

City of Aberdeen, Maryland

Comprehensive Annual Financial Report
June 30, 2017

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November 17, 2017

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, 2017, is hereby submitted. City ordinances and State statutes require that the City of Aberdeen issue annually a report on its financial position and its activities. An independent firm of certified public accountants is selected by the City Council. Responsibility of both accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City's management. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner that presents fairly the financial position and results of operations of the various funds and account groups of the City government. All information necessary to enable the reader to gain an understanding of the City's government activities has been included.

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

City of Aberdeen's financial statements have been audited by RSM US LLP, Independent Certified Public Accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City of Aberdeen for the fiscal year ended June 30, 2017 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, 2017 are fairly presented in conformity with GAAP. The auditor's report is presented as the first component of the financial section of this report.

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

PROFILE OF THE GOVERNMENT

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

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

Pursuant to City Charter, the Mayor presents the capital and operating budgets to the City Council during April of each year. The City Council holds public hearings regarding the budgets and, prior to July 1, passes an annual appropriation ordinance. The legislation becomes effective July 1 and provides the spending authority at the fund level for the operations of the City Government with unexpended or unencumbered appropriation authority expiring the following June 30. The appropriated budgets are prepared by fund and department. Expenditures of the funds may not legally exceed appropriations at the fund level. During the fiscal year, the City Council may adopt supplemental appropriations. A Statement of Revenues, Expenditures, and Changes in Fund Balances on a Budget (Non-GAAP) vs. Actual basis is presented for the two major governmental funds which adopted an annual budget, and can be found on pages 80 through 84 of this report.

FACTORS AFFECTING FINANCIAL CONDITION

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

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

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

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

Long-term financial planning – In October 2011, Fitch Ratings, and Standard and Poor's Rating Services assigned their AA rating to the City. In September 2014, Standard and Poor's upgraded the rating to AA+. In February 2017, Fitch Ratings upgraded the rating to AA+.

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

AWARDS

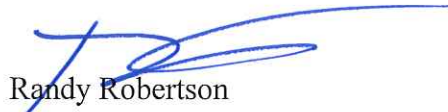
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to City of Aberdeen for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2016. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

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

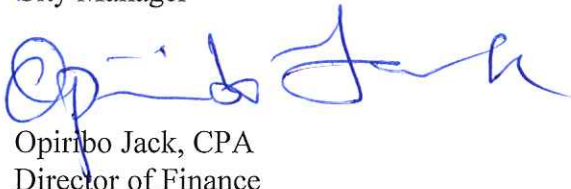
ACKNOWLEDGMENTS

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

Respectfully submitted,

A handwritten signature in blue ink, appearing to be "Randy Robertson", written over the printed name.

Randy Robertson
City Manager

A handwritten signature in blue ink, appearing to be "Opiribo Jack", written over the printed name.

Opiribo Jack, CPA
Director of Finance



Government Finance Officers Association

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

Presented to

**City of Aberdeen
Maryland**

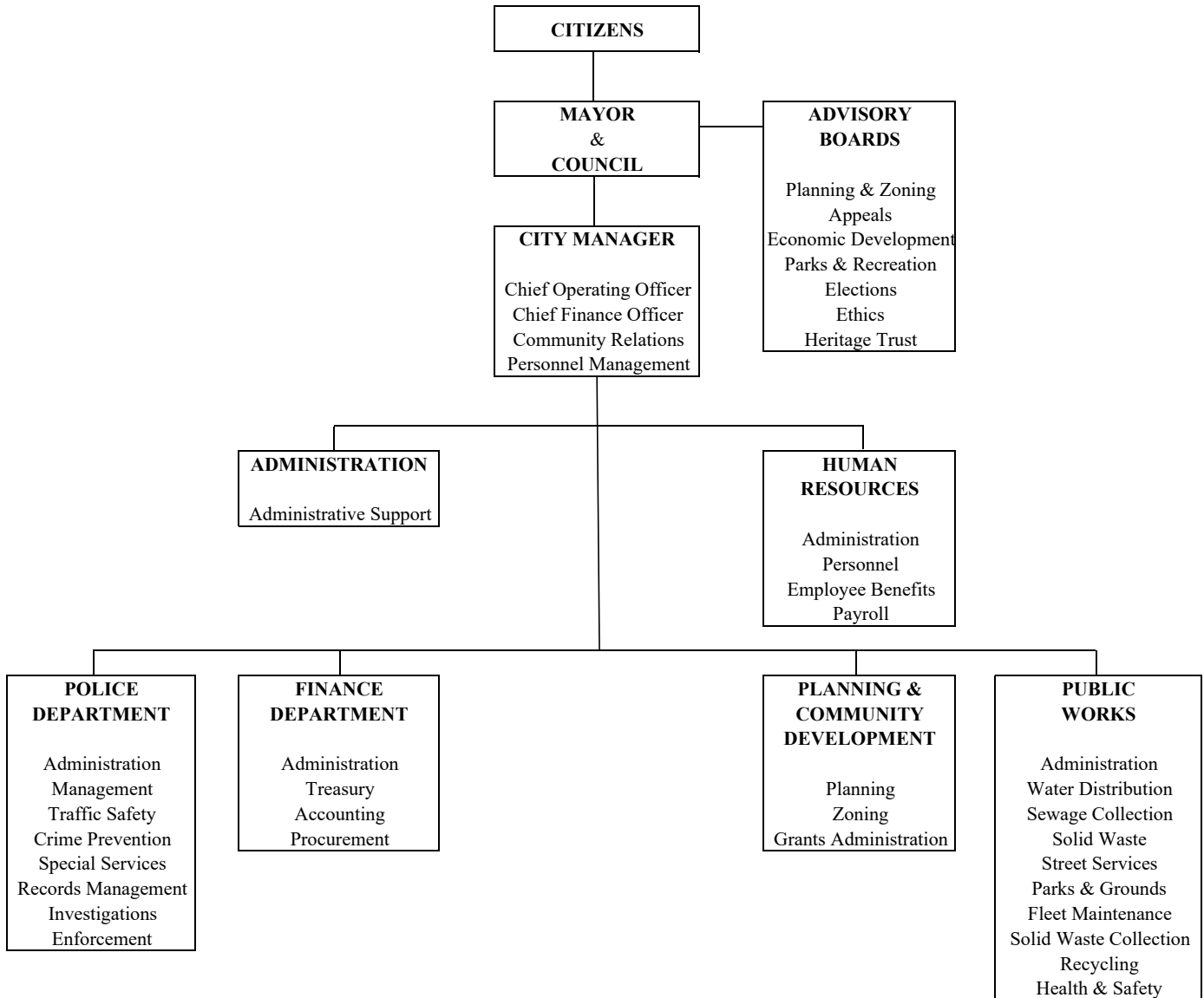
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016



Executive Director/CEO

CITY OF ABERDEEN - ORGANIZATIONAL CHART



CITY OF ABERDEEN
HARFORD COUNTY, MARYLAND
GOVERNMENT ORGANIZATION

ELECTED AND APPOINTED OFFICIALS

AS OF JUNE 30, 2017

ELECTED OFFICIALS

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

APPOINTED OFFICIALS

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

Independent Auditor's Report

RSM US LLP

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Aberdeen, Maryland, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Aberdeen, Maryland's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Aberdeen, Maryland, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 10 through 20, the Schedule of Changes in the City's Net Pension Liability and Related Ratios on page 74, the Schedule of City Contributions – Pension on page 75, the Schedule of Changes in the City's Net OPEB Liability and Related Ratios on page 76, the Schedule of City Contributions – OPEB on page 77, the Schedule of Funding Progress – OPEB on page 78, and the Schedule of Investment Returns – Pension and OPEB on page 79, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2017, on our consideration of the City of Aberdeen, Maryland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Aberdeen, Maryland's internal control over financial reporting and compliance.

RSM US LLP

Frederick, Maryland
October 30, 2017

City of Aberdeen, Maryland

Management's Discussion and Analysis

June 30, 2017

Introduction

As management of the City of Aberdeen, Maryland (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2017. The Management's Discussion and Analysis (MD&A) is best understood if read in conjunction with the City's basic financial statements.

Financial Highlights

1. The City's assets plus deferred outflows exceeded its liabilities plus deferred inflows at the close of the most recent fiscal year by \$80.2 million (*net position*). Of this amount, \$14.2 million (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
2. The City's total net position increased \$4.6 million. Most of this increase is attributable to better than expected tax revenues, management fees, and savings in expenses.
3. The City's total long-term liabilities increased by \$855 thousand during the current fiscal year from \$25.4 million to \$26.2 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 \$13.6 million. This represents an increase of \$900 thousand over the prior year. About 91.2% (\$12.4 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 \$12.5 million or 87.3% of total General Fund expenditures.

Overview of the Financial Statements

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

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

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

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

City of Aberdeen, Maryland

Management's Discussion and Analysis

June 30, 2017

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

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

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

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

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

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

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

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

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

City of Aberdeen, Maryland

Management's Discussion and Analysis

June 30, 2017

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are part of the basic financial statements and can be found on pages 32 to 73 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 74 to 79 of this report. Other supplementary information as noted in the table of contents can be found on pages 80 to 84 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's overall financial condition and position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$80.2 million at the close of the most recent fiscal year. The City of Aberdeen net position is divided into three categories – net investment in capital assets, restricted net position and unrestricted net position.

The largest portion of the City's net position (77.8%) reflects its investment in capital assets net of depreciation (e.g., land and improvements, buildings, machinery, equipment, infrastructure, and improvements); less any un-matured debt used to acquire these assets. The debt used to acquire these assets must be repaid using other financial resources because the assets themselves cannot be used for repayment.

Restricted net position represents 4.5% of total net position. Restricted net position is resources that are subject to external restrictions on how they may be used.

Unrestricted net position of the government-wide financial statements has a balance of \$14.2 million (17.7% of total net position) that may be used to meet the government's ongoing obligations to citizens and creditors.

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

The City's net position experienced a 6.1% increase. Most of this increase is attributable to better than expected tax revenues, management fees, and savings in expenses.

City of Aberdeen, Maryland
Management's Discussion and Analysis
June 30, 2017

The following table summarizes the net position for governmental and business-type activities as of June 30, 2017 and 2016:

	Governmental Activities (000)		Business-type Activities (000)		Total (000)	
	2017	2016	2017	2016	2017	2016
Assets						
Current and other assets	\$ 15,607	\$ 14,601	\$ 7,690	\$ 5,753	\$ 23,297	\$ 20,354
Capital assets, net	26,044	25,311	57,200	57,088	83,244	82,399
Total assets	41,651	39,912	64,890	62,841	106,541	102,753
Deferred Outflows of Resources	2,075	731	58	64	2,133	795
Liabilities						
Long-term liabilities	8,462	7,564	17,764	17,807	26,226	25,371
Other liabilities	1,477	1,602	659	764	2,136	2,366
Total liabilities	9,939	9,166	18,423	18,571	28,362	27,737
Deferred Inflows of Resources	122	198	-	-	122	198
Net Position						
Net investment in capital assets	22,361	21,293	40,021	39,873	62,382	61,166
Restricted	-	429	3,573	3,578	3,573	4,007
Unrestricted	11,304	9,557	2,931	883	14,235	10,440
Total Net Position	\$ 33,665	\$ 31,279	\$ 46,525	\$ 44,334	\$ 80,190	\$ 75,613

City of Aberdeen, Maryland
Management's Discussion and Analysis
June 30, 2017

The following table indicates the changes in net position for governmental and business-type activities for the years ended June 30, 2017 and 2016:

	Governmental Activities (000)		Business-type Activities (000)		Total (000)	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues:						
Charges for service	\$ 3,006	\$ 2,868	\$ 7,502	\$ 5,910	\$ 10,508	\$ 8,778
Operating grants/contributions	2,750	2,655	120	120	2,870	2,775
Capital grants/contributions	311	494	967	448	1,278	942
General revenues:						
Property taxes	10,908	10,053	-	-	10,908	10,053
State shared/other local taxes	1,757	1,750	122	66	1,879	1,816
Miscellaneous	184	351	149	66	333	417
Total revenues	18,916	18,171	8,860	6,610	27,776	24,781
Program Expenses						
General government	3,982	3,523	-	-	3,982	3,523
Public safety	6,576	5,991	-	-	6,576	5,991
Public works	4,508	4,387	-	-	4,508	4,387
Parks and recreation	150	123	-	-	150	123
Interest on long-term debt	92	142	-	-	92	142
Utilities and other enterprise funds	-	-	7,891	7,639	7,891	7,639
Total expenses	15,308	14,166	7,891	7,639	23,199	21,805
Increase in net position before transfers	3,608	4,005	969	(1,029)	4,577	2,976
Transfers	(1,222)	(525)	1,222	525	-	-
Increase in net position	2,386	3,480	2,191	(504)	4,577	2,976
Net Position, July 1	31,279	27,799	44,334	44,838	75,613	72,637
Net Position, June 30	\$ 33,665	\$ 31,279	\$ 46,525	\$ 44,334	\$ 80,190	\$ 75,613

City of Aberdeen, Maryland

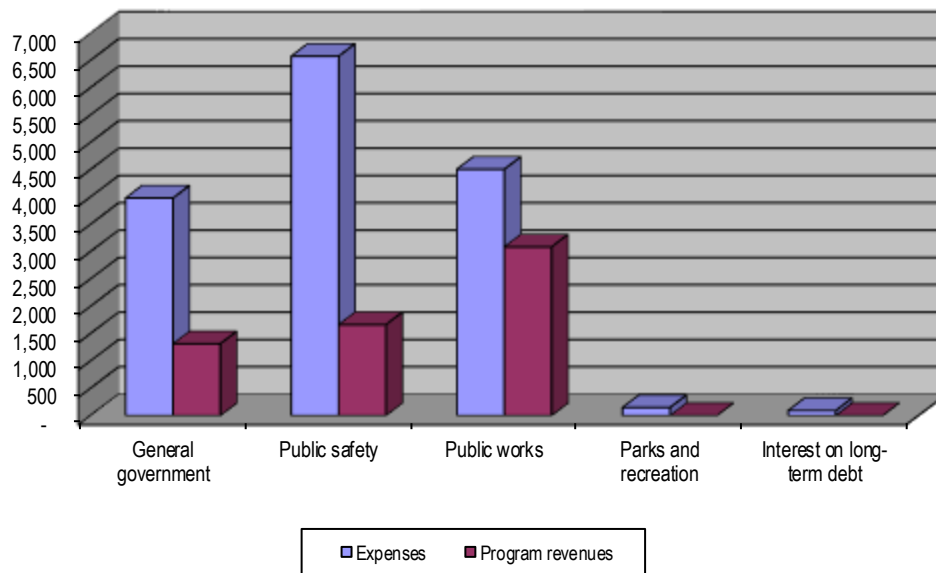
Management's Discussion and Analysis

June 30, 2017

Governmental activities: The increase in net position for governmental activities was \$2.4 million, which is \$1.1 million lower when compared to the 2016 increase of \$3.5 million. This decrease largely resulted from increased expenditures on public safety (\$585 thousand more than the prior year), general government (\$459 thousand more than the prior year) and contributions to other funds for capital improvements (\$697 thousand more than the prior year). Additionally, property tax revenue increased \$855 thousand largely due to higher growth and property values. There were no other significant fluctuations compared to 2016.

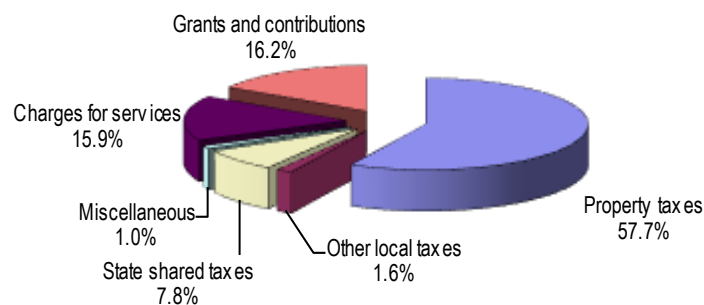
The following chart compares the Expenses and Program Revenues of the City's Governmental Activities:

Expenses and Program Revenues Governmental Activities (000)



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

Revenues by Source Governmental Activities



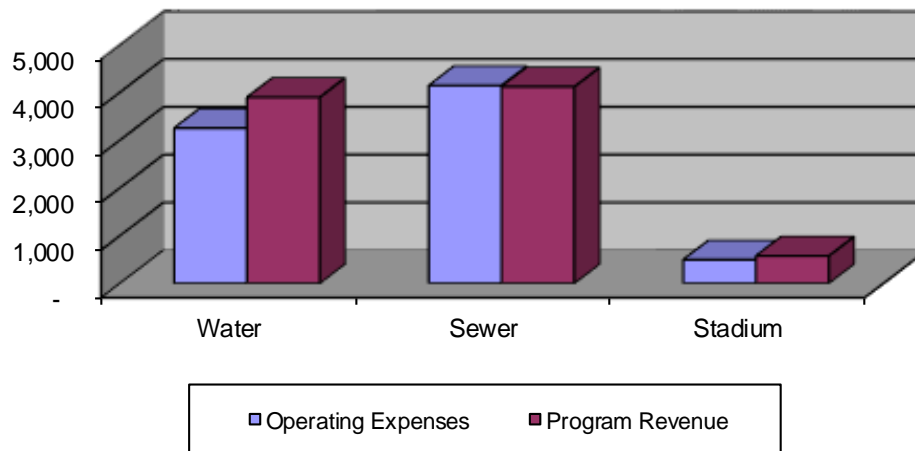
City of Aberdeen, Maryland Management's Discussion and Analysis June 30, 2017

Business-type activities: Business-type activities increased the City's net position by \$2.2 million, which is \$2.7 million more than the decrease from 2015 to 2016. Key elements of this increase are as follows:

- Charges for services increased \$1.6 million primarily due to a \$1.3 million increase in revenue from capital connections during 2017.
- Business-type expenses increased by \$252 thousand primarily due to increases in costs of services provided to customers.
- In addition, capital grants and contributions increased \$519 thousand, primarily related to a state grant to fund stadium improvements, while operating grants and contributions remained consistent from 2016.

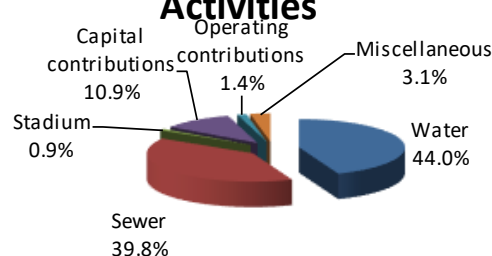
The following chart compares the Expenses and Program Revenues of the City's Business-Type Activities.

Expenses and Program Revenues Business-Type Activities (000)



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

Revenues by Source Business-Type Activities



City of Aberdeen, Maryland

Management's Discussion and Analysis

June 30, 2017

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending balances of \$13.6 million, an increase of \$948 thousand in comparison with the prior year. Approximately 91.2% of this total amount (\$12.4 million) constitutes unassigned fund balance, which represents working capital available to support governmental operating needs and future years' expenditures. The remainder of fund balance is classified to reflect constraints on the City's remaining fund balance, including: 1) non-spendable fund balance for other assets, including prepaid items, advances to other funds, and inventory (\$574 thousand), and 2) assigned balances for public safety, public works, storm water management and capital projects (\$593 thousand).

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$12.5 million, which represents 95.0% 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 87.3% of total General Fund expenditures, while total fund balance represents 91.9% of that same amount. The General Fund balance increased by \$1.7 million during the current fiscal year. The key elements are:

- Total revenues were higher than total expenditures by \$4.2 million.
- Total revenues were \$1.1 million higher than 2016.
- Taxes were \$1.3 million higher than 2016 due to higher property tax revenue.
- Total expenditures were comparable to 2016 and did not rise with revenues.
- Transfers out were \$2.5 million which were made largely for the funding of capital projects in other funds. Transfers out were \$1.2 million higher than 2016.

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 \$74 thousand was assigned to storm water management, and the remaining fund balance of \$430 thousand was assigned to capital projects for a total fund balance of \$504 thousand. The fund balance decreased by \$281 thousand during the current fiscal year. The key elements are:

- Revenue was \$493 thousand less than 2016 due to decreased grant revenue.
- Expenditures were \$446 thousand more than 2016 due to more public works projects.
- Total transfers in were \$1.3 million from the general fund for capital projects funding, an increase of \$498 thousand compared to 2016.

Proprietary funds. The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the three funds at the end of the year amounted to a surplus of \$1.7 million for the Water Fund, a surplus of \$1.3 million for the Sewer Fund, and a deficit of \$34 thousand for the Stadium Fund. The total net position increased by \$2.2 million. Other factors concerning these funds' finances have been addressed in the discussion of the City's business-type activities.

City of Aberdeen, Maryland

Management's Discussion and Analysis

June 30, 2017

General Fund Budgetary Highlights

The final budget for the General Fund expenditures was increased \$185 thousand (1.4%) over the original budget to adjust for situations arising during the year. The most significant increase relates to a \$102 thousand increase for police capital expenditures funded by seized assets. In addition, the final budget for the General Fund transfers out was increased \$987 thousand (64.9%) over the original budget largely to fund capital projects in the Stadium Fund.

Property taxes were \$1.1 million higher than budgeted due to higher growth and property values than initially assessed. Income tax was \$273 thousand higher than budgeted because of the improved economy.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2017, amounts to \$83.2 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment (including vehicles), infrastructure (including park facilities, roads, highways and bridges) and construction in progress. The total net increase in the City's capital assets for the current fiscal year was \$845 thousand or 1.0% (a 2.9% increase for governmental activities and a 0.2% increase for business-type activities). The major capital asset activities in the current year included stadium rail and seat upgrades of approximately \$1.1 million, street resurfacing totaling approximately \$769 thousand, and the purchase of a new sewer truck for \$449 thousand.

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

	Governmental Activities (000)		Business-type Activities (000)		Total (000)	
	2017	2016	2017	2016	2017	2016
Land	\$ 5,748	\$ 5,715	\$ 1,963	\$ 1,963	\$ 7,711	\$ 7,678
Buildings	4,743	4,931	13,138	13,649	17,881	18,580
Improvements other than buildings	380	155	1,558	579	1,938	734
Machinery and equipment	977	1,121	2,417	1,728	3,394	2,849
Vehicles	1,361	1,143	-	-	1,361	1,143
Recreational facilities	230	236	-	-	230	236
Infrastructure	12,518	12,010	-	-	12,518	12,010
Water and sewer systems	-	-	37,857	38,997	37,857	38,997
Construction in progress	87	-	267	172	354	172
Total	\$ 26,044	\$ 25,311	\$ 57,200	\$ 57,088	\$ 83,244	\$ 82,399

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

City of Aberdeen, Maryland

Management's Discussion and Analysis

June 30, 2017

Long-term debt. At the end of the current fiscal year, the City had total long-term liabilities outstanding of \$26.2 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)	
	2017	2016	2017	2016	2017	2016
General obligation bonds	\$ 3,667	\$ 3,995	\$ 7,934	\$ 8,834	\$ 11,601	\$ 12,829
Notes payable	-	6	9,251	8,383	9,251	8,389
Compensated absences	551	556	146	139	697	695
Net pension liability	2,675	1,213	-	-	2,675	1,213
OPEB obligation	1,554	1,776	381	389	1,935	2,165
Premiums (discounts), net	15	18	52	62	67	80
Total	\$ 8,462	\$ 7,564	\$ 17,764	\$ 17,807	\$ 26,226	\$ 25,371

During the current fiscal year, the City's total long-term liabilities increased by \$855 thousand or 3.4%. The City has strictly adhered to its debt repayment amortization schedules.

The amount of general obligation debt the City may issue is not limited by State statute or local ordinance. However, the City adheres to a fiscal policy adopted by its elected officials that prohibits general obligation debt from exceeding 15% of the assessed value of taxable property. The City was in full compliance at June 30, 2017. Additional information on the City's long-term liabilities can be found in Note 8 of this report.

Economic Factors and Next Year's Budgets and Rates

- Regional employment that also impacts the City has been stable and is expected to remain stable. Harford County unemployment rates are lower than many other Maryland counties and Maryland unemployment rates are lower than most states in the country.
- Aberdeen Proving Ground is home to a workforce in excess of 20,000 employees. Aberdeen Proving Ground's mission is primarily Research, Development, Test and Evaluation (RDT&E) and features a large civilian based employment population working in highly skilled disciplines with advanced degrees. The installation continues to be postured for additional mission and job growth as Aberdeen Proving Ground expands its global presence in salient and relevant world issues.
- New construction, both residential and commercial, is expected to continue at a moderate rate, which will impact the real estate tax base.
- The real estate tax rate was decreased to \$0.6502 per \$100 of assessed value for the fiscal year 2018 budget.
- The water base rate was increased to \$19.09 for the fiscal year 2018 budget.
- The sewer base rate was increased to \$23.65 for the fiscal year 2018 budget.

All of these factors were considered in preparing the City's budget for fiscal year 2018.

**City of Aberdeen, Maryland
Management's Discussion and Analysis
June 30, 2017**

Requests for Information

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

City of Aberdeen, Maryland

Statement of Net Position

June 30, 2017

	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
Assets			
Cash and cash equivalents	\$ 11,417,722	\$ 6,242,005	\$ 17,659,727
Investments	1,963,755	-	1,963,755
Receivables, current	1,652,080	1,681,342	3,333,422
Prepays	6,427	-	6,427
Internal balances	549,499	(549,499)	-
Inventory	18,201	128,380	146,581
Receivables, noncurrent	-	187,538	187,538
Capital assets			
Nondepreciable assets	5,834,464	2,230,802	8,065,266
Net of accumulated depreciation	20,209,285	54,969,361	75,178,646
Total assets	41,651,433	64,889,929	106,541,362
Deferred Outflows of Resources			
Deferred charge on refunding	-	58,405	58,405
Deferred outflows for pension	2,074,773	-	2,074,773
Total deferred outflows of resources	2,074,773	58,405	2,133,178
Liabilities			
Accounts payable	655,129	541,837	1,196,966
Accrued liabilities	133,619	117,414	251,033
Unearned revenue	298,355	-	298,355
Other liabilities	390,525	-	390,525
Noncurrent liabilities			
Due within one year	666,884	1,627,776	2,294,660
Due in more than one year	7,794,911	16,136,392	23,931,303
Total liabilities	9,939,423	18,423,419	28,362,842
Deferred Inflows of Resources			
Deferred inflows for pension	122,085	-	122,085
Net Position			
Net investment in capital assets	22,361,333	40,021,208	62,382,541
Restricted for			
Debt service	-	995,874	995,874
Capital revolving loans	-	2,577,140	2,577,140
Unrestricted	11,303,365	2,930,693	14,234,058
Total net position	\$ 33,664,698	\$ 46,524,915	\$ 80,189,613

See Notes to Basic Financial Statements.

City of Aberdeen, Maryland

Statement of Activities

Year Ended June 30, 2017

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Governmental Activities							
General government	\$ 3,981,692	\$ 361,070	\$ 727,483	\$ 226,617	\$ (2,666,522)	\$ -	\$ (2,666,522)
Public safety	6,575,990	100,448	1,479,500	84,559	(4,911,483)	-	(4,911,483)
Public works	4,508,120	2,544,070	543,423	-	(1,420,627)	-	(1,420,627)
Parks and recreation	149,700	-	-	-	(149,700)	-	(149,700)
Interest on long-term debt	92,562	-	-	-	(92,562)	-	(92,562)
Total governmental activities	15,308,064	3,005,588	2,750,406	311,176	(9,240,894)	-	(9,240,894)
Business-Type Activities							
Water	3,251,622	3,896,382	-	-	-	644,760	644,760
Sewer	4,143,124	3,522,854	120,000	473,076	-	(27,194)	(27,194)
Stadium	496,814	83,000	-	493,590	-	79,776	79,776
Total business-type activities	7,891,560	7,502,236	120,000	966,666	-	697,342	697,342
Total primary government	\$ 23,199,624	\$ 10,507,824	\$ 2,870,406	\$ 1,277,842	(9,240,894)	697,342	(8,543,552)
General revenues							
Property tax					10,907,789	-	10,907,789
Income tax – shared					1,483,135	-	1,483,135
Admission and amusements tax – shared					-	121,994	121,994
Other local taxes					274,392	-	274,392
Interest earnings					49,603	51,649	101,252
Gain on disposal of capital assets					134,166	-	134,166
Gain on sale of property					-	96,735	96,735
Transfers					(1,222,461)	1,222,461	-
Total general revenues and transfers					11,626,624	1,492,839	13,119,463
Change in net position					2,385,730	2,190,181	4,575,911
Net position							
Beginning					31,278,968	44,334,734	75,613,702
Ending					\$ 33,664,698	\$ 46,524,915	\$ 80,189,613

See Notes to Basic Financial Statements.

City of Aberdeen, Maryland

Balance Sheet – Governmental Funds
June 30, 2017

	General Fund	Special Revenue Fund	Capital Projects Fund	Governmental Funds
Assets				
Cash and cash equivalents	\$ 10,724,748	\$ 59,965	\$ 633,009	\$ 11,417,722
Investments	1,963,755	-	-	1,963,755
Receivables (net of allowance for uncollectibles)	1,489,927	151,655	10,498	1,652,080
Due from other funds	549,499	-	-	549,499
Prepays	6,427	-	-	6,427
Inventory	18,201	-	-	18,201
Total assets	\$ 14,752,557	\$ 211,620	\$ 643,507	\$ 15,607,684
Liabilities				
Accounts payable	\$ 365,330	\$ 149,886	\$ 139,913	\$ 655,129
Accrued liabilities	133,619	-	-	133,619
Unearned revenue	298,355	-	-	298,355
Other liabilities	390,525	-	-	390,525
Total liabilities	1,187,829	149,886	139,913	1,477,628
Deferred Inflows of Resources				
Unavailable revenue – property taxes and grants	369,085	151,655	-	520,740
Total deferred inflows of resources	369,085	151,655	-	520,740
Fund Balances				
Non-spendable				
Prepays	6,427	-	-	6,427
Inventory	18,201	-	-	18,201
Advances to other funds	549,499	-	-	549,499
Assigned				
Public safety	84,559	-	-	84,559
Parks and recreation	5,037	-	-	5,037
Stormwater management	-	-	73,357	73,357
Capital projects	-	-	430,237	430,237
Unassigned	12,531,920	(89,921)	-	12,441,999
Total fund balances	13,195,643	(89,921)	503,594	13,609,316
Total liabilities, deferred inflows of resources and fund balances	\$ 14,752,557	\$ 211,620	\$ 643,507	\$ 15,607,684

See Notes to Basic Financial Statements.

City of Aberdeen, Maryland

**Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2017**

Fund Balances – Total Governmental Funds		\$ 13,609,316
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Amounts Reported for Governmental Activities in the Statement of Net
Position are Different Because:

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

Cost of capital assets	\$ 47,654,395	
Accumulated depreciation	(21,610,646)	
		26,043,749

Long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		520,740
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Deferred outflows for pensions are not included in the governmental funds:

Current year contributions to the pension plans	612,954	
Assumption changes	891,478	
Net difference between projected and actual investment earnings on pension plan assets	535,292	
Differences between expected and actual experience	35,049	
		2,074,773

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

General obligation bonds payable	(3,666,900)	
Net pension liability	(2,674,670)	
Net OPEB obligation	(1,554,161)	
Accumulated unused compensated absences	(550,548)	
Bond premiums	(15,516)	
		(8,461,795)

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

Differences between expected and actual experience		(122,085)
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Net position of governmental activities

\$ 33,664,698

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, 2017**

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
Revenues				
Taxes	\$ 13,114,966	\$ -	\$ -	\$ 13,114,966
Licenses and permits	114,214	-	-	114,214
Intergovernmental	2,252,390	39,670	35,292	2,327,352
APG management fees	2,473,394	-	-	2,473,394
Miscellaneous	565,996	2,646	-	568,642
Total revenues	18,520,960	42,316	35,292	18,598,568
Expenditures				
Current:				
General government	2,251,837	473,960	32,490	2,758,287
Public safety	4,408,665	-	47,497	4,456,162
Public works	3,854,329	87,280	1,559,329	5,500,938
Parks and recreation	111,165	-	-	111,165
Miscellaneous	3,306,756	-	-	3,306,756
Debt service:				
Principal	333,834	-	-	333,834
Interest and fees	94,791	-	-	94,791
Total expenditures	14,361,377	561,240	1,639,316	16,561,933
Excess (deficiency) of revenue over (under) expenditures	4,159,583	(518,924)	(1,604,024)	2,036,635
Other Financing Sources (Uses)				
Transfers in (out)	(2,508,737)	-	1,286,276	(1,222,461)
Proceeds from sale of capital assets	97,651	-	36,515	134,166
Total other financing sources (uses)	(2,411,086)	-	1,322,791	(1,088,295)
Net change in fund balances	1,748,497	(518,924)	(281,233)	948,340
Fund Balances				
Beginning	11,447,146	429,003	784,827	12,660,976
Ending	<u>\$ 13,195,643</u>	<u>\$ (89,921)</u>	<u>\$ 503,594</u>	<u>\$ 13,609,316</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, 2017**

Net Change in Fund Balances – Total Governmental Funds	\$	948,340
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Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

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

Capital outlays	1,886,979
Depreciation expense	(1,154,547)

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

Compensated absences	6,085
Pension expense, including pension related deferrals	(42,294)
Other post-employment benefits expense	221,583

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

Principal repayments	333,834
Amortization of premiums	2,229

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

183,521

Change in net position of governmental activities

\$ 2,385,730

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, 2017**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 11,309,868	\$ 11,309,868	\$ 12,630,135	\$ 1,320,267
Licenses and permits	101,100	101,100	114,214	13,114
Intergovernmental	2,699,174	2,715,674	2,753,721	38,047
APG management fees	750,000	750,000	1,021,412	271,412
Miscellaneous	362,778	464,378	549,496	85,118
Total revenues	15,222,920	15,341,020	17,068,978	1,727,958
Expenditures				
General government	2,281,446	2,362,524	2,251,837	110,687
Public safety	4,493,835	4,618,935	4,493,224	125,711
Public works	2,776,652	2,776,652	2,413,567	363,085
Parks and recreation	106,500	143,639	116,202	27,437
Miscellaneous	3,584,054	3,526,154	3,277,070	249,084
Debt service				
Principal	350,000	350,000	327,900	22,100
Interest	109,187	109,187	94,610	14,577
Total expenditures	13,701,674	13,887,091	12,974,410	912,681
Other Financing Sources (Uses)				
Transfers out	(1,521,246)	(2,508,737)	(2,508,737)	-
Appropriation of fund balance	-	1,054,808	-	(1,054,808)
Total other financing sources (uses)	(1,521,246)	(1,453,929)	(2,508,737)	(1,054,808)
Net change in fund balance – budgetary basis	\$ -	\$ -	1,585,831	\$ 1,585,831
Adjustments to Conform with Generally Accepted Accounting Principles (GAAP)			162,666	
Net Change in Fund Balance – GAAP Basis			1,748,497	
Fund Balance				
Beginning			11,447,146	
Ending			\$ 13,195,643	

See Notes to Basic Financial Statements.

City of Aberdeen, Maryland

Statement of Net Position – Proprietary Funds

June 30, 2017

	Business-Type Activities – Enterprise Funds			
	Water Utility	Sewer Utility	Stadium	Total
Assets				
Current assets				
Cash and cash equivalents	\$ 4,122,555	\$ 2,059,980	\$ 59,470	\$ 6,242,005
Receivables, current	492,449	690,473	498,420	1,681,342
Inventory	84,085	44,295	-	128,380
Total current assets	4,699,089	2,794,748	557,890	8,051,727
Noncurrent assets				
Receivables, noncurrent	-	187,538	-	187,538
Capital assets, net	10,092,043	33,986,662	13,121,458	57,200,163
Total noncurrent assets	10,092,043	34,174,200	13,121,458	57,387,701
Total assets	14,791,132	36,968,948	13,679,348	65,439,428
Deferred Outflows of Resources				
Deferred charge on refunding	58,405	-	-	58,405
Liabilities				
Current liabilities				
Accounts payable	319,594	189,288	32,955	541,837
Due to other funds	-	-	549,499	549,499
Accrued liabilities	39,745	68,574	9,095	117,414
Notes payable	-	724,293	-	724,293
Bonds payable	294,016	-	543,583	837,599
Compensated absences	5,808	60,076	-	65,884
Total current liabilities	659,163	1,042,231	1,135,132	2,836,526
Noncurrent liabilities				
Notes payable	-	8,527,186	-	8,527,186
Bonds payable	5,336,688	-	1,811,594	7,148,282
Compensated absences	6,104	73,610	-	79,714
OPEB liabilities	53,369	327,841	-	381,210
Total noncurrent liabilities	5,396,161	8,928,637	1,811,594	16,136,392
Total liabilities	6,055,324	9,970,868	2,946,726	18,972,918
Net Position				
Net investment in capital assets	4,519,744	24,735,183	10,766,281	40,021,208
Restricted for debt service	-	995,874	-	995,874
Restricted for capital revolving loans	2,577,140	-	-	2,577,140
Unrestricted	1,697,329	1,267,023	(33,659)	2,930,693
Total net position	\$ 8,794,213	\$26,998,080	\$10,732,622	\$46,524,915

See Notes to Basic Financial Statements.

City of Aberdeen, Maryland

**Statement of Revenues, Expenses, and Changes in
Fund Net Position – Proprietary Funds
Year Ended June 30, 2017**

	Business-Type Activities – Enterprise Funds			
	Water Utility	Sewer Utility	Stadium	Total
Operating Revenues				
Charges for services	\$ 3,639,403	\$ 3,270,452	\$ -	\$ 6,909,855
Other operating revenues	233,749	360,213	204,494	798,456
Miscellaneous	23,230	12,189	500	35,919
	<u>3,896,382</u>	<u>3,642,854</u>	<u>204,994</u>	<u>7,744,230</u>
Operating Expenses				
Cost of service	2,179,181	2,507,176	91,244	4,777,601
Other operating expenses	268,699	356,879	-	625,578
Depreciation	609,294	1,164,149	349,497	2,122,940
	<u>3,057,174</u>	<u>4,028,204</u>	<u>440,741</u>	<u>7,526,119</u>
Operating income (loss)	<u>839,208</u>	<u>(385,350)</u>	<u>(235,747)</u>	<u>218,111</u>
Non-Operating Revenues (Expenses)				
Investment interest	409	506	-	915
Interest income on notes receivable	-	-	50,734	50,734
Gain on sale of property	-	-	96,735	96,735
Interest expense	(194,448)	(114,920)	(56,073)	(365,441)
	<u>(194,039)</u>	<u>(114,414)</u>	<u>91,396</u>	<u>(217,057)</u>
Income (loss) before transfers and capital grants and contributions	<u>645,169</u>	<u>(499,764)</u>	<u>(144,351)</u>	<u>1,054</u>
Transfers in	-	247,000	975,461	1,222,461
Capital grants and contributions	-	473,076	493,590	966,666
	<u>-</u>	<u>720,076</u>	<u>1,469,051</u>	<u>1,189,727</u>
Change in net position	<u>645,169</u>	<u>220,312</u>	<u>1,324,700</u>	<u>2,190,181</u>
Net Position				
Beginning	<u>8,149,044</u>	<u>26,777,768</u>	<u>9,407,922</u>	<u>44,334,734</u>
Ending	<u>\$ 8,794,213</u>	<u>\$ 26,998,080</u>	<u>\$ 10,732,622</u>	<u>\$ 46,524,915</u>

See Notes to Basic Financial Statements.

City of Aberdeen, Maryland

Statement of Cash Flows – Proprietary Funds

Year Ended June 30, 2017

	Business-Type Activities – Enterprise Funds			
	Water Utility	Sewer Utility	Stadium	Total
Cash Flows from Operating Activities				
Receipts from customers and users	\$ 3,822,612	\$ 3,532,833	\$ 83,000	\$ 7,438,445
Receipts from other sources	-	120,000	121,768	241,768
Payments to employees	(516,187)	(1,159,718)	-	(1,675,905)
Payments to suppliers	(2,045,854)	(1,751,280)	(65,513)	(3,862,647)
Net cash provided by operating activities	1,260,571	741,835	139,255	2,141,661
Cash Flows from Non-Capital Financing Activities				
Internal activity receipts from other funds	(13,535)	(33,690)	424,933	377,708
Net transfers in	-	247,000	975,461	1,222,461
Net cash provided by (used in) non-capital financing activities	(13,535)	213,310	1,400,394	1,600,169
Cash Flows from Capital and Related Financing Activities				
Principal payments on notes payable	-	(526,188)	-	(526,188)
Principal payments on bonds payable	(365,700)	-	(535,000)	(900,700)
Proceeds from notes payable	-	1,395,178	-	1,395,178
Interest paid	(185,800)	(116,016)	(66,673)	(368,489)
Capital grants and contributions	-	473,076	-	473,076
Purchase of capital assets	(180,817)	(988,838)	(1,065,606)	(2,235,261)
Net cash provided by (used in) capital and related financing activities	(732,317)	237,212	(1,667,279)	(2,162,384)
Cash Flows from Investing Activities				
Investment earnings	409	506	-	915
Principal collections on notes receivable	-	-	96,735	96,735
Interest received on note receivable	-	-	50,734	50,734
Net cash provided by investing activities	409	506	147,469	148,384
Net increase in cash and cash equivalents	515,128	1,192,863	19,839	1,727,830
Cash and Cash Equivalents				
Beginning of year	3,607,427	867,117	39,631	4,514,175
End of year	\$ 4,122,555	\$ 2,059,980	\$ 59,470	\$ 6,242,005
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities				
Operating income (loss)	\$ 839,208	\$ (385,350)	\$ (235,747)	\$ 218,111
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	609,294	1,164,149	349,497	2,122,940
Changes in assets and liabilities:				
Receivables	(73,770)	9,979	(4,226)	(68,017)
Inventory	(11,679)	(13,070)	-	(24,749)
Accounts payable	(101,111)	(41,960)	29,731	(113,340)
Accrued liabilities	1,962	6,268	-	8,230
Compensated absences	(2,612)	9,148	-	6,536
OPEB liabilities	(721)	(7,329)	-	(8,050)
Net cash provided by operating activities	\$ 1,260,571	\$ 741,835	\$ 139,255	\$ 2,141,661
Supplemental Schedule of Non-cash Capital and Related Financing Activities				
Increase in capital grants and contributions receivable	\$ -	\$ -	\$ 493,590	\$ 493,590

See Notes to Basic Financial Statements.

City of Aberdeen, Maryland

Statements of Fiduciary Net Position and Changes in Fiduciary Net Position
As of and Year Ended June 30, 2017

	Pension Trust Funds		OPEB
	Police	Defined	Trust
	Department Plan	Benefit Plan	Fund
Assets			
Investments at fair-value			
Pooled separate accounts	\$ 10,781,507	\$ -	\$ 1,267,652
Insurance contract, at cost	-	1,288,612	-
Total assets	\$ 10,781,507	\$ 1,288,612	\$ 1,267,652
Net Position			
Restricted for pension/other benefits	\$ 10,781,507	\$ 1,288,612	\$ 1,267,652
Additions			
Contributions			
Employer contributions	\$ 545,099	\$ 67,855	\$ 385,000
Employee contributions	185,451	-	-
	730,550	67,855	385,000
Investment earnings	1,088,113	49,883	117,928
Total additions	1,818,663	117,738	502,928
Deductions			
Benefit payments	454,365	150,082	-
Administrative expenses and other	37,456	18,181	66
Total deductions	491,821	168,263	66
Change in net position	1,326,842	(50,525)	502,862
Net Position – Beginning	9,454,665	1,339,137	764,790
Net Position – Ending	\$ 10,781,507	\$ 1,288,612	\$ 1,267,652

See Notes to Basic Financial Statements.

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

B. Government-Wide and Fund Financial Statements

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

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

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

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

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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

C. Fund Accounting

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

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

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

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

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

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

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

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

D. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

E. Use of Estimates

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

F. Budgetary Data

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

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

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

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

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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

	Revenues	Expenditures and Encumbrances	Other Financing Sources (Uses)	Current Year Effect on Fund Balance
General Fund				
Budgetary basis	\$ 17,068,978	\$ 12,974,410	\$ (2,508,737)	\$ 1,585,831
Reimbursable salaries under APG contract	1,451,982	1,451,982	-	-
Increase in encumbrances	-	(89,596)	-	89,596
Proceeds from sale of capital assets	-	-	97,651	97,651
Increase in allowance for uncollectible receivables	-	22,180	-	(22,180)
Decrease in prepaid expenditures	-	2,401	-	(2,401)
Modified accrual basis	\$ 18,520,960	\$ 14,361,377	\$ (2,411,086)	\$ 1,748,497
Capital Projects Fund				
Budgetary basis	\$ 35,292	\$ 1,639,316	\$ 1,715,101	\$ 111,077
Proceeds from sale of capital assets	-	-	36,515	36,515
Appropriation of fund balance	-	-	(428,825)	(428,825)
Modified accrual basis	\$ 35,292	\$ 1,639,316	\$ 1,322,791	\$ (281,233)

G. Cash, Cash Equivalents and Investments

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

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

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

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

H. Receivables

Receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history, and current economic conditions. As of June 30, 2017, management has provided an allowance for uncollectible delinquent personal property taxes in the amount of \$74,011. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received.

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

I. Notes Receivable

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

J. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2017, are reported as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which services are consumed.

K. Deferred Outflows of Resources

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

L. Inventory

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

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

M. Capital Assets

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

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

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

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

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

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

N. Unearned Revenue

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

O. Inter-Fund Transactions

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

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

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

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

P. Long-Term Obligations

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

Q. Compensated Absences

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

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

R. Deferred Inflows of Resources

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

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

S. Fund Balance

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

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

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

T. Net Position

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

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 2. Cash, Cash Equivalents and Investments

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

The City invests primarily in the MLGIP. The MLGIP was established in 1982 under Article 95 Section 22G of the Annotated Code of Maryland and is under the administrative control of the State Treasurer. The MLGIP seeks to maintain a constant unit value of \$1.00 per unit. Unit value is computed using the amortized cost method. In addition, the net asset value (NAV) of the pool, marked to market, is calculated and maintained on a weekly basis to ensure an amortized cost pursuant to Rule 2(a)-7 under the Investment Company Act of 1940. The City also holds investments in U.S. Treasury and U.S. Agency Securities which mature between July 2017 and May 2027 with interest rates ranging from 0.625% to 5.250%.

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

At June 30, 2017, the City had the following:

	Cash and Cash Equivalents	Investments
Cash	\$ 8,543,622	\$ -
Maryland Local Government Investment Pool	9,116,105	-
U.S. Treasury and U.S. Agency Securities	-	1,963,755
Pension Trust – Pooled separate accounts	-	10,781,507
OPEB Trust – Pooled separate accounts	-	1,267,652
Pension Trust – Insurance contract, at cost	-	1,288,612
	<u>\$ 17,659,727</u>	<u>\$ 15,301,526</u>

Interest rate risk – In accordance with its investment policy for its operating funds, the City manages its exposure to declines in fair value by limiting the maturity of securities to no more than five years from the date of purchase, unless it is matched to a specific cash flow requirement. There is no limit on the maturity dates for the pension and OPEB trust funds. The City was not compliant with its investment policy as of June 30, 2017, as several investments had maturity dates in excess of the five years from the date of purchase.

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

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

City of Aberdeen, Maryland

Notes to Basic Financial Statements

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

Custodial credit risk – In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy states that collateralization is required on two types of investments, certificates of deposit and repurchase agreements, with a collateralization level of 102%. At June 30, 2017, all of the City's deposits were either covered by federal depository insurance or were covered by collateral held by the bank's agent in the City's name and the City was in compliance with the collateralization level required by its investment policy.

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

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

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

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

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

As of June 30, 2017, the City had the following:

		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Investments by Fair Value Level</u>	<u>Total</u>			
U.S. Treasury and Agency Securities	\$ 1,963,755	\$ 1,963,755	\$ -	\$ -
<u>Investments Measured at NAV</u>				
OPEB Trust – Pooled Separate Accounts	1,267,652			
Pension Trust – Pooled Separate Accounts	10,781,507			
<u>Investment Carried at Amortized Cost</u>				
Pension Trust – Insurance contract	1,288,612			
Total Investments	<u>\$ 15,301,526</u>			

City of Aberdeen, Maryland

Notes to Basic Financial Statements

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

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

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

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Fixed income - OPEB Trust	\$ 1,267,652	\$ -	Daily	1 day
Domestic equity - Pension Trust	5,046,177	-	Daily	None
International equity - Pension Trust	1,538,789	-	Daily	None
Fixed income - Pension Trust	3,554,078	-	Daily	None
Real estate - Pension Trust	642,463	-	Daily	None
Total investments measured at NAV	<u>\$ 12,049,159</u>	<u>\$ -</u>		

Note 3. Notes Receivable

In September 2006, the City entered into a land contract with Ripken Baseball Academy, LLC (Ripken Baseball) whereby the City will sell to Ripken Baseball Lot 3 within the stadium complex. This contract supersedes two ground leases previously entered into by the City and Ripken Baseball, but leaves the repayment terms of the original leases unchanged. Under the contract, Ripken Baseball received credit for all payments made under the respective ground leases and made the effective date of the contract that of which the ground leases were entered into. Ripken Baseball exercised an option to reduce payments on Lot 3 by real estate taxes paid on the property annually. The City estimates total future real estate taxes to reduce future principal payment by approximately \$117,000.

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

A summary of notes receivable and corresponding deferred profit at June 30, 2017, is as follows:

	Notes Receivable	Less Deferred Profit and Unearned Interest	Notes Receivable, Net
Lot 3; original receivable amount \$1,507,118 and an original deferred profit of \$(522,020) amortized over 20 years plus interest ranging from 4.77% to 6.81%; combined monthly installments of principal and interest of \$10,977; due May 2023	\$ 650,477	\$ (650,477)	\$ -
Lot 6; original receivable amount \$393,996 and an original deferred profit of \$(136,104) amortized over 20 years plus interest ranging from 4.77% to 6.81%; combined monthly installments of principal and interest of \$2,870; due March 2023	170,012	(170,012)	-
	<u>\$ 820,489</u>	<u>\$ (820,489)</u>	<u>\$ -</u>

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 3. Notes Receivable (Continued)

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

Years Ending June 30,

2018	\$	118,396
2019		125,966
2020		134,029
2021		142,618
2022		151,767
2023		147,713
	<u>\$</u>	<u>820,489</u>

Note 4. Receivables and Payables

Receivables by fund at June 30, 2017, consist of the following:

	General	Special Revenue	Capital Projects	Water Utility	Sewer Utility	Stadium	Total
Receivables							
Taxes	\$ 212,680	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 212,680
Intergovernmental	868,706	151,655	10,498	-	-	494,420	1,525,279
Charges for services	-	-	-	277,300	348,164	-	625,464
Assessments/improvements	-	-	-	-	198,485	-	198,485
Other	482,552	-	-	215,149	331,362	4,000	1,033,063
Gross receivables	1,563,938	151,655	10,498	492,449	878,011	498,420	3,594,971
Allowance for uncollectibles	(74,011)	-	-	-	-	-	(74,011)
	<u>\$ 1,489,927</u>	<u>\$ 151,655</u>	<u>\$ 10,498</u>	<u>\$ 492,449</u>	<u>\$ 878,011</u>	<u>\$ 498,420</u>	<u>\$ 3,520,960</u>

Accrued and other liabilities by fund at June 30, 2017, consist of the following:

	General	Special Revenue	Capital Projects	Water Utility	Sewer Utility	Stadium	Total
Accrued liabilities							
Interest	\$ -	\$ -	\$ -	\$ 29,563	\$ 45,941	\$ 9,095	\$ 84,599
Payroll	133,619	-	-	10,182	20,224	-	164,025
Intergovernmental	-	-	-	-	2,409	-	2,409
	<u>\$ 133,619</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,745</u>	<u>\$ 68,574</u>	<u>\$ 9,095</u>	<u>\$ 251,033</u>
Other liabilities							
Payroll withholdings	\$ 5,832	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,832
Performance bonds	267,421	-	-	-	-	-	267,421
Seized property	100,052	-	-	-	-	-	100,052
Other	17,220	-	-	-	-	-	17,220
	<u>\$ 390,525</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 390,525</u>

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 5. Interfund Receivables, Payables and Transfers

As of June 30, 2017, the only interfund receivable and payable balance was related to a \$549,499 balance due to the General Fund from the Stadium Fund, which resulted from accumulated net losses within the stadium operations. It is not anticipated that this balance will be repaid from results of operations within the subsequent fiscal year.

Transfers from the General Fund to the Capital Projects Fund were made for capital projects and the Stadium Fund for debt service and stadium improvements. Interfund transfers for the year ended June 30, 2017, consisted of the following:

	Transfers In			Total
	Capital Projects Fund	Stadium Fund	Sewer Fund	
Transfers out				
General fund	\$ 1,286,276	\$ 247,000	\$ 975,461	\$2,508,737

Note 6. Capital Assets

Capital assets activity for the year ended June 30, 2017, is as follows:

	Balance, July 1, 2016	Additions	Deletions	Transfers	Balance, June 30, 2017
Governmental activities					
Capital assets not being depreciated					
Land	\$ 5,715,088	\$ 32,490	\$ -	\$ -	\$ 5,747,578
Construction in process	-	86,886	-	-	86,886
	5,715,088	119,376	-	-	5,834,464
Capital assets being depreciated					
Buildings	11,402,483	-	-	-	11,402,483
Improvements other than buildings	206,401	234,129	-	-	440,530
Machinery and equipment, including equipment under financing agreement	5,335,073	108,148	(16,211)	-	5,427,010
Vehicles	3,037,123	474,722	(245,010)	-	3,266,835
Recreational facilities	709,094	36,691	(75,177)	-	670,608
Infrastructure	19,698,552	913,913	-	-	20,612,465
	40,388,726	1,767,603	(336,398)	-	41,819,931
Accumulated depreciation for					
Buildings	(6,471,073)	(188,050)	-	-	(6,659,123)
Improvements other than buildings	(51,313)	(9,796)	-	-	(61,109)
Machinery and equipment, including equipment under financing agreement	(4,214,318)	(251,396)	16,211	-	(4,449,503)
Vehicles	(1,893,818)	(256,995)	245,010	-	(1,905,803)
Recreational facilities	(473,238)	(42,490)	75,177	-	(440,551)
Infrastructure	(7,688,737)	(405,820)	-	-	(8,094,557)
	(20,792,497)	(1,154,547)	336,398	-	(21,610,646)
Total depreciable assets, net	19,596,229	613,056	-	-	20,209,285
Governmental activities capital assets, net	\$ 25,311,317	\$ 732,432	\$ -	\$ -	\$ 26,043,749

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 6. Capital Assets (Continued)

	Balance, July 1, 2016	Additions	Deletions	Transfers	Balance, June 30, 2017
Business-type activities					
Capital assets not being depreciated					
Land	\$ 1,963,416	\$ -	\$ -	\$ -	\$ 1,963,416
Construction in process	172,045	109,294	-	(13,953)	267,386
	<u>2,135,461</u>	<u>109,294</u>	<u>-</u>	<u>(13,953)</u>	<u>2,230,802</u>
Capital assets being depreciated					
Buildings	24,473,309	-	-	-	24,473,309
Improvements other than buildings	673,867	1,021,504	-	2,613	1,697,984
Machinery and equipment	11,609,805	1,049,076	-	11,340	12,670,221
Water systems	16,298,845	-	-	-	16,298,845
Sewer system	33,256,257	55,387	-	-	33,311,644
	<u>86,312,083</u>	<u>2,125,967</u>	<u>-</u>	<u>13,953</u>	<u>88,452,003</u>
Accumulated depreciation for					
Buildings	(10,824,039)	(511,301)	-	-	(11,335,340)
Improvements other than buildings	(94,727)	(45,708)	-	-	(140,435)
Machinery and equipment	(9,881,765)	(371,165)	-	-	(10,252,930)
Water systems	(6,476,202)	(484,780)	-	-	(6,960,982)
Sewer system	(4,082,969)	(709,986)	-	-	(4,792,955)
	<u>(31,359,702)</u>	<u>(2,122,940)</u>	<u>-</u>	<u>-</u>	<u>(33,482,642)</u>
Total depreciable assets, net	<u>54,952,381</u>	<u>3,027</u>	<u>-</u>	<u>13,953</u>	<u>54,969,361</u>
Business-type activities capital assets, net	<u>\$ 57,087,842</u>	<u>\$ 112,321</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,200,163</u>

Depreciation expense was charged in the statement of activities for the year ended June 30, 2017, as follows:

Governmental activities	
General government	\$ 565,636
Public safety	260,868
Public works	277,060
Recreation	50,983
	<u>\$ 1,154,547</u>
Business-type activities	
Water utility	\$ 609,294
Sewer utility	1,164,149
Stadium	349,497
	<u>\$ 2,122,940</u>

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 7. Tax Abatements

As of June 30, 2017, the City provides tax abatements through two programs: the Low and Moderate Income Housing Program and the Enterprise Zone Tax Credit Program.

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

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

Total tax abatements related to each program for the year ended June 30, 2017, are as follows:

Tax Abatement Program	Amount of Taxes Abated During the Fiscal Year	Percentage of Taxes Abated During the Fiscal Year
Low and Moderate Income Housing Program	\$ 38,186	55.01%
Enterprise Zone Tax Credit Program (City Share)	140,932	19.29%
Total	<u>\$ 179,118</u>	

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 8. Long-Term Liabilities

Long-term liabilities activity as of and for the year ended June 30, 2017, is as follows:

	Balance, July 1, 2016	Additions	Deductions	Balance, June 30, 2017	Amounts Due Within One Year
Governmental activities					
General obligation bonds payable	\$ 3,994,800	\$ -	\$ (327,900)	\$ 3,666,900	\$ 380,200
Notes payable	5,934	-	(5,934)	-	-
Other obligations					
Compensated absences	556,633	-	(6,085)	550,548	284,455
Net pension liability	1,212,821	1,461,849	-	2,674,670	-
Net OPEB obligation	1,775,744	248,002	(469,585)	1,554,161	-
Add bond premiums	17,745	-	(2,229)	15,516	2,229
	<u>\$ 7,563,677</u>	<u>\$ 1,709,851</u>	<u>\$ (811,733)</u>	<u>\$ 8,461,795</u>	<u>\$ 666,884</u>
Business-type activities					
General obligation bonds payable	\$ 8,834,300	\$ -	\$ (900,700)	\$ 7,933,600	\$ 827,700
Notes payable	8,382,489	1,395,178	(526,188)	9,251,479	724,293
Other obligations					
Compensated absences	139,062	6,536	-	145,598	65,884
Net OPEB obligation	389,260	40,950	(49,000)	381,210	-
Add bond premiums	62,180	-	(9,899)	52,281	9,899
	<u>\$ 17,807,291</u>	<u>\$ 1,442,664</u>	<u>\$ (1,485,787)</u>	<u>\$ 17,764,168</u>	<u>\$ 1,627,776</u>

General obligation bonds payable relating to governmental activities at June 30, 2017, consist of the following:

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

\$ 2,920,000

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

329,200

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

417,700

\$ 3,666,900

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 8. Long-Term Liabilities (Continued)

A schedule of maturities of the general obligation bonds payable relating to governmental activities as of June 30, 2017, is as follows:

Years Ending June 30,	Principal	Interest	Total
2018	\$ 380,200	\$ 89,436	\$ 469,636
2019	379,100	81,610	460,710
2020	388,100	73,808	461,908
2021	396,800	65,470	462,270
2022	405,600	56,520	462,120
2023-2027	1,122,100	176,420	1,298,520
2028-2030	595,000	38,187	633,187
	<u>\$ 3,666,900</u>	<u>\$ 581,451</u>	<u>\$ 4,248,351</u>

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

General obligation bonds payable relating to business-type activities at June 30, 2017, consist of the following:

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

\$ 3,645,400

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

1,720,000

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

600,000

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

1,968,200
\$ 7,933,600

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 8. Long-Term Liabilities (Continued)

A schedule of maturities of the general obligation bonds payable relating to the business-type activities as of June 30, 2017, is as follows:

Years Ending June 30,	Principal	Interest	Total
2018	\$ 827,700	\$ 230,026	\$ 1,057,726
2019	988,000	208,365	1,196,365
2020	1,009,800	185,118	1,194,918
2021	1,031,000	159,167	1,190,167
2022	537,600	132,685	670,285
2023-2027	2,530,500	447,250	2,977,750
2028-2030	1,009,000	88,204	1,097,204
	<u>\$ 7,933,600</u>	<u>\$ 1,450,815</u>	<u>\$ 9,384,415</u>

Notes payable relating to business-type activities at June 30, 2017, consists of the following:

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

\$ 6,026,175

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

1,500,000

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

350,365

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

45,971

Loan payable, Manufacturers and Traders Trust Company,
unsecured, accruing interest at 2.12%; payable in quarterly
payments of \$73,769 at varying amounts of principal and interest
through March 2022

1,328,968
\$ 9,251,479

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 8. Long-Term Liabilities (Continued)

A schedule of maturities of the notes payable relating to the business-type activities as of June 30, 2017, is as follows:

Years Ending June 30,	Principal	Interest	Total
2018	\$ 724,293	\$ 85,705	\$ 809,998
2019	687,799	74,674	762,473
2020	697,562	64,910	762,472
2021	707,426	55,047	762,473
2022	2,144,687	45,017	2,189,704
2023-2027	2,182,262	154,730	2,336,992
2028-2032	2,107,450	57,112	2,164,562
	<u>\$ 9,251,479</u>	<u>\$ 537,195</u>	<u>\$ 9,788,674</u>

Note 9. Pension Plans – City Reporting

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

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

The net pension liability for the City's year ended June 30, 2017, was measured as of June 30, 2016, using the total pension liabilities that were determined by actuarial valuation as of June 30, 2016.

Defined Benefit Pension Plan

Plan Description and Provisions:

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

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

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

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 9. Pension Plans – City Reporting (Continued)

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

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

Contribution Information and Funding Policy:

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 PD Pension Plan. Provisions of the DB Plan include retirement and death benefits to plan members and their beneficiaries. Benefits and refunds of the postemployment defined benefit plan are recognized when due and payable in accordance with the terms of the plan.

The contribution requirements of the City are established and may be amended by the City legislature. The City is required to contribute at an actuarially determined rate. The actuarially required contribution rate and the amount paid into the DB Plan during the year ended June 30, 2017, was \$67,855. The DB Plan does not provide for a maximum employer contribution. No contributions are required of employees. Administrative costs are financed through investment earnings.

Assumptions:

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

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

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

The total pension liability as of June 30, 2017, was calculated based on the Entry Age Normal actuarial cost method. Under this method, the present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the earnings between entry age and assumed exit age(s). The portion of the present value allocated to a year is the service costs. Projected benefits are based on project salary and projected service.

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

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

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

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 9. Pension Plans – City Reporting (Continued)

The mortality table has been updated to reflect the annual changes to the IRS Prescribed Mortality Tables in the actuarial valuation as of June 30, 2016. Salary increases were updated utilizing Table S-5 from the annual Actuary's Pension Handbook. The interest rates before and during benefit payment period have decreased from 4.50% to 4.25%. The rate is used in the calculation of the plan's benefit liability. There were no other significant changes to assumptions when compared to the prior actuarial valuation.

Based on those assumptions, the pension plan's fiduciary net position and benefit payments were projected to determine if the plan's fiduciary net position was greater than or equal to the expected benefit payments for each period from 2016 to 2072. Benefit payments after 2072 are projected to be \$0. The long-term rate of return of 4.25% is used to calculate the actuarial present value of the projected payments for each future period when the projected fiduciary net position is greater than the projected expected benefit payments. Otherwise, a municipal bond rate of 3.58% is used. The municipal bond rate is from Barclays Municipal GO Long Term (17+Y) Index, which includes 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher securities, as of the June 30, 2016, measurement date. The discount rate is a single rate that incorporates the long-term rate of return and the municipal bond rate as described. The discount rate used to measure the total pension liability was 4.25%.

Investments:

The DB Plan does not have a formal investment policy.

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

The money-weighted rate of return is calculated as a rate of return on pension plan investments incorporating the actual timing and amount of cash flows. This return is calculated net of investment expense. The annual money-weighted rate of return on plan investments for the measurement period of July 1, 2015 to June 30, 2016, was 4.05%.

Net Pension Liability of the City:

The components of the net pension liability of the City at June 30, 2017, using a measurement date of June 30, 2016, were as follows:

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

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 9. Pension Plans – City Reporting (Continued)

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

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

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

Changes in the net pension liability were as follows:

Total pension liability, July 1, 2016	\$ 1,586,831
Interest	67,615
Difference between expected and actual experience	9,873
Changes in assumptions	31,340
Benefit payments	(157,876)
Total pension liability, June 30, 2017	<u>\$ 1,537,783</u>
Plan fiduciary net position, beginning measurement period	\$ 1,399,552
Contributions – City	57,934
Net investment income	53,869
Benefit payments	(157,876)
Administrative expenses	(14,342)
Plan fiduciary net position, ending measurement period	<u>\$ 1,339,137</u>
Net pension liability, July 1, 2016	<u>\$ 187,279</u>
Net pension liability, June 30, 2017	<u>\$ 198,646</u>

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

Police Department Pension Plan

Plan Description and Provision:

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

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 9. Pension Plans – City Reporting (Continued)

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

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

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

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

Contribution Information and Funding Policy:

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

The contribution requirements of the City are established and may be amended by the City legislature. The City is required to contribute at an actuarially determined rate; the current rate is 23.95% of annual covered payroll. The PD Pension Plan does not provide for a maximum employer contribution. The actuarially required contribution rate and the amount paid into the PD Pension Plan for the year ended June 30, 2017, was \$545,099. 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 \$185,451 for the year ended June 30, 2017.

Assumptions:

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

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

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 9. Pension Plans – City Reporting (Continued)

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

The total pension liability as of June 30, 2017, was calculated based on the Entry Age actuarial cost method. Under this method, the present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the earnings between entry age and assumed exit age(s). The portion of the present value allocated to a year is the service costs. Projected benefits are based on project salary and projected service.

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

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

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

The discount rate was been changed from 7.00% to 6.29% as of the June 30, 2016 measurement date. There were no other significant changes to assumptions when compared to the prior actuarial evaluation.

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

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 9. Pension Plans – City Reporting (Continued)

Investments:

The PD Pension Plan's investment policy has been established by and may be amended by the plan committee, on behalf of the plan sponsor, the City of Aberdeen. The plan committee is required to utilize investment options offering the appropriate risk and return characteristics normally found in the portfolios of defined benefit plans. The options are intended to control the degree of risk to which the plan assets are subject and to create a portfolio which aggregate risk and return characteristics considered to be normally appropriate for a defined benefit plan and minimize overall risk through diversification. The policy does not define specific benchmarks to clearly identify when an over concentration may occur. There were no significant policy changes during the year ended June 30, 2017.

Investments are valued as of the measurement date at fair value. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period. The unfunded actuarial accrued liability (UAAL) is amortized as a level dollar of projected payroll on an open basis. The remaining amortization period at June 30, 2017, was ten years, which is re-established each year. As of the measurement date, all of the plan's investments were held in one organization, Principal Financial Group.

The money-weighted rate of return is calculated as a rate of return on pension plan investments incorporating the actual timing and amount of cash flows. This return is calculated net of investment expense. The annual money-weighted rate of return on plan investments for the measurement period of July 1, 2015, to June 30, 2016, was (0.03%).

Net Pension Liability of the City:

The components of the net pension liability of the City at June 30, 2017, using a measurement date of June 30, 2016, were as follows:

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

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

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

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

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 9. Pension Plans – City Reporting (Continued)

Changes in the net pension liability, were as follows:

Total pension liability, July 1, 2016	\$ 10,257,086
Service costs	306,236
Interest	720,047
Difference between expected and actual experience	42,306
Changes in assumptions	946,333
Changes in benefit terms	142,070
Benefit payments	(483,389)
Total pension liability, June 30, 2017	<u>\$ 11,930,689</u>
Plan fiduciary net position, beginning measurement period	\$ 9,231,544
Contributions – City	521,120
Contributions – employees	213,041
Net investment income	(2,904)
Benefit payments	(483,389)
Administrative expenses	(24,747)
Plan fiduciary net position, ending measurement period	<u>\$ 9,454,665</u>
Net pension liability, July 1, 2016	<u>\$ 1,025,542</u>
Net pension liability, June 30, 2017	<u>\$ 2,476,024</u>

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

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

The City recognized deferred outflows of resources, deferred inflows of resources, and expense related to pensions as of and for the year ended June 30, 2017, as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
Prior year plan contributions reversed out of deferred outflows	\$ -	\$ -	\$ 579,054
Current year plan contributions (fiscal year 2017)	612,954	-	-
Differences between expected and actual experience	35,049	122,085	(67,221)
Net difference between expected and net investment income	535,292	-	(560,891)
Assumption changes	891,478	-	(757,543)
Net increase in net pension liability from prior year to current year	-	-	1,461,849
	<u>\$ 2,074,773</u>	<u>\$ 122,085</u>	<u>\$ 655,248</u>

\$612,954 reported as deferred outflows of resources related to pensions resulting from City contributions to the pension plans subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 9. Pension Plans – City Reporting (Continued)

Years Ending June 30,

2018	\$ 257,904
2019	257,905
2020	380,124
2021	302,327
2022	141,474
	<u>\$ 1,339,734</u>

Defined Contribution Plan

Plan Description:

The City's Defined Contribution Plan was established by the City to provide benefits at retirement to employees of the City who are not participants in the DB Plan or the PD Pension Plan. The City has delegated the authority to manage plan assets to ICMA Retirement Corporation. At June 30, 2017, there were 116 plan members. Defined Contribution Plan participants are required to contribute 2% of annual base pay. The City is required to contribute 7% of annual base pay. Defined Contribution Plan provisions and contribution requirements are established and may be amended by the City Council. Participants' and the City's actual contributions were \$111,569 and \$390,489, respectively.

Note 10. Pension Plans – Plan Reporting

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

A measurement date of June 30, 2017, is being used for the Plans' June 30, 2017, financial reporting and will be used for the City's future June 30, 2018, financial reporting.

Defined Benefit Pension Plan

Plan Description and Provision:

There were no changes in the DB Plan descriptions and provisions between the June 30, 2016 and June 30, 2017, measurement dates.

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

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

Contribution Information and Funding Policy:

There were no changes in the plan contribution information and funding policy between the June 30, 2016 and June 30, 2017, measurement dates.

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 10. Pension Plans – Plan Reporting (Continued)

Assumptions:

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

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

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

The total pension liability, as measured at June 30, 2017, was calculated based on the Entry Age actuarial cost method. Under this method, the present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the earnings between entry age and assumed exit age(s). The portion of the present value allocated to a year is the service costs. Projected benefits are based on projected salary and projected service.

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

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

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

The mortality table has been updated to reflect the annual changes to the IRS Prescribed Mortality Tables in the actuarial valuation as of June 30, 2017. The inflation assumption was decreased from 2.25% to 2.00%. There were no other significant changes to assumptions when compared to the prior actuarial valuation.

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

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 10. Pension Plans – Plan Reporting (Continued)

Investments:

There were no changes to the investment contract utilized between the June 30, 2016, and June 30, 2017, measurement dates. Additionally, all of the Plan's investments continue to be held in one organization, Principal Financial Group.

The money-weighted rate of return is calculated as a rate of return on pension plan investments incorporating the timing and amount of cash flows. This return is calculated net of investment expenses. The annual money-weighted rate of return on plan investments for the measurement period ended June 30, 2017, is 4.01%.

Net Pension Liability of the City:

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

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

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

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

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

Police Department Pension Plan

Plan Description and Provision:

There were no changes in the PD Pension Plan descriptions and provisions between the June 30, 2016, and June 30, 2017, measurement dates.

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

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

Contribution Information and Funding Policy:

There were no changes in the plan contribution information and funding policy between the June 30, 2016 and June 30, 2017, measurement dates.

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 10. Pension Plans – Plan Reporting (Continued)

Assumptions:

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

Inflation	2.00%
Salary increases	Ranging from 4.38% to 6.68% based on age, plus 2.5%
Investment rate of return	6.5%, net of investment expense and including inflation

Mortality rates were based on the 2017 IRS Prescribed Mortality-Generational Annuitant, for Males and Females and the 2017 IRS Prescribed Mortality-Generational Non-annuitant, for Males and Females. Disability rates were based on the 1987 Commissioner's Group Disability Table, six month elimination period, for Males and Females. A withdrawal assumption was based on the 2003 Society of Actuaries Small Plan Age Table, based on age, multiplied by 0.35.

The total pension liability, as measured at June 30, 2017, will be calculated based on the Entry Age actuarial cost method. Under this method, the present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the earnings between entry age and assumed exit age(s). The portion of the present value allocated to a year is the service costs. Projected benefits are based on project salary and projected service.

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

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

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

The mortality table has been updated to reflect the annual changes to the IRS Prescribed Mortality Tables in the actuarial valuation as of June 30, 2017. The expected long term rate of return has decreased from 7.00% to 6.50% to reflect the current expectations of the plan's long term investment performance. The inflation assumption was decreased from 2.25% to 2.00%. The compensation limit increase has decreased from 2.25% to 2.00%. Salary projection has been updated from the S-5 Table plus 3.00% to the S-5 Table plus 2.50%. There were no other significant changes to assumptions when compared to the prior actuarial valuation.

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 10. Pension Plans – Plan Reporting (Continued)

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

Investments:

There were no changes in the investment policy between the June 30, 2016 and June 30, 2017, measurement dates. Additionally, all of the plan's investments continue to be held in one organization, Principal Financial Group.

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

Net Pension Liability of the City:

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

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

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

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

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

City of Aberdeen, Maryland

Notes to Basic Financial Statements

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

Under authority granted by the charter of the City, the City administers a single-employer defined benefit plan (OPEB plan) that is used to provide post-employment benefits other than pensions, including healthcare and prescription drug benefits and life insurance coverage, to employees who qualify as a retiree and meet specific service requirements. The City Manager, Director of Finance and Human Resource Manager are the Trustees of the OPEB plan.

GASB Statement No. 74, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, became effective for OPEB plan reporting for fiscal year 2017. The objective of this Statement is to improve financial reporting by state and local OPEB plans. As a result, additional OPEB disclosures are required and are included in this note. The City's financial reporting for the year ending June 30, 2017, continues to adhere to the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans*. The cost of retiree health care and life insurance benefits is recognized as expenditures when claims are accrued.

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

The City's net OPEB obligation (under GASB Statement No. 45) and the plan's net OPEB liability (under GASB Statement No. 74) for the year ended June 30, 2017, were measured as of June 30, 2017, using annual required contributions and total OPEB liabilities that were determined by actuarial valuation as of June 30, 2017.

General Plan Description and Provisions:

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

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

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

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

City of Aberdeen, Maryland

Notes to Basic Financial Statements

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

The plan's membership consisted of the following as of June 30, 2017:

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

Underlying Plan Description:

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

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

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

Contribution Information and Funding Policy:

The contribution requirements of the City are established and maybe amended by the City legislature. 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 UAALs over a period not to exceed 30 years. The ARC consisted of the normal cost of \$130,999 and the amortization of unfunded accrued liability of \$175,204. The City's implicit subsidy contributed to the plan for the year ended June 30, 2017, amounted to \$28,552. During the year ended June 30, 2017, the City contributed \$105,033 for current health care and life insurance premiums and \$385,000 to the OPEB plan to pre-fund future benefits. For the year ended June 30, 2017, the City's average contribution rate was 6.2% of covered payroll.

Annual OPEB Cost and Net OPEB Obligation:

The City had an actuarial valuation performed as of June 30, 2017, 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, 2017 (under GASB Statement No. 45). The City's annual OPEB cost and net OPEB obligation for the current year, were as follows:

Annual required contribution	\$ 306,203
Interest on net OPEB obligation	151,550
Adjustment to annual required contribution	(168,801)
Annual OPEB cost	288,952
Contributions made	518,585
Change in net OPEB obligation	(229,633)
Net OPEB obligation beginning of year	2,165,003
Net OPEB obligation end of year	\$ 1,935,370

City of Aberdeen, Maryland

Notes to Basic Financial Statements

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

Three-year trend information:

Fiscal Years Ended June 30,	Annual OPEB Cost (AOC)	Annual OPEB Cost Contributed	Net OPEB Obligