	(36,389)	
Net pension obligation	(111,717)	
Net OPEB obligation	(1,386,296)	
Accumulated unused compensated absences	<u>(391,026)</u>	<u>(7,393,910)</u>

<b>Net assets of governmental activities</b>	<b>\$</b>	<b><u><u>18,455,854</u></u></b>
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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, 2011

	General Fund	Special Revenue	Capital Projects Fund	Total Governmental Funds
Revenues:				
Taxes	\$ 11,252,818	\$ -	\$ -	\$ 11,252,818
Licenses and permits	125,997	-	-	125,997
Intergovernmental	1,194,206	56,018	46,690	1,296,914
APG management fees	2,251,434	-	-	2,251,434
Miscellaneous	346,583	3,914	270	350,767
<b>Total revenues</b>	<b>15,171,038</b>	<b>59,932</b>	<b>46,960</b>	<b>15,277,930</b>
Expenditures:				
Current:				
General government	1,594,632	56,755	62,672	1,714,059
Public safety	3,836,300	-	90,165	3,926,465
Public works	3,353,583	-	273,649	3,627,232
Parks and recreation	84,907	-	-	84,907
Miscellaneous	2,684,113	-	-	2,684,113
Debt service:				
Principal	369,636	35,284	-	404,920
Interest	301,412	-	-	301,412
<b>Total expenditures</b>	<b>12,224,583</b>	<b>92,039</b>	<b>426,486</b>	<b>12,743,108</b>
<b>Excess (deficiency) of revenue over (under) expenditures</b>	<b>2,946,455</b>	<b>(32,107)</b>	<b>(379,526)</b>	<b>2,534,822</b>
Other financing sources (uses):				
Transfers in (out)	(706,678)	-	414,500	(292,178)
<b>Net change in fund balances</b>	<b>2,239,777</b>	<b>(32,107)</b>	<b>34,974</b>	<b>2,242,644</b>
Fund balance:				
Beginning	3,664,781	553,403	305,671	4,523,855
Ending	<u>\$ 5,904,558</u>	<u>\$ 521,296</u>	<u>\$ 340,645</u>	<u>\$ 6,766,499</u>

See Notes To Basic Financial Statements.

City Of Aberdeen, Maryland

Reconciliation Of The Governmental Funds Statement Of Revenues,  
Expenditures, And Changes In Fund Balances To The Statement Of Activities  
Year Ended June 30, 2011

Total net change in fund balances - governmental funds	\$ 2,242,644
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation of \$918,703 exceeded capital outlays of \$513,840 in the current period.	(404,863)
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In the statement of activities, only the gain/loss on the disposition of capital assets is reported, whereas in the governmental funds, the entire proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balances by costs of the capital assets of \$395,744 sold, less any accumulated depreciation of \$382,288.	(13,456)
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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, compensated absences used or forfeited, was more than the amount earned by \$690,671.	690,671
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The net pension obligation is not an expenditure in the governmental funds until paid, whereas they are expensed in the statement of activities when incurred. This year, the net pension obligation decreased.	9,160
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The OPEB obligation is not an expenditure in the governmental funds until paid, whereas they are expensed in the statement of activities when incurred. This year, the OPEB obligation increased.	(653,981)
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Long-term debt repayments are an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of long-term repayments for 2011.	404,920
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Bond issuance costs related to long-term debt is an expenditure in the general fund, however, this cost increases noncurrent assets in the statement of net assets. This is the amount of amortization expense.	(10,198)
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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.	(54,984)
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<b>Change in net assets of governmental activities</b>	<b>\$ 2,209,913</b>
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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, 2011

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 10,434,681	\$ 10,434,681	\$ 11,253,632	\$ 818,951
Licenses and permits	125,500	125,500	125,997	497
Intergovernmental	1,064,916	1,152,544	1,194,206	41,662
APG management fees	224,000	224,000	1,098,095	874,095
Miscellaneous	323,783	347,449	346,583	(866)
<b>Total revenues</b>	<b>12,172,880</b>	<b>12,284,174</b>	<b>14,018,513</b>	<b>1,734,339</b>
Expenditures:				
Current:				
General government	1,697,043	1,690,949	1,594,632	96,317
Public safety	3,924,189	3,977,127	3,836,300	140,827
Public works	2,325,644	2,346,944	2,200,244	146,700
Parks and recreation	54,500	96,500	84,907	11,593
Miscellaneous	2,677,011	2,837,260	2,654,139	183,121
Debt service:				
Principal	493,689	493,689	494,636	(947)
Interest	303,626	304,626	302,921	1,705
<b>Total expenditures</b>	<b>11,475,702</b>	<b>11,747,095</b>	<b>11,167,779</b>	<b>579,316</b>
Other financing sources (uses):				
Appropriation of fund balance	-	169,599	-	(169,599)
Transfers out	(697,178)	(706,678)	(706,678)	-
<b>Total other financing sources (uses)</b>	<b>(697,178)</b>	<b>(537,079)</b>	<b>(706,678)</b>	<b>(169,599)</b>
<b>Net change in fund balance - budgetary basis</b>	<b>\$ -</b>	<b>\$ -</b>	<b>2,144,056</b>	<b>\$ 2,144,056</b>
Adjustments to conform with generally accepted accounting principles (GAAP)			<u>95,721</u>	
Net change in fund balance - GAAP basis			2,239,777	
Fund balance:				
Beginning			<u>3,664,781</u>	
Ending			<u>\$ 5,904,558</u>	

See Notes To Basic Financial Statements.

City Of Aberdeen, Maryland

Statement Of Net Assets - Proprietary Funds  
June 30, 2011

	Business Type Activities - Enterprise Funds			
	Water	Sewer	Stadium	Total
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 781,519	\$ 741,405	\$ 261,993	\$ 1,784,917
Receivables, current	440,473	2,410,086	15,349	2,865,908
Notes receivable, current	-	-	36,356	36,356
Due from other funds	254,683	17,524	50,000	322,207
Inventory	54,161	54,321	-	108,482
	<u>1,530,836</u>	<u>3,223,336</u>	<u>363,698</u>	<u>5,117,870</u>
Noncurrent assets:				
Temporarily restricted assets - cash	1,095,193	121,000	-	1,216,193
Receivables, noncurrent	-	242,552	-	242,552
Bond issue costs	98,462	-	-	98,462
Capital assets, net	10,701,636	20,286,750	12,938,880	43,927,266
	<u>11,895,291</u>	<u>20,650,302</u>	<u>12,938,880</u>	<u>45,484,473</u>
<b>Total assets</b>	<u>13,426,127</u>	<u>23,873,638</u>	<u>13,302,578</u>	<u>50,602,343</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	142,513	760,461	4,425	907,399
Due to other funds	107,452	4,562,533	160,549	4,830,534
Accrued liabilities	60,998	61,538	45,071	167,607
Notes payable	158,676	87,341	36,313	282,330
Bonds payable	320,516	-	401,500	722,016
Compensated absences	7,073	52,495	-	59,568
	<u>797,228</u>	<u>5,524,368</u>	<u>647,858</u>	<u>6,969,454</u>
Noncurrent liabilities:				
Notes payable	452,481	2,021,097	3,026	2,476,604
Bonds payable	7,217,200	-	4,730,100	11,947,300
Compensated absences	8,944	48,661	-	57,605
OPEB liabilities	21,099	200,356	-	221,455
	<u>7,699,724</u>	<u>2,270,114</u>	<u>4,733,126</u>	<u>14,702,964</u>
<b>Total liabilities</b>	<u>8,496,952</u>	<u>7,794,482</u>	<u>5,380,984</u>	<u>21,672,418</u>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	3,746,418	18,178,312	7,767,941	29,692,671
Restricted for debt service	-	331,641	-	331,641
Unrestricted	1,182,757	(2,430,797)	153,653	(1,094,387)
<b>Total net assets</b>	<u>\$ 4,929,175</u>	<u>\$ 16,079,156</u>	<u>\$ 7,921,594</u>	<u>\$ 28,929,925</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, 2011

	Business-Type Activities - Enterprise Funds			
	Water Utility	Sewer Utility	Stadium	Total
Operating revenues:				
Charges for services	\$ 2,159,622	\$ 2,895,631	\$ 183,780	\$ 5,239,033
Other operating revenues	233,375	336,621	39,089	609,085
Miscellaneous	386,445	18,402	-	404,847
	<u>2,779,442</u>	<u>3,250,654</u>	<u>222,869</u>	<u>6,252,965</u>
Operating expenses:				
Cost of service	1,241,177	2,274,988	-	3,516,165
Other operating expenses	163,178	238,017	38,141	439,336
Depreciation	488,911	516,497	273,735	1,279,143
	<u>1,893,266</u>	<u>3,029,502</u>	<u>311,876</u>	<u>5,234,644</u>
<b>Operating income (loss)</b>	<u>886,176</u>	<u>221,152</u>	<u>(89,007)</u>	<u>1,018,321</u>
Non-operating revenues (expenses):				
Investment interest	1,875	2,436	2,013	6,324
Bond cost amortization	(5,691)	-	-	(5,691)
Capital demand charges	117,477	-	-	117,477
Capital connection fees	387,695	207,000	-	594,695
Interest income on notes receivable	-	-	43,921	43,921
Capital improvement assessment fees	-	210,851	-	210,851
Other fees	-	39,474	-	39,474
Loss on disposal of capital assets	-	(5,940)	-	(5,940)
Interest expense	(292,529)	(24,357)	(286,845)	(603,731)
	<u>208,827</u>	<u>429,464</u>	<u>(240,911)</u>	<u>397,380</u>
<b>Income (loss) before transfers</b>	<u>1,095,003</u>	<u>650,616</u>	<u>(329,918)</u>	<u>1,415,701</u>
Transfers in	-	-	292,178	292,178
Capital contributions	-	4,372,058	-	4,372,058
<b>Change in net assets</b>	<u>1,095,003</u>	<u>5,022,674</u>	<u>(37,740)</u>	<u>6,079,937</u>
Net Assets:				
Beginning, as restated (Note 12)	3,834,172	11,056,482	7,959,334	22,849,988
Ending	<u>\$ 4,929,175</u>	<u>\$ 16,079,156</u>	<u>\$ 7,921,594</u>	<u>\$ 28,929,925</u>

See Notes To Basic Financial Statements.



City Of Aberdeen, Maryland

Statement Of Cash Flows - Proprietary Funds  
Year Ended June 30, 2011

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Stadium	Total
<b>Cash Flows From Operating Activities:</b>				
Receipts from customers	\$ 2,115,927	\$ 2,674,515	\$ 213,330	\$ 5,003,772
Payments to employees	(507,583)	(963,719)	-	(1,471,302)
Payments to suppliers	(854,135)	(1,103,103)	(35,216)	(1,992,454)
<b>Net cash provided by operating activities</b>	<b>754,209</b>	<b>607,693</b>	<b>178,114</b>	<b>1,540,016</b>
<b>Cash Flows From Non-Capital Financing Activities:</b>				
Internal activity - payments from other funds	6,407	2,354,255	201	2,360,863
Net transfers in	-	-	292,178	292,178
<b>Net cash provided by non-capital financing activities</b>	<b>6,407</b>	<b>2,354,255</b>	<b>292,379</b>	<b>2,653,041</b>
<b>Cash Flows From Capital And Related Financing Activities:</b>				
Principal payments on notes payable	(206,795)	(80,179)	(36,314)	(323,288)
Principal payments on bonds payable	(315,212)	-	(380,000)	(695,212)
Principal payments on line of credit	(1,000,000)	-	-	(1,000,000)
Proceeds from notes payable	-	1,749,298	-	1,749,298
Proceeds from bonds payable	5,093,428	-	-	5,093,428
Payment of bond issuance costs	(49,328)	-	-	(49,328)
Interest paid	(266,024)	10,238	(289,745)	(545,531)
Capital assessment charges	-	39,474	-	39,474
Capital demand charge	117,477	-	-	117,477
Capital connection charges	387,695	207,000	-	594,695
Capital improvement fees	-	210,851	-	210,851
Capital grants	-	2,635,376	-	2,635,376
Purchase of capital assets	(4,740,365)	(7,751,175)	-	(12,491,540)
<b>Net cash used in capital and related financing activities</b>	<b>(979,124)</b>	<b>(2,979,117)</b>	<b>(706,059)</b>	<b>(4,664,300)</b>
<b>Cash Flows From Investing Activities:</b>				
Investment earnings	1,875	2,436	2,013	6,324
Principal collections on notes receivable	-	-	144,790	144,790
Interest collections increasing deferred profit on notes receivable	-	-	72,587	72,587
Interest received on note receivable	-	-	43,921	43,921
<b>Net cash provided by investing activities</b>	<b>1,875</b>	<b>2,436</b>	<b>263,311</b>	<b>267,622</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(216,633)</b>	<b>(14,733)</b>	<b>27,745</b>	<b>(203,621)</b>
<b>Cash And Cash Equivalents:</b>				
Beginning of year	2,093,345	877,138	234,248	3,204,731
End of year	\$ 1,876,712	\$ 862,405	\$ 261,993	\$ 3,001,110
<b>Reconciliation of Operating Income (Loss) To Net Cash Provided By Operating Activities</b>				
Operating income (loss)	\$ 886,176	\$ 221,152	\$ (89,007)	\$ 1,018,321
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	488,911	516,497	273,735	1,279,143
Changes in assets and liabilities:				
Accounts receivable	(174,834)	(265,407)	(9,539)	(449,780)
Prepays	-	-	3,228	3,228
Inventory	(20,515)	(1,208)	-	(21,723)
Accounts payable	(69,852)	174,274	(303)	104,119
Accrued expenses	3,410	2,879	-	6,289
Deferred revenue	(350,000)	-	-	(350,000)
Compensated absences	(19,517)	(139,536)	-	(159,053)
OPEB liabilities	10,430	99,042	-	109,472
<b>Net cash provided by operating activities</b>	<b>\$ 754,209</b>	<b>\$ 607,693</b>	<b>\$ 178,114</b>	<b>\$ 1,540,016</b>

See Notes To Basic Financial Statements.

City Of Aberdeen, Maryland

Statement Of Fiduciary Net Assets - Pension Trust Funds  
June 30, 2011

<b>Assets</b>	
Cash and short-term investments	\$ 114,406
Participant loans	331,532
	<u>445,938</u>
Investments in mutual funds, at fair-value:	
Equities	7,834,789
Fixed income	312,649
Bonds	3,663,444
	<u>11,810,882</u>
<b>Total assets</b>	<u><u>\$ 12,256,820</u></u>
<b>Net Assets</b>	
Held in trust for pension benefits	<u><u>\$ 12,256,820</u></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, 2011

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**Additions**

Contributions:

Employer contributions	\$ 941,779
Employee contributions	478,722
<b>Total contributions</b>	<u>1,420,501</u>

Investment income	1,612,324
<b>Total additions</b>	<u>3,032,825</u>

**Deductions**

Benefit payments	517,844
Administrative expenses	58,517
<b>Total deductions</b>	<u>576,361</u>

<b>Change in net assets</b>	2,456,464
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Net Assets:

Beginning	9,800,356
Ending	<u>\$ 12,256,820</u>

See Notes To Basic Financial Statements.

## City Of Aberdeen, Maryland

### Notes To Basic Financial Statements

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

The City of Aberdeen, Maryland, (City), located in Harford County, was incorporated in 1892 under the provisions of Maryland State Law. The City operates under a form of government which comprises an elected City Council (4 members) and an elected Mayor and provides such services as authorized by its Charter.

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

##### A. Reporting Entity

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

##### B. Government-wide and Fund Financial Statements

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

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

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

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

Notes To Basic Financial Statements

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

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

**C. Fund Accounting**

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

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

The City has three major governmental funds: the general fund, the special revenue fund, and the capital projects fund. The general fund is used to account for all activities of the government not accounted for in some other fund. It accounts for the normal recurring activities of the City such as public safety, public works, parks and recreation, and general government, etc. These activities are financed primarily by property taxes, other taxes, service charges, and grants from other governmental units. The special revenue fund accounts for various projects funded by various block grants. The City utilizes a capital projects fund to account for all financial resources used for acquisition or construction of major capital facilities not financed by 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. The fiduciary funds are used to report assets held in a trust or agency capacity for others and which therefore cannot be used to support the City's own programs.

Notes To Basic Financial Statements

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

**D. Measurement Focus and Basis of Accounting**

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

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

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

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

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

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

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

Notes To Basic Financial Statements

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

**E. Use of Estimates**

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

**F. Budgetary Data**

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

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

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

The policy established by the Mayor and City Council with respect to the City Budget (budgetary basis) does not conform to 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 Mayor and the City Council. Unencumbered appropriations of the operating budget lapse at the end of each fiscal year. Appropriations in the capital budget continue as authority for subsequent period expenditures, and lapse in the year of completion of the capital project.

## City Of Aberdeen, Maryland

### Notes To Basic Financial Statements

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

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

General Fund	Revenues	Expenditures And Encumbrances	Other Financing Sources (Uses)	Current Year Effect On Fund Balance
Budgetary basis:	\$ 14,018,513	\$ 11,167,779	\$ (706,678)	\$ 2,144,056
Reimbursable salaries under APG contract	1,153,339	1,153,339	-	-
Principal received on special assessments receivable	(814)	-	-	(814)
Increase in allowance for uncollectible receivables	-	33,118	-	(33,118)
Repayments on line of credit	-	(125,000)	-	125,000
Increase in prepaid expenditures	-	(3,144)	-	3,144
Decrease in accrued interest payable	-	(1,509)	-	1,509
<b>Modified accrual basis</b>	<b>\$ 15,171,038</b>	<b>\$ 12,224,583</b>	<b>\$ (706,678)</b>	<b>\$ 2,239,777</b>

#### G. Cash, Cash Equivalents and Investments

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

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

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

Temporarily restricted cash represents unspent bond proceeds which are restricted for use to certain capital improvement projects, and as a result are classified as restricted assets on the balance sheet.



## City Of Aberdeen, Maryland

### Notes To Basic Financial Statements

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

##### H. Receivables

Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history, and current economic conditions. As of June 30, 2011, management has provided an allowance for uncollectible delinquent personnel property taxes in the amount of \$203,270. 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, 2011, are reported as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which services are consumed.

##### K. Inventory

Inventory is valued at the lower of cost, on the first-in, first-out basis, or market. Inventory consists of chemicals and repair parts used in the operation of the municipal water system and sewer system. Inventory in the general fund 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

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

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

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

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

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

#### M. Earned But Not Available Revenue

Governmental funds report earned but not available revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period.

#### N. Deferred Revenue

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

#### O. Inter-fund Transactions

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

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

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

Notes To Basic Financial Statements

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Note 1. Summary Of Significant Accounting Policies (Continued)

P. 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, 2011, bond issue costs amounted to \$140,436 in the government-wide financial statements and \$98,462 in the proprietary fund statements. During the year ended June 30, 2011, amortized expense of \$10,198 and \$5,691 was recorded in the governmental activities financial statements and the proprietary fund statements, respectively.

Q. Compensated Absences

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

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

R. Fund Balance

The City was required to adopt GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* for the year ended June 30, 2011. The categories of fund balance presented in the City's financial statements have changed as a result of implementing this Statement, see changes as reported on the Balance Sheet - Governmental Funds. The Mayor and City Council must approve a motion in order to establish a fund balance commitment or assignment and only needs to approve the elimination of a fund balance commitment. The City first considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. When unrestricted amounts are considered to have been spent, the City considers committed amounts first, then assigned, and finally unassigned when a expenditure is incurred for which amounts in any of those unrestricted fund balance classifications could be used.

S. 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.

## City Of Aberdeen, Maryland

### Notes To Basic Financial Statements

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#### **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).

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, 2011 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, 2011, the City's cash and investments were not exposed to custodial credit risk.

Defined Benefit and Defined Contribution Plans 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 \$213,000.

## 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, 2011, 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	\$ 1,106,568	\$ (1,106,568)	\$ -
McDonald Lot; original receivable amount \$326,820; monthly principal installments of \$3,206 plus interest at the bank's prime rate, due July 2012	36,356	-	36,356
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	289,282	(289,282)	-
	<u>\$ 1,432,206</u>	<u>\$ (1,395,850)</u>	<u>\$ 36,356</u>

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

Years Ending June 30,	
2012	\$ 118,063
2013	86,939
2014	92,465
2015	98,349
2016	104,615
Thereafter	931,775
	<u>\$ 1,432,206</u>

#### Note 4. Receivables And Payables

Receivables at June 30, 2011, consist of the following:

	General	Special Revenue	Capital Projects	Water	Sewer	Stadium	Total
Receivables:							
Taxes	\$ 292,270	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 292,270
Intergovernmental	778,705	-	160	-	1,774,456	15,349	2,568,670
Charges for services	-	-	-	440,473	627,920	-	1,068,393
Assessments/improvements	7,904	120,874	-	-	250,262	-	379,040
Other	170,610	-	-	-	-	-	170,610
Gross receivables	1,249,489	120,874	160	440,473	2,652,638	15,349	4,478,983
Allowance for uncollectibles	(203,270)	-	-	-	-	-	(203,270)
Net receivables	<u>\$ 1,046,219</u>	<u>\$ 120,874</u>	<u>\$ 160</u>	<u>\$ 440,473</u>	<u>\$ 2,652,638</u>	<u>\$ 15,349</u>	<u>\$ 4,275,713</u>

City Of Aberdeen, Maryland

Notes To Basic Financial Statements

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

Payables at June 30, 2011, consist of the following:

	General	Special Revenue	Capital Projects	Water	Sewer	Stadium	Total
Accrued liabilities:							
Interest	\$ 42,802	\$ -	\$ -	\$ 46,060	\$ 32,529	\$ 45,071	\$ 166,462
Payroll	219,504	-	-	14,938	29,009	-	263,451
Intergovernmental	-	-	-	-	-	-	-
	<u>\$ 262,306</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,998</u>	<u>\$ 61,538</u>	<u>\$ 45,071</u>	<u>\$ 429,913</u>
Other liabilities:							
Payroll withholdings	\$ 3,907	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,907
Performance bonds	145,924	-	-	-	-	-	145,924
Seized property	155,381	-	-	-	-	-	155,381
Other	235	-	-	-	-	-	235
	<u>\$ 305,447</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 305,447</u>

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

Interfund receivable and payable balances at June 30, 2011, are as follows:

	Due To Fund						
Due From Fund	General	Special Revenue	Capital Projects	Water	Sewer	Stadium	Total
General	\$ -	39,897	\$ 200,147	\$ -	\$ 4,274,518	\$ 160,549	\$ 4,675,111
Capital Projects	-	84	-	89,928	238,015	-	328,027
Water	254,683	-	-	-	-	-	254,683
Sewer	-	-	-	17,524	-	-	17,524
Stadium	-	-	-	-	50,000	-	50,000
	<u>\$ 254,683</u>	<u>\$ 39,981</u>	<u>\$ 200,147</u>	<u>\$ 107,452</u>	<u>\$ 4,562,533</u>	<u>\$ 160,549</u>	<u>\$ 5,325,345</u>

Interfund transfers for the year ended June 30, 2011, consisted of transfers from the General Fund to the Capital Projects Fund in the amount of \$414,500, for capital projects and from the General Fund to the Stadium Fund in the amount of \$292,178 for debt service.

# City Of Aberdeen, Maryland

## Notes To Basic Financial Statements

### Note 6. Capital Assets

Capital assets activity for the year ended June 30, 2011, is as follows:

	Balance, July 1, 2010	Additions	Deletions	Transfers	Balance, June 30, 2011
<b>Governmental activities:</b>					
Capital assets not being depreciated:					
Land	\$ 4,471,113	\$ -	\$ -	\$ -	\$ 4,471,113
Construction in process	33,873	119,487	(2,962)	(30,558)	119,840
	<u>4,504,986</u>	<u>119,487</u>	<u>(2,962)</u>	<u>(30,558)</u>	<u>4,590,953</u>
Capital assets being depreciated:					
Buildings	10,800,421	27,846	-	-	10,828,267
Improvements other than buildings	30,000	-	-	-	30,000
Machinery and equipment, including equipment under financing agreement	4,362,295	194,830	(220,450)	30,558	4,367,233
Vehicles	2,051,030	131,130	(172,332)	-	2,009,828
Recreational facilities	471,006	40,547	-	-	511,553
Infrastructure	13,095,544	-	-	-	13,095,544
	<u>30,810,296</u>	<u>394,353</u>	<u>(392,782)</u>	<u>30,558</u>	<u>30,842,425</u>
Accumulated depreciation for:					
Buildings	(5,442,393)	(165,492)	-	-	(5,607,885)
Improvements other than buildings	(18,000)	(3,000)	-	-	(21,000)
Machinery and equipment, including equipment under financing agreement	(3,294,693)	(225,096)	209,956	-	(3,309,833)
Vehicles	(1,381,760)	(236,758)	172,332	-	(1,446,186)
Recreational facilities	(283,823)	(26,446)	-	-	(310,269)
Infrastructure	(5,891,260)	(261,911)	-	-	(6,153,171)
	<u>(16,311,929)</u>	<u>(918,703)</u>	<u>382,288</u>	<u>-</u>	<u>(16,848,344)</u>
Total depreciable assets, net	<u>14,498,367</u>	<u>(524,350)</u>	<u>(10,494)</u>	<u>30,558</u>	<u>13,994,081</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 19,003,353</u>	<u>\$ (404,863)</u>	<u>\$ (13,456)</u>	<u>\$ -</u>	<u>\$ 18,585,034</u>

City Of Aberdeen, Maryland

Notes To Basic Financial Statements

Note 6. Capital Assets (Continued)

	Balance, July 1, 2010	Additions	Deletions	Transfers	Balance, June 30, 2011
<b>Business-type activities:</b>					
Capital assets not being depreciated:					
Land	\$ 1,903,993	\$ -	\$ -	\$ -	\$ 1,903,993
Construction in process	2,980,404	7,603,158	(21,730)	(1,165,862)	9,395,970
	<u>4,884,397</u>	<u>7,603,158</u>	<u>(21,730)</u>	<u>(1,165,862)</u>	<u>11,299,963</u>
Capital assets being depreciated:					
Buildings	24,007,026	4,083	-	-	24,011,109
Improvements other than buildings	31,097	-	-	-	31,097
Machinery and equipment	10,003,524	161,838	(45,322)	-	10,120,040
Water systems	8,466,606	4,522,778	-	1,015,173	14,004,557
Sewer system	7,024,335	230,459	-	150,689	7,405,483
	<u>49,532,588</u>	<u>4,919,158</u>	<u>(45,322)</u>	<u>1,165,862</u>	<u>55,572,286</u>
Accumulated depreciation for:					
Buildings	(7,858,271)	(480,538)	-	-	(8,338,809)
Improvements other than buildings	(6,995)	(1,943)	-	-	(8,938)
Machinery and equipment	(8,357,699)	(219,500)	30,336	-	(8,546,863)
Water systems	(3,777,031)	(396,165)	-	-	(4,173,196)
Sewer system	(1,696,180)	(180,997)	-	-	(1,877,177)
	<u>(21,696,176)</u>	<u>(1,279,143)</u>	<u>30,336</u>	<u>-</u>	<u>(22,944,983)</u>
Total depreciable assets, net	<u>27,836,412</u>	<u>3,640,015</u>	<u>(14,986)</u>	<u>1,165,862</u>	<u>32,627,303</u>
<b>Business-type activities capital assets, net</b>	<u>\$ 32,720,809</u>	<u>\$ 11,243,173</u>	<u>\$ (36,716)</u>	<u>\$ -</u>	<u>\$ 43,927,266</u>

During the year ended June 30, 2011, the City incurred interest costs in the amount of \$30,535 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, 2011, as follows:

<b>Governmental activities:</b>	
General government	\$ 514,242
Public safety	193,058
Public works	184,957
Recreation	26,446
	<u>\$ 918,703</u>
<b>Business-type activities:</b>	
Water utility	\$ 488,911
Sewer utility	516,497
Stadium	273,735
	<u>\$ 1,279,143</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, 2011, is as follows:

	Balance, July 1, 2010	Additions	Deductions	Balance, June 30, 2011	Amounts Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds payable	\$ 4,969,200	\$ -	\$ (211,600)	\$ 4,757,600	\$ 214,300
Notes payable	796,970	-	(86,088)	710,882	50,000
Financing agreement	143,621	-	(107,232)	36,389	36,389
Compensated absences	1,081,697	58,940	(749,611)	391,026	230,328
Net pension obligation	120,877	-	(9,160)	111,717	-
OPEB obligation	732,315	794,782	(140,801)	1,386,296	-
	<u>\$ 7,844,680</u>	<u>\$ 853,722</u>	<u>\$ (1,304,492)</u>	<u>\$ 7,393,910</u>	<u>\$ 531,017</u>
<b>Business-type activities:</b>					
General obligation bonds payable	\$ 8,271,100	\$ 5,093,428	\$ (695,212)	\$ 12,669,316	\$ 722,016
Notes payable	1,332,924	1,749,298	(323,288)	2,758,934	282,330
Compensated absences	276,226	19,483	(178,536)	117,173	59,568
OPEB obligation	111,983	109,472	-	221,455	-
	<u>\$ 9,992,233</u>	<u>\$ 6,971,681</u>	<u>\$ (1,197,036)</u>	<u>\$ 15,766,878</u>	<u>\$ 1,063,914</u>

General obligation bonds payable relating to governmental activities at June 30, 2011, 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	\$ 2,891,500
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	1,366,100
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	500,000
	<u>\$ 4,757,600</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, 2011, is as follows:

Years Ending June 30,	Principal	Interest	Totals
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	255,900	199,514	455,414
2017-2021	1,502,000	806,584	2,308,584
2022-2026	1,161,300	444,596	1,605,896
2027-2030	915,000	138,356	1,053,356
	<u>\$ 4,757,600</u>	<u>\$ 2,488,194</u>	<u>\$ 7,245,794</u>

Notes payable relating to governmental activities at June 30, 2011, 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	\$ 10,882
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	700,000
	<u>\$ 710,882</u>

A schedule of maturities of the notes payable relating to governmental activities as of June 30, 2011, is as follows:

Years Ending June 30,	Principal	Interest	Total
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	51,128	17,604	68,732
2017-2021	255,934	59,247	315,181
2022-2025	200,000	13,763	213,763
	<u>\$ 710,882</u>	<u>\$ 180,072</u>	<u>\$ 890,954</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, 2011, consists of the following:

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	\$ 36,389
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A schedule of maturities of the financing agreement relating to governmental activities as of June 30, 2011, is as follows:

Years Ending June 30,	Principal	Interest	Total
2012	\$ 36,389	\$ 922	\$ 37,311

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

General obligation bonds payable relating to business-type activities at June 30, 2011, 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	\$ 2,642,500
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	681,400
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	3,120,200
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	1,330,000
Series A Infrastructure Bond of 2010; authorized amount \$5,044,100; interest at rates ranging from 0.75% to 4.31%; payable in annual payments of principal ranging from \$198,000 to \$350,500 and semiannual payments of interest through May 2030	4,895,216
	\$ 12,669,316

# 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, 2011, is as follows:

Years Ending June 30,	Principal	Interest	Total
2012	\$ 722,016	\$ 534,220	\$ 1,256,236
2013	749,000	508,235	1,257,235
2014	774,200	48,004	822,204
2015	809,400	449,485	1,258,885
2016	839,300	416,718	1,256,018
2017-2021	4,802,800	1,486,024	6,288,824
2022-2026	2,433,600	601,415	3,035,015
2027	1,539,000	126,810	1,665,810
	<u>\$ 12,669,316</u>	<u>\$ 4,170,911</u>	<u>\$ 16,840,227</u>

Notes payable relating to business-type activities at June 30, 2011, 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	\$ 359,140
Bank term loans, issued for a combined amount of \$2,312,820, accruing interest at rates ranging from 3.55% to 4.75%; payable monthly, quarterly or semiannually at varying amounts; due dates through 2014	650,497
Loan payable, Maryland Department of the Environment, accruing interest at a rate of 1.00%; payable in annual principal payments at varying amounts and semiannual payments of interest; due dates through 2030	520,441
Loan payable, Maryland Department of the Environment, accruing interest at a rate of 0.90%; payable in annual principal payments at varying amounts and semiannual payments of interest; due 2032	1,019,951
Loan payable, Maryland Department of the Environment, non-interest bearing, no payments due through 2020 at which time loan is subject to forgiveness	208,905
	<u>\$ 2,758,934</u>

## City Of Aberdeen, Maryland

### Notes To Basic Financial Statements

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

A schedule of maturities of the notes payable relating to the business-type activities as of June 30, 2011, is as follows:

Years Ending June 30,	Principal	Interest	Total
2012	\$ 282,330	\$ 47,684	\$ 330,014
2013	364,872	41,691	406,563
2014	292,527	27,761	320,288
2015	128,750	19,980	148,730
2016	130,824	17,541	148,365
2017-2021	707,429	55,840	763,269
2022-2026	407,906	32,088	439,994
2027-3031	388,823	12,832	401,655
2032	55,473	503	55,976
	<u>\$ 2,758,934</u>	<u>\$ 255,920</u>	<u>\$ 3,014,854</u>

#### 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 \$594,981 outstanding on the line of credit at June 30, 2011 recorded in the General Fund.

## City Of Aberdeen, Maryland

### Notes To Basic Financial Statements

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#### Note 9. Retirement Plans

Under authority granted by the charter of the City, 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

##### *Description of Plan:*

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, 2010, 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><u>24</u></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, 2011 was \$64,215. The DB Plan does not provide for a maximum employer contribution. No contributions are required of employees. As of July 1, 2010, 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, 2011, 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	\$	64,215
Interest on net pension obligation		7,235
Adjustment to annual required contribution		(16,383)
Annual pension cost		55,067
Less contributions made		(64,215)
Decrease in net pension obligation		(9,148)
Net pension obligation:		
Beginning		120,578
Ending	\$	111,430

The annual required contributions for the current year were determined as part of the July 1, 2010 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, 2010 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, 2011	\$ 55,067	116.6%	\$111,430
June 30, 2010	\$104,102	106.9%	\$120,578
June 30, 2009	\$106,609	101.2%	\$130,477

##### *Funding Status and Funding Progress:*

As of July 1, 2010, the most recent actuarial valuation date, the plan was 88.34% funded. The actuarial accrued liability for benefits was \$1,847,668, and the actuarial value of assets was \$1,632,250, resulting in an unfunded actuarial liability (UAAL) of \$215,418.

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.

Notes To Basic Financial Statements

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

**Defined Contribution Plan**

*Description of Plan:*

The City of Aberdeen Defined Contribution Plan (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, 2011, there were 104 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 \$188,563 and \$371,465, 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.

*Valuation of 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, 2010, the date of the last actuarial valuation:

Active employees	40
Retirees and beneficiaries currently receiving benefits	1
Terminated employees entitled to benefits but not yet receiving them	10
Total	<u>51</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 17.04% 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, 2011 was \$506,099. 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 \$290,159 at June 30, 2011.



## 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	\$	506,099
Interest on net pension obligation		22
Adjustment to annual required contribution		(34)
Annual pension cost		506,087
Less contributions made		(506,099)
Decrease in net pension obligation		(12)
Net pension obligation:		
Beginning		299
Ending	\$	287

The annual required contributions for the current year was determined as part of the July 1, 2010 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, 2010 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, 2011	\$506,087	100.0%	\$287
June 30, 2010	\$434,409	100.0%	\$299
June 30, 2009	\$304,605	100.0%	\$679

##### *Funding Status and Funding Progress:*

As of July 1, 2010, the most recent actuarial valuation date, the plan was 63.4% funded. The actuarial accrued liability for benefits was \$7,468,636, and the actuarial value of assets was \$4,738,637, resulting in an unfunded accrued actuarial liability (UAAL) of \$2,729,999. The covered payroll (annual payroll of active employees covered by the plan) was \$1,882,921, and the ratio of the UAAL to the covered payroll was 144.99%.

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, 2011, is summarized as follows:

	Combining Statement of Fiduciary Net Assets			
	Defined Contribution Plan	Police Pension Plan	Defined Benefit Plan	Total
<b>Assets</b>				
Cash and short-term investments	\$ 114,406	\$ -	\$ -	\$ 114,406
Participant loans	331,532	-	-	331,532
	<u>445,938</u>	<u>-</u>	<u>-</u>	<u>445,938</u>
Investments in mutual funds, at fair-value:				
Equities	4,379,796	3,454,993	-	7,834,789
Fixed Income	30,046	282,603	-	312,649
Bonds	123,339	1,939,456	1,600,649	3,663,444
	<u>4,533,181</u>	<u>5,677,052</u>	<u>1,600,649</u>	<u>11,810,882</u>
<b>Total assets</b>	<u>\$ 4,979,119</u>	<u>\$ 5,677,052</u>	<u>\$ 1,600,649</u>	<u>\$ 12,256,820</u>
<b>Net Assets</b>				
Held in trust for pension benefits	<u>\$ 4,979,119</u>	<u>\$ 5,677,052</u>	<u>\$ 1,600,649</u>	<u>\$ 12,256,820</u>
	Combining Statement of Changes in Fiduciary Net Assets			
	Defined Contribution Plan	Police Pension Plan	Defined Benefit Plan	Total
<b>Additions</b>				
Contributions:				
Employer contributions	\$ 371,465	\$ 506,099	\$ 64,215	\$ 941,779
Employee contributions	188,563	290,159	-	478,722
<b>Total contributions</b>	<u>560,028</u>	<u>796,258</u>	<u>64,215</u>	<u>1,420,501</u>
Investment earnings:				
Investment income	542,127	983,447	86,750	1,612,324
<b>Total additions</b>	<u>1,102,155</u>	<u>1,779,705</u>	<u>150,965</u>	<u>3,032,825</u>
<b>Deductions</b>				
Benefit payments	206,271	147,347	164,226	517,844
Administrative expenses	2,931	37,246	18,340	58,517
<b>Total deductions</b>	<u>209,202</u>	<u>184,593</u>	<u>182,566</u>	<u>576,361</u>
<b>Change in net assets</b>	<u>892,953</u>	<u>1,595,112</u>	<u>(31,601)</u>	<u>2,456,464</u>
Net Assets:				
Beginning	4,086,166	4,081,940	1,632,250	9,800,356
Ending	<u>\$ 4,979,119</u>	<u>\$ 5,677,052</u>	<u>\$ 1,600,649</u>	<u>\$ 12,256,820</u>

Notes To Basic Financial Statements

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**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. At June 30, 2011, 17 retirees and dependents are eligible for health benefits and 8 of those are also eligible for life insurance coverage. The cost of retiree health care and life insurance benefits is recognized as expenditure when claims are accrued.

*General Plan Description and Provisions:*

Healthcare and prescription drug insurance benefits are provided to eligible retirees and their eligible dependents until Medicare eligibility. Effective July 1, 2010, the City no longer offers Medicare supplemental insurance however, retirees and beneficiaries under the original defined benefit plan (DB Plan) receive reimbursement for healthcare and prescription benefits.

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

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

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

*Underlying Plan Description:*

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

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

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

*Funding Policy:*

The City is required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 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's implicit subsidy contributed to the plan for the year ended June 30, 2011 amounted to \$76,643. The City contributed \$64,158 for current health care and life insurance premiums for the year ended June 30, 2011. As of the year ended June 30, 2011, the City has not established an OPEB trust to pre-fund future benefits.

## City Of Aberdeen, Maryland

### Notes To Basic Financial Statements

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#### 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, 2011. The annual OPEB cost (expense) for the year ended June 30, 2011 was \$904,253 which was equal to the ARC. A historical trend of the City's annual OPEB cost, the percentage of annual OPEB cost contributed and the net OPEB obligation is as follows:

Fiscal Year Ended	Annual OPEB Cost (AOC)	Percentage Of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	\$904,253	15.6%	\$1,607,750
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. As of July 1, 2009, the most recent actuarial valuation date, the plan was 0.00% funded as the City has not yet established an OPEB trust to pre-fund future benefits. The actuarial accrued liability for benefits was \$9,625,000, which also represents the unfunded actuarial liability (UAAL).

##### *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.

Actuarial assumptions:

Discount rate 4.0%

Payroll growth rate 5.0%

Inflation rate 2.5%

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 Thereafter	5.5%

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

Retirement rate assumptions –

	Age					
	45	50	55	60	65	70
<b>Early Retirement</b>						
First Year Eligibility:						
Male			.060	.060		
Female			.040	.100		
Subsequent Years:						
Male				.040		
Female				.060		
	Age					
	45	50	55	60	65	70
<b>Normal Retirement</b>						
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 ToTen 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	Prior ToTen 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	.0109	.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, 2011 is \$13,358,648.

The City also entered into four contracts for construction to upgrade the Water Treatment Plant. The projects are being funded with a loan from the Community Development Administration. The value of the City's remaining commitment under these contracts at June 30, 2011 is \$1,006,713.

In addition, the City entered into other contracts for capital improvements which are being funding with federal and state grants. The value of the City's remaining commitment under these contracts at June 30, 2011 is \$190,327.

Subsequent Events:

The City evaluated subsequent events for potential required disclosures through October 31, 2011, which represents the dates the financial statements were available to be issued. In October 2011, a Resolution was introduced and passed that authorized the City to issue up to \$9,485,000 in refunding debt to refinance the 2000 general infrastructure bond, the 2001 Stadium infrastructure bond, the 2002 stadium infrastructure bond, and the 2002 general infrastructure bond, previously issued by the City.

## City Of Aberdeen, Maryland

### Notes To Basic Financial Statements

#### Note 12. Restatement Of Net Assets

On July 1, 2010, the City changed their method of accounting for internal inventories largely resulting in the expense of consumable and rotating supplies. As a result of this change in accounting policy, beginning net assets have been restated as follows:

	Business Type Activities - Enterprise Funds			
	Water	Sewer	Stadium	Total
Balance at June 30, 2010, as previously reported	\$ 3,972,853	\$ 11,367,214	\$ 7,959,334	\$ 23,299,401
Inventory transferred to expense	(138,681)	(310,732)	-	(449,413)
Balance at June 30, 2010, as restated	\$ 3,834,172	\$ 11,056,482	\$ 7,959,334	\$ 22,849,988

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

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the year ended June 30, 2011, 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 60, *Accounting and Financial Reporting for Service Concession Arrangements*, will be effective for the City beginning with its year ending June 30, 2013. This Statement requires governments to account for and report Service Concession Arrangements in the same manner by establishing recognition, measurement and disclosure requirements for both transferors and governmental operators.
- GASB Statement Number 61, *The Financial Reporting Entity – Omnibus – An Amendment of GASB Statements No. 14 and No. 34*, will be effective for the City beginning with its year ending June 30, 2013. This Statement addresses reporting entity issues that have arisen since the issuance of GASB Statements No. 14 and No. 34 to improve financial reporting for a governmental financial reporting entity. This Statement modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, and financial reporting entity display and disclosure requirements. It applies to financial reporting by primary governments and other stand-alone governments, and to the separately issued financial statements of governmental component units. In addition, this Statement should be applied to nongovernmental component units when they are included in a governmental financial reporting entity.



Notes To Basic Financial Statements

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

- GASB Statement Number 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, will be effective for the City beginning with its year ending June 30, 2013. This statement incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in FASB and AICPA pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. This Statement also supersedes Statement No. 20, thereby eliminating the election provided in paragraph 7 of that Statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this Statement.
- GASB Statement Number 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, will be effective for the City beginning with its year ending June 30, 2013. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, which introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Additionally, this Statement amends the net asset reporting requirements in Statement No. 34 and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.
- GASB Statement Number 64, *Derivative Instruments – Application of Hedge Accounting Termination Provisions – An Amendment of GASB Statement No. 53*, will be effective for the City beginning with its year ending June 30, 2012. This Statement clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider and whether hedge accounting should continue to be applied.

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 seven fiscal years:

Years Ended June 30,	Annual Required Contribution	Actual Contribution	Percentage Contributed
2011	\$ 64,215	\$ 64,215	100.00%
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 five fiscal years:

Actuarial Valuation Date July 1,	Actuarial Value Of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll c	UAAL As A Percentage Of Covered Payroll [(b - a) / c]
2010	\$ 1,632,250	\$ 1,847,668	\$ 215,418	88.34%	\$ -	0%
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 seven fiscal years:

Years Ended June 30,	Annual Required Contribution	Actual Contribution	Percentage Contributed
2011	\$ 506,099	\$ 506,099	100.00%
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 five 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]
2010	\$ 4,738,637	\$ 7,468,636	\$ 2,729,999	63.45%	\$ 1,882,921	144.99%
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 two fiscal years:

Years Ended June 30,	Annual Required Contribution	Actual Contribution	Percentage Contributed
2011	\$ 904,253	\$ 140,801	15.57%
2010	\$ 925,000	\$ 80,702	8.72%

Schedule of Funding Progress

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

Actuarial Valuation Date July 1,	Actuarial Value Of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (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, 2011

	Budget Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget Positive (Negative)
<b>Taxes:</b>				
Property taxes:				
Real estate taxes	\$ 8,503,899	\$ 8,503,899	\$ 8,844,497	\$ 340,598
Corporation personal property taxes	685,982	685,982	689,600	3,618
Utilities personal property tax	265,988	265,988	288,689	22,701
Penalties and interest	50,000	50,000	76,151	26,151
Semi-annual service charge	2,200	2,200	1,390	(810)
Additions and abatements	(20,000)	(20,000)	(25,592)	(5,592)
Discount on taxes	(53,575)	(53,575)	(57,541)	(3,966)
Tax credit - firemen exemptions	(16,731)	(16,731)	(16,707)	24
Tax credit - no water or sewer	(10,543)	(10,543)	(6,835)	3,708
Enterprise Zone tax credits	(180,316)	(180,316)	(113,511)	66,805
	<u>9,226,904</u>	<u>9,226,904</u>	<u>9,680,141</u>	<u>453,237</u>
Local taxes:				
Franchise tax	153,600	153,600	185,285	31,685
Mobile home excise tax	36,000	36,000	28,340	(7,660)
Utilities pole tax	56,880	56,880	60,863	3,983
Hospitality Way special assessment	30,935	30,935	1,089	(29,846)
	<u>277,415</u>	<u>277,415</u>	<u>275,577</u>	<u>(1,838)</u>
State shared taxes:				
Income tax	900,000	900,000	1,250,670	350,670
Highway tax	30,362	30,362	47,244	16,882
	<u>930,362</u>	<u>930,362</u>	<u>1,297,914</u>	<u>367,552</u>
<b>Total taxes</b>	<u>10,434,681</u>	<u>10,434,681</u>	<u>11,253,632</u>	<u>818,951</u>
<b>Licenses and permits:</b>				
Traders' licenses	30,000	30,000	31,808	1,808
Liquor licenses	3,500	3,500	11,217	7,717
Grading permits	15,000	15,000	28,346	13,346
Building permits	22,000	22,000	36,215	14,215
Site plan review	20,000	20,000	7,178	(12,822)
Public works agreement revenue	35,000	35,000	11,233	(23,767)
<b>Total licenses and permits</b>	<u>125,500</u>	<u>125,500</u>	<u>125,997</u>	<u>497</u>

(Continued)

City Of Aberdeen, Maryland

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

(Continued)

Year Ended June 30, 2011

	Budget Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget Positive (Negative)
<b>Intergovernmental:</b>				
Grants from state government:				
Police state aid	165,585	165,585	167,768	2,183
Police supplemental aid	22,580	22,580	22,878	298
Law enforcement grant	-	20,978	15,121	(5,857)
Other	-	66,650	66,175	(475)
	<u>188,165</u>	<u>275,793</u>	<u>271,942</u>	<u>(3,851)</u>
Grants from county government:				
In lieu of financial corporation	7,142	7,142	7,142	-
Tax differential - Harford County	776,933	776,933	840,099	63,166
Senior Center reimbursement	47,676	47,676	47,680	4
	<u>831,751</u>	<u>831,751</u>	<u>894,921</u>	<u>63,170</u>
Grants from local government:				
Residential special patrol	45,000	45,000	27,343	(17,657)
<b>Total intergovernmental</b>	<u>1,064,916</u>	<u>1,152,544</u>	<u>1,194,206</u>	<u>41,662</u>
<b>APG management fees</b>	<u>224,000</u>	<u>224,000</u>	<u>1,098,095</u>	<u>874,095</u>
<b>Miscellaneous revenues:</b>				
Trash collection stickers fees	170,000	170,000	168,766	(1,234)
Police seized money	-	11,107	11,107	-
Police miscellaneous income	20,000	21,059	14,468	(6,591)
Antenna leases	32,783	32,783	32,753	(30)
Fines and forfeitures	10,000	10,000	33,239	23,239
Interest on savings	20,000	20,000	7,884	(12,116)
Other miscellaneous	71,000	82,500	78,366	(4,134)
<b>Total miscellaneous revenues</b>	<u>323,783</u>	<u>347,449</u>	<u>346,583</u>	<u>(866)</u>
<b>Total revenues</b>	<u>12,172,880</u>	<u>12,284,174</u>	<u>14,018,513</u>	<u>1,734,339</u>
<b>Other financing sources (uses):</b>				
Appropriation of fund balance	-	169,599	-	(169,599)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>169,599</u>	<u>-</u>	<u>(169,599)</u>
<b>Total revenues and other financing sources</b>	<u>\$ 12,172,880</u>	<u>\$ 12,453,773</u>	<u>\$ 14,018,513</u>	<u>\$ 1,564,740</u>

City Of Aberdeen, Maryland

Schedule Of Expenditures And Other Financing Uses - Budget And Actual - General Fund  
Year Ended June 30, 2011

	Budget Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget Positive (Negative)
<b>General Government:</b>				
Legislative:				
Elected officials	\$ 40,000	40,000	\$ 40,008	\$ (8)
Operating expenditures	48,000	48,000	42,356	5,644
Maryland Municipal League	16,000	16,000	15,677	323
National League of Cities	2,000	2,000	-	(2,000)
Volunteer dinner	2,500	2,500	-	2,500
	<u>108,500</u>	<u>108,500</u>	<u>98,041</u>	<u>6,459</u>
Executive:				
Salaries	300,461	300,461	296,796	3,665
Operating expenditures	45,741	45,741	41,462	4,279
	<u>346,202</u>	<u>346,202</u>	<u>338,258</u>	<u>7,944</u>
Finance:				
Salaries	291,139	291,139	279,887	11,252
Operating expenditures	15,000	15,000	13,563	1,437
Audit expenditures	29,000	40,500	35,864	4,636
	<u>335,139</u>	<u>346,639</u>	<u>329,314</u>	<u>17,325</u>
Legal:				
Codification	4,000	4,000	9,106	(5,106)
Counsel	135,000	135,000	88,145	46,855
	<u>139,000</u>	<u>139,000</u>	<u>97,251</u>	<u>41,749</u>
Planning and community development:				
Salaries	211,020	211,020	203,037	7,983
Operating expenditures	21,000	21,000	20,924	76
	<u>232,020</u>	<u>232,020</u>	<u>223,961</u>	<u>8,059</u>
Government buildings:				
Salaries	15,800	15,800	14,841	959
Operating expenditures	429,882	400,788	392,543	8,245
	<u>445,682</u>	<u>416,588</u>	<u>407,384</u>	<u>9,204</u>
General government:				
Operating expenditures	89,500	101,000	99,968	1,032
Health and safety:				
Operating expenditures	1,000	1,000	455	545
<b>Total general government</b>	<u>1,697,043</u>	<u>1,690,949</u>	<u>1,594,632</u>	<u>92,317</u>
<b>Public Safety:</b>				
Police Department:				
Salaries	3,378,689	3,378,689	3,279,470	99,219
Operating expenditures	445,500	498,438	456,830	41,608
	<u>3,824,189</u>	<u>3,877,127</u>	<u>3,736,300</u>	<u>140,827</u>

(Continued)

City Of Aberdeen, Maryland

Schedule Of Expenditures And Other Financing Uses - Budget And Actual - General Fund

(Continued)

Year Ended June 30, 2011

	Budget Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Volunteer fire department:				
Contribution	100,000	100,000	100,000	-
<b>Total public safety</b>	<b>3,924,189</b>	<b>3,977,127</b>	<b>3,836,300</b>	<b>140,827</b>
<b>Public works:</b>				
Public works administration:				
Salaries	368,487	368,487	304,708	63,779
Operating expenditures	27,800	27,800	24,554	3,246
	<b>396,287</b>	<b>396,287</b>	<b>329,262</b>	<b>67,025</b>
Streets:				
Salaries	702,437	702,437	598,988	103,449
Operating expenditures	341,703	351,003	384,167	(33,164)
	<b>1,044,140</b>	<b>1,053,440</b>	<b>983,155</b>	<b>70,285</b>
Street lighting:				
Operating expenditures	300,000	300,000	290,261	9,739
Winter operation:				
Operating expenditures	20,000	32,000	36,465	(4,465)
Solid waste:				
Salaries	299,717	299,717	313,611	(13,894)
Operating expenditures	265,500	265,500	247,490	18,010
	<b>565,217</b>	<b>565,217</b>	<b>561,101</b>	<b>4,116</b>
<b>Total public works</b>	<b>2,325,644</b>	<b>2,346,944</b>	<b>2,200,244</b>	<b>146,700</b>
<b>Parks and recreation:</b>				
Operating expenditures	54,500	96,500	84,907	11,593
<b>Miscellaneous:</b>				
Retirement plans	712,592	818,691	751,170	67,521
Payroll expenditures	1,861,269	1,861,269	1,747,041	114,228
Miscellaneous	103,150	157,300	155,928	1,372
	<b>2,677,011</b>	<b>2,837,260</b>	<b>2,654,139</b>	<b>183,121</b>
<b>Debt Service:</b>				
Debt service principal	493,689	493,689	494,636	(947)
Debt service interest	303,626	304,626	302,921	1,705
	<b>797,315</b>	<b>798,315</b>	<b>797,557</b>	<b>758</b>
<b>Total expenditures</b>	<b>11,475,702</b>	<b>11,747,095</b>	<b>11,167,779</b>	<b>575,316</b>
<b>Other financing uses:</b>				
Transfers out	697,178	706,678	706,678	-
<b>Total expenditures and</b>				
<b>other financing uses</b>	<b>\$ 12,172,880</b>	<b>\$ 12,453,773</b>	<b>\$ 11,874,457</b>	<b>\$ 575,316</b>



City Of Aberdeen, Maryland

Schedule Of Revenues, Expenditures And Other Financing Sources (Uses) -  
Budget And Actual - Capital Projects Fund  
Year Ended June 30, 2011

	Original Budget	Amended Budget	Actual	Variance With Amended Budget Positive (Negative)
<b>Revenues:</b>				
Revenues from other agencies	\$ 118,300	\$ 309,377	\$ 46,690	\$ (262,687)
Miscellaneous	-	-	270	270
<b>Total revenues</b>	<u>118,300</u>	<u>309,377</u>	<u>46,960</u>	<u>(262,417)</u>
<b>Expenditures:</b>				
General government	108,300	262,315	62,672	199,643
Public safety	145,000	99,908	90,165	9,743
Public works	270,000	361,654	273,649	88,005
<b>Total expenditures</b>	<u>523,300</u>	<u>723,877</u>	<u>426,486</u>	<u>297,391</u>
<b>Other financing sources:</b>				
Transfers from general fund	<u>405,000</u>	<u>414,500</u>	<u>414,500</u>	<u>-</u>
<b>Net change in fund balance (budgetary basis)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>34,974</u>	<u>\$ 34,974</u>
<b>Fund balance:</b>				
Beginning			<u>305,671</u>	
Ending			<u>\$ 340,645</u>	

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

Table 1

	<u>2011</u>	<u>2010 (1)</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Governmental Activities								
Invested in Capital Assets, Net of Related Debt	\$ 13,080,163	\$ 13,244,196	\$ 12,421,169	\$ 10,795,988	\$ 9,595,925	\$ 10,431,798	\$ 10,279,920	\$ 11,682,443
Restricted	521,296	451,668	426,970	392,998	932,988	702,871	822,018	706,096
Unrestricted	<u>4,854,395</u>	<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>18,455,854</u>	<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	29,692,671	24,016,623	22,250,352	20,368,984	19,771,744	19,513,200	19,310,251	18,423,963
Restricted	331,641	-	-	-	-	-	-	-
Unrestricted	<u>(1,094,387)</u>	<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>28,929,925</u>	<u>22,849,988</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	42,772,834	37,260,819	34,671,521	31,164,972	29,367,669	29,944,998	29,590,171	30,106,406
Restricted	852,937	451,668	426,970	392,998	932,988	702,871	822,018	706,096
Unrestricted	<u>3,760,008</u>	<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>
<b>Total Primary Government Net Assets</b>	<u><u>\$ 47,385,779</u></u>	<u><u>\$ 39,095,929</u></u>	<u><u>\$ 38,162,937</u></u>	<u><u>\$ 36,133,622</u></u>	<u><u>\$ 33,842,611</u></u>	<u><u>\$ 32,000,195</u></u>	<u><u>\$ 32,723,352</u></u>	<u><u>\$ 32,135,494</u></u>

(1) As restated

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.

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

Table 2

	Fiscal Year							
	2011	2010	2009	2008	2007	2006	2005	2004
<b>Expenses</b>								
Governmental Activities:								
General Government	\$ 3,058,171	\$ 2,777,534	\$ 2,685,612	\$ 2,799,968	\$ 2,594,746	\$ 2,030,600	\$ 2,451,455	\$ 1,966,904
Public Safety	5,408,853	5,889,590	5,460,448	5,202,358	4,827,596	4,590,880	3,793,289	3,589,255
Public Works	3,877,699	4,270,376	3,797,298	3,725,529	3,645,846	2,449,570	2,644,919	2,022,735
Parks and Recreation	70,806	148,666	64,827	81,574	77,148	77,432	99,161	91,891
Interest on Long-Term Debt	301,412	323,712	340,908	358,733	377,165	361,623	314,519	288,980
Total Governmental Activities Expenses	12,716,941	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	2,191,486	1,780,578	1,817,802	1,976,315	1,579,997	1,637,339	1,300,626	1,525,990
Sewer	3,059,799	3,157,487	2,917,769	3,009,494	2,321,829	2,462,258	1,993,563	2,025,621
Stadium	598,721	621,708	840,062	676,822	688,757	717,743	842,424	854,098
Total Business-Type Activities Expenses	5,850,006	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	\$ 18,566,947	\$ 18,969,651	\$ 17,924,726	\$ 17,830,793	\$ 16,113,084	\$ 14,327,445	\$ 13,439,956	\$ 12,365,474
<b>Program Revenues</b>								
Governmental Activities:								
Charges for Services:								
General Government	\$ 356,149	\$ 453,230	\$ 422,716	\$ 1,086,951	\$ 327,737	\$ 548,402	\$ 515,345	\$ 675,197
Public Safety	14,468	7,516	29,797	14,468	59,177	135,411	142,980	102,288
Public Works	2,334,406	1,788,128	1,409,014	1,424,643	1,590,460	297,736	213,674	233,159
Operating Grants and Contributions	1,237,436	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	20,474	942,226	513,477	156,294	37,000	50,959	-	-
Total Governmental Activities Program Revenues	3,962,933	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	2,779,442	2,073,874	2,140,638	2,317,759	2,224,057	1,768,070	1,317,407	1,396,207
Sewer	3,250,654	2,639,041	2,528,610	2,294,824	2,196,583	2,061,576	1,664,691	1,640,288
Stadium	222,869	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	5,334,555	601,188	804,182	996,608	1,013,386	-	-	-
Total Business-Type Activities Program Revenues	11,587,520	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	\$ 15,550,453	\$ 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	\$ (8,754,008)	\$ (9,042,470)	\$ (8,045,904)	\$ (7,607,944)	\$ (7,757,224)	\$ (6,939,279)	\$ (6,754,798)	\$ (5,602,347)
Business-Type Activities	5,737,514	(209,194)	(51,893)	4,839	916,209	(952,992)	(1,081,789)	(1,243,201)
Total Primary Government Net Expense	\$ (3,016,494)	\$ (9,251,664)	\$ (8,097,797)	\$ (7,603,105)	\$ (6,841,015)	\$ (7,892,271)	\$ (7,836,587)	\$ (6,845,548)
<b>General Revenues and Other Changes in Net Assets</b>								
Governmental Activities:								
Taxes								
Property Taxes	\$ 9,652,855	\$ 9,090,293	\$ 8,719,008	\$ 8,195,655	\$ 7,419,615	\$ 5,122,663	\$ 4,641,710	\$ 4,419,323
Other Local Taxes	274,763	171,859	219,082	212,141	216,578	210,113	136,221	196,421
State Shared Taxes, Unrestricted	1,320,327	1,120,426	954,638	1,151,137	1,032,544	952,016	1,130,873	1,229,646
Investment Earnings	8,154	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	(292,178)	(535,102)	(293,074)	(311,025)	(373,338)	-	-	-
Total Governmental Activities	10,963,921	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	50,245	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	292,178	535,102	293,074	311,025	373,338	-	-	-
Total Business-Type Activities	342,423	780,277	496,301	609,097	369,740	271,055	2,510,942	163,163
Total Primary Government	\$ 11,306,344	\$ 10,634,069	\$ 10,127,112	\$ 9,894,116	\$ 8,683,431	\$ 7,322,943	\$ 8,426,297	\$ 6,141,398
<b>Change in Net Assets</b>								
Governmental Activities	\$ 2,209,913	\$ 811,322	\$ 1,584,907	\$ 1,677,075	\$ 556,467	\$ 112,609	\$ (839,443)	\$ 375,888
Business-Type Activities	6,079,937	571,083	444,408	613,936	1,285,949	(681,937)	1,429,153	(1,080,038)
Total Primary Government Change in Net Assets	\$ 8,289,850	\$ 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 Eight Years  
(Accrual Basis of Accounting)**

Table 3

<b>Fiscal Year</b>	<b>Property Tax</b>	<b>Income Tax</b>	<b>Admissions Tax</b>	<b>Other Local Taxes</b>	<b>Total</b>
2011	\$ 9,652,855	\$ 1,320,327	\$ -	\$ 274,763	\$ 11,247,945
2010	9,090,293	1,120,426	-	171,859	10,382,578
2009	8,719,008	954,638	-	219,082	9,892,728
2008	8,195,655	1,151,137	-	212,141	9,558,933
2007	7,419,615	1,007,088	25,456	216,578	8,668,737
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>2011</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>
General Fund										
Non-spendable	\$ 30,949	\$ 78,952	\$ 70,413	\$ 77,590	\$ 75,471	\$ 313,906	\$ 351,020	\$ 260,006	\$ 286,517	\$ 317,721
Restricted	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	<u>5,873,609</u>	<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>
<b>Total General Fund</b>	<u><u>\$ 5,904,558</u></u>	<u><u>\$ 3,664,781</u></u>	<u><u>\$ 2,807,717</u></u>	<u><u>\$ 2,076,368</u></u>	<u><u>\$ 1,166,847</u></u>	<u><u>\$ 1,155,444</u></u>	<u><u>\$ 869,054</u></u>	<u><u>\$ 1,445,414</u></u>	<u><u>\$ 1,362,553</u></u>	<u><u>\$ 2,016,128</u></u>
Special Revenue Fund										
Non-spendable	-	-	-	-	-	-	-	-	-	-
Restricted	521,296	553,403	611,667	645,010	625,324	623,297	615,633	606,527	447,047	391,070
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Special Revenue Fund</b>	<u><u>\$ 521,296</u></u>	<u><u>\$ 553,403</u></u>	<u><u>\$ 611,667</u></u>	<u><u>\$ 645,010</u></u>	<u><u>\$ 625,324</u></u>	<u><u>\$ 623,297</u></u>	<u><u>\$ 615,633</u></u>	<u><u>\$ 606,527</u></u>	<u><u>\$ 447,047</u></u>	<u><u>\$ 391,070</u></u>
Capital Projects Fund										
Non-spendable	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-	-
Assigned	340,645	305,671	286,424	140,113	404,302	155,036	(24,282)	(981,733)	(903,845)	(1,009,503)
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Capital Projects Fund</b>	<u><u>\$ 340,645</u></u>	<u><u>\$ 305,671</u></u>	<u><u>\$ 286,424</u></u>	<u><u>\$ 140,113</u></u>	<u><u>\$ 404,302</u></u>	<u><u>\$ 155,036</u></u>	<u><u>\$ (24,282)</u></u>	<u><u>\$ (981,733)</u></u>	<u><u>\$ (903,845)</u></u>	<u><u>\$ (1,009,503)</u></u>

Source: City financial records.

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

Table 5

	<u>2011</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>
<b>Revenues</b>										
Taxes	\$ 11,252,818	\$ 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
Licenses and permits	125,997	170,944	106,314	100,404	107,599	166,226	109,197	307,574	85,438	99,741
Revenues from other agencies	1,296,914	1,972,543	1,582,144	1,191,511	943,894	926,400	1,113,234	899,330	1,030,952	978,932
APG management fees	2,251,434	1,669,750	1,342,864	1,362,843	1,511,396	289,193	303,639	291,471	306,989	172,079
Miscellaneous	<u>350,767</u>	<u>433,533</u>	<u>570,917</u>	<u>1,163,612</u>	<u>408,206</u>	<u>1,179,693</u>	<u>393,592</u>	<u>479,243</u>	<u>508,811</u>	<u>420,670</u>
Total Revenues	<u>15,277,930</u>	<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>
<b>Expenditures</b>										
General government	1,714,059	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
Public safety	3,926,465	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
Public works	3,627,232	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
Parks and recreation	84,907	125,369	72,092	64,574	54,308	39,576	63,494	81,752	156,148	120,828
Miscellaneous	2,684,113	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
Debt service										
Principal	404,920	389,622	405,899	364,413	327,694	324,621	299,655	245,613	267,874	165,153
Interest	301,412	314,607	331,335	348,993	367,425	351,883	312,990	287,921	277,769	233,836
Miscellaneous										
Total Expenditures	<u>12,743,108</u>	<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>
Excess of revenues over (under) expenditures	2,534,822	1,275,858	970,189	976,043	636,034	85,238	(1,289,603)	(2,150,967)	(663,363)	(950,674)
<b>Other financing sources</b>										
Loan proceeds	-	77,291	167,202	-	-	-	1,679,800	2,172,135	227,065	-
Transfer in (out)	<u>(292,178)</u>	<u>(535,102)</u>	<u>(293,074)</u>	<u>(311,025)</u>	<u>(373,338)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,374</u>	<u>-</u>
<b>Total other financing sources</b>	<u>(292,178)</u>	<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>
<b>Net change in fund balances</b>	<u>\$ 2,242,644</u>	<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>
<b>Debt service as a percentage of noncapital expenditures</b>	6.13%	6.13%	6.60%	6.45%	6.62%	8.08%	7.34%	7.56%	7.00%	5.23%

Source: City financial records.

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

Table 6

<b>Fiscal Year</b>	<b>Property Tax</b>	<b>Income Tax</b>	<b>Highway User Tax</b>	<b>Admissions Tax</b>	<b>Other Local Taxes</b>	<b>Total</b>
2011	\$ 9,680,141	\$ 1,250,670	\$ 47,244	\$ -	\$ 274,763	\$ 11,252,818
2010	9,074,414	1,107,207	89,890	-	171,859	10,443,370
2009	8,760,795	1,112,667	669,154	-	219,085	10,761,701
2008	8,172,879	1,124,841	778,959	-	212,141	10,288,820
2007	7,419,615	1,040,335	812,474	25,426	216,608	9,514,458
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

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	Estimated	Total		Estimated	Total		Estimated		
	Assessed Value	Actual Value	Direct Rate	Assessed Value	Actual Value	Direct Rate	Assessed Value	Actual Value	Amount	Percentage
2011	1,313,724,366	1,313,724,366	0.6875	56,520,630	56,520,630	1.7000	1,370,244,996	1,370,244,996	80,562,276	6.25%
2010	1,234,699,160	1,234,699,160	0.6875	54,983,560	54,983,560	1.7000	1,289,682,720	1,289,682,720	64,707,581	5.28%
2009	1,168,908,946	1,168,908,946	0.7000	56,066,193	56,066,193	1.7000	1,224,975,139	1,224,975,139	115,464,478	10.41%
2008	1,051,857,687	1,051,857,687	0.7150	57,652,974	57,652,974	1.7000	1,109,510,661	1,109,510,661	116,418,992	11.72%
2007	934,874,053	934,874,053	0.7350	58,217,616	58,217,616	1.7000	993,091,669	993,091,669	150,609,144	17.88%
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	N/A	N/A

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**

<b>Fiscal Year Ending June 30</b>	<b>City of Aberdeen</b>		<b>Harford County</b>	<b>State of Maryland</b>	<b>Total Tax Rate</b>
	<b>General Fund</b>	<b>Total Direct Rate</b>			
2011	\$ 0.6875	\$ 0.6875	\$ 1.042	\$ 0.112	\$ 1.842
2010	0.6875	0.6875	1.064	0.112	1.864
2009	0.7000	0.7000	1.082	0.112	1.894
2008	0.7150	0.7150	1.082	0.112	1.909
2007	0.7350	0.7350	1.082	0.112	1.929
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	0.5120	0.5120	1.092	0.084	1.688

**Personal Property Tax Rate**

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

Source: City financial records.

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

Table 9

Taxpayer	2011			
	Real Estate Assessment	Personal Property Assessment	Total Assessment	Percentage of Total Assessment
Inland American Aberdeen	\$ 32,159,166	\$ -	\$ 32,159,166	2.35%
Catellus Land and Development	25,644,466	-	25,644,466	1.87%
913 Old Philadelphia Road LLC	25,495,132	-	25,495,132	1.86%
Medline Industries, Inc.	17,238,500	-	17,238,500	1.26%
Frito-Lay	16,700,000	3,261,460	19,961,460	1.46%
Wal-Mart Real Estate	15,939,532	1,250,140	17,189,672	1.25%
COPT Northgate LLC	15,560,766	-	15,560,766	1.14%
State of Wisconsin Investment Board	11,540,900	-	11,540,900	0.84%
Aberdeen Marketplace, Inc.	10,448,132	-	10,448,132	0.76%
400 Hickory Road LLC	8,338,966	-	8,338,966	0.61%
			-	
<b>TOTAL</b>	<b>\$ 179,065,560</b>	<b>\$ 4,511,600</b>	<b>\$ 183,577,160</b>	<b>13.40%</b>

Taxpayer	2002			
	Real Estate Assessment	Personal Property Assessment	Total Assessment	Percentage of Total Assessment
Metropolitan Life Insurance/Pier I	\$ 23,139,160	N/A	\$ 23,139,160	3.34%
Wagner/Kinsley Ptnr./Camden Cold	20,287,200	N/A	20,287,200	2.92%
Frito-Lay, Inc.	14,765,800	N/A	14,765,800	2.13%
State of Wisconsin Investment Board	14,703,900	N/A	14,703,900	2.12%
Hickory Ridge Properties, Inc.	8,408,500	N/A	8,408,500	1.21%
One Thousand & One Ptnr	7,734,600	N/A	7,734,600	1.12%
Colgate Investments	6,806,900	N/A	6,806,900	0.98%
Aberdeen Marketplace, Inc.	6,804,260	N/A	6,804,260	0.98%
Fast Food Merchandisers	6,077,200	N/A	6,077,200	0.88%
Stancill's, Inc.	5,452,730	N/A	5,452,730	0.79%
<b>TOTAL</b>	<b>\$ 114,180,250</b>	<b>N/A</b>	<b>\$ 114,180,250</b>	<b>16.46%</b>

Source: City financial records.

N/A - Currently not available

**Property Tax Levies and Collections**  
**Last Ten Fiscal Years**

Table 10

<b>Fiscal Year Ending June 30</b>	<b>Total Tax Levy</b>	<b>Current Tax Collections</b>	<b>Percent of Current Taxes Collected</b>	<b>Delinquent Tax Collections</b>	<b>Total Tax Collections</b>	<b>Percent of Total Tax Collections to Total Tax Levy</b>	<b>Outstanding Delinquent Taxes</b>	<b>Percent of Delinquent Taxes to Total Tax Levy</b>
2011	9,957,031	9,870,388	99.13%	\$ 64,628	9,935,016	99.78%	\$ 205,626	2.07%
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%	99,023	9,168,371	100.57%	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%

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		General				
	Obligation	Loans	Obligation	Loans			
	Bonds	Payable	Bonds	Payable			
2011	\$ 4,757,600	\$ 710,882	\$ 12,669,316	\$ 2,758,934	\$ 20,896,732	0.00%	\$ 1,397
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

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

<b>Fiscal Year Ending June 30</b>	<b>Population</b>	<b>Estimated Actual Assessed Value (2)</b>	<b>Gross Bonded Debt (1)</b>	<b>Debt Payable From Enterprise Revenue</b>	<b>Net Bonded Debt (3)</b>	<b>Ratio of Net Bonded Debt To Actual Assessed Value</b>	<b>Net Bonded Debt Per Capita</b>
2011	14,959	\$ 1,370,244,996	\$ 20,896,732	\$ 15,428,250	\$ 5,468,482	0.40%	\$ 366
2010	14,099	1,289,682,720	15,370,194	9,604,024	5,766,170	0.45%	409
2009	14,100	1,224,975,139	16,475,807	10,389,097	6,086,710	0.50%	432
2008	14,000	1,109,510,661	17,605,474	11,144,655	6,460,819	0.58%	461
2007	14,300	993,091,669	15,615,318	8,790,086	6,825,232	0.69%	477
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

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

(2) Table 7

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

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

Source: City financial records.

**Computation of Legal Debt Margin and  
Computation of Direct and Overlapping Debt  
June 30, 2011**

Table 13

**COMPUTATION OF LEGAL DEBT MARGIN**

<b>TOTAL ASSESSED VALUE OF PROPERTY</b>	<u>\$ 1,370,244,996</u>
Debt limit 15%	205,536,749
Amount of debt applicable to debt limit	<u>5,468,482</u>
<b>LEGAL DEBT MARGIN</b>	<u><u>\$ 200,068,267</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>
<b>DIRECT DEBT OF THE CITY</b>	\$ 5,468,482	100.00%	\$ 5,468,482
Indirect debt:			
Harford County	<u>464,135,811 <sup>2</sup></u>	5.65% <sup>1</sup>	<u>26,223,673</u>
<b>TOTAL DIRECT AND OVERLAPPING DEBT</b>	<u><u>\$ 469,604,293</u></u>		<u><u>\$ 31,692,155</u></u>

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

<u>\$ 1,370,244,996</u>
<u><u>\$24,261,539,481</u></u>

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

Source: City financial records.

**Legal Debt Margin Information  
Last Ten Years**

Table 14

	Fiscal Year									
	<u>2011</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>
Debt Limit	\$ 205,536,749	\$ 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
Total net debt applicable to limit	<u>20,896,732</u>	<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>
Legal debt margin	<u>\$ 184,640,017</u>	<u>\$ 178,082,214</u>	<u>\$ 167,270,464</u>	<u>\$ 148,821,125</u>	<u>\$ 133,348,432</u>	<u>\$ 109,988,966</u>	<u>\$ 97,112,800</u>	<u>\$ 93,485,324</u>	<u>\$ 88,339,922</u>	<u>\$ 87,803,102</u>
Total net debt applicable to the limit as a percentage of debt limit	10.17%	7.95%	8.97%	10.58%	10.48%	12.96%	15.11%	16.63%	16.87%	15.60%

Source: City financial records.

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

Table 15

<b>Fiscal Year Ending June 30</b>	<b>(1) Estimated Population</b>	<b>(2) Per Capita Income</b>	<b>(2) Personal Income (000s)</b>	<b>(2) Median Age</b>	<b>(2) School Enrollment</b>	<b>(2) Unemployment Rate</b>
2011	14,959	N/A	N/A	N/A	38,394	7.3%
2010	14,099	N/A	N/A	38.3	38,637	7.3%
2009	14,100	45,893	11,129,722	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%

(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, 2011. Income and Median Age information were not available.



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

Table 16

<b>2011</b>			
<b>Company</b>	<b>Number Employed</b>	<b>Percentage of Total County Employment</b>	<b>Product/ Service</b>
U.S. Army Aberdeen Proving Ground	13,984	20.29%	Government
Harford County Public Schools	5,478	7.95%	Government
Upper Chesapeake Health	2,720	3.95%	Healthcare
Harford County Government	1,579	2.29%	Government
Harford Community College	1,219	1.77%	Education
Rite Aid Mid-Atlantic Customer Dist. Ctr.	1,167	1.69%	Retailer
Shop Rite	800	1.16%	Groceries
Jacobs Technology	785	1.14%	Technology
SAIC	700	1.02%	Technology
Sephora USA	700	1.02%	Cosmetics
<b>TOTAL</b>	<b>29,132</b>	<b>42.27%</b>	
Total Employees in Harford County (Data available for county only)	<b>68,918</b>		
<b>2002</b>			
<b>Company</b>	<b>Number Employed</b>	<b>Percentage of Total County Employment</b>	<b>Product/ Service</b>
U.S. Army Aberdeen Proving Ground	10,878	17.31%	Government
Harford County Public Schools	4,489	7.14%	Government
Upper Chesapeake Health	1,762	2.80%	Healthcare
Harford County Government	1,382	2.20%	Government
Rite Aid Mid-Atlantic Customer Dist. Ctr.	1,357	1.97%	Retailer
Saks Fifth Avenue	863	1.37%	Retailer
The GAP-Atlantic Dist. Ctr.	515	0.82%	Retailer
Frito-Lay	487	0.77%	Manufacturing
Michel Distribution Services	440	0.70%	Warehouse
Science Applications International Corp.	400	0.64%	Technology
<b>TOTAL</b>	<b>22,573</b>	<b>35.92%</b>	
Total Employees in Harford County (Data available for county only)	<b>62,844</b>		

Source:  
Harford County CAFR

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

Table 17

<b><u>Function</u></b>	<b><u>2011</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2006</u></b>	<b><u>2005</u></b>	<b><u>2004</u></b>	<b><u>2003</u></b>	<b><u>2002</u></b>
General Government										
Mayor and Council	5	5	5	5	5	5	5	5	5	5
Administration	5	5	5	4	4	5	3	3	3	3
Finance	6	6	6	7	7	6	6	6	6	6
Planning	4	4	4	4	4	3	3	2	2	2
Human Resources	1	1	1	1	1	1	1	1	1	1
Building Custodian	1	1	1	1	1	-	-	-	-	-
Public Safety										
Police										
Officers	40	45	46	46	45	41	39	39	39	39
Civilians	14	14	14	14	14	14	12	12	12	12
Building (Construction) Inspection	1	1	1	1	1	1	1	1	1	1
Public Works	78	78	78	74	73	69	54	40	40	40
Sanitation	8	8	8	8	7	7	7	-	-	-
Parks and Recreation	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>163</b>	<b>168</b>	<b>169</b>	<b>165</b>	<b>161</b>	<b>152</b>	<b>131</b>	<b>109</b>	<b>109</b>	<b>109</b>

Source: City Fiscal Year Budgets

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

Table 18

<u>Function</u>	<u>2011</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>
<b>General Government</b>										
Construction Permits Issued	305	305	306	460	588	626	215	284	115	63
Estimated Value of Construction	\$ 26,720,274	\$ 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
<b>Public Safety</b>										
Traffic Contacts	2,465	3,998	5,741	4,180	3,504	3,478	2,995	3,236	3,295	3,991
Calls for Service	36,505	38,341	49,969	52,550	46,729	46,029	42,721	42,715	38,725	40,856
<b>Public Works</b>										
Street Resurfacing (miles)	0.34	0.98	2.05	2.22	1.22	1.40	1.46	1.04	1.06	2.10
Sidewalk Replacement/Repair (miles)	0.14	0.04	0.08	0.03	0.03	0.02	-	-	-	0.09
Stormwater Ponds Managed	2	10	10	10	2	3	2	2	18	1
<b>Recreation</b>										
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	-	-	-	-	-	-	-	-	-	-
<b>Water</b>										
New Connections	13	11	19	25	134	38	47	43	-	-
Water Main/Lateral Breaks	66.0	44.0	54.0	26.0	145.0	-	-	-	-	-
Average Daily Consumption (millions of gallons)	1.404	1.333	1.410	1.502	1.531	1.540	1.473	1.545	1.638	1.602
<b>Sewer</b>										
Sewer Main/Lateral Breaks	9.0	14.0	10.0	6.0	5.0	-	-	-	-	-
Average Daily Sewage Treatment (millions of gallons)	1.52	1.97	1.69	1.76	1.90	2.02	1.82	1.91	2.18	1.53

Source: Various City departments

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

Table 19

<b><u>Function</u></b>	<b><u>2011</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2006</u></b>	<b><u>2005</u></b>	<b><u>2004</u></b>	<b><u>2003</u></b>	<b><u>2002</u></b>
<b>Public Safety - Police</b>										
Stations	1	1	1	1	1	1	1	1	1	1
Vehicles	56	54	53	52	48	47	40	40	40	38
<b>Highways and Streets</b>										
Streets (miles)	72.92	72.92	72.67	72.67	72.55	71.47	68.76	68.42	67.77	67.57
Storm Sewers (miles)	15.00	15.00	15.00	15.00	14.25	13.24	12.76	12.70	12.58	12.54
Catch Basins	1,013	1,013	1,013	1,013	1,009	942	906	902	896	892
Street Lights	1,753	1,753	1,753	1,748	1,717	-	-	-	-	-
<b>Culture and Recreation</b>										
Number of Parks/Playgrounds	8	8	8	8	8	8	8	8	8	8
Park Acreage	36.98	36.98	36.98	34.06	34.06	34.06	34.06	34.06	34.06	34.06
Tennis Courts	1	1	1	2	2	2	2	2	2	2
<b>Water</b>										
Treatment Plants	1	1	1	1	1	1	1	1	1	1
Wells	16	16	16	16	17	13	13	12	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)	2.10	2.00	2.50	2.50	2.50	2.37	2.21	2.16	2.47	2.26
Number of Customer Accounts	4,765	4,759	4,963	4,773	4,758	4,720	4,727	4,624	4,525	4,461
Water Mains (miles)	66.93	66.73	66.23	66.23	65.30	64.32	61.88	61.59	60.99	60.81
Fire Hydrants	517	517	502	502	483	470	453	451	447	446
<b>Wastewater</b>										
Treatment Plants	12	1	1	1	1	1	1	1	1	1
Maximum Daily Treatment Capacity (million gallons)	4.00	4.00	4.00	4.00	4.00	4.21	4.01	3.92	4.38	2.66
Pumping Stations	10	10	10	10	10	10	9	10	10	10
Sanitary Sewers (miles)	68.79	68.79	68.54	68.54	68.10	67.54	64.97	64.67	64.03	63.01

Source: Various city departments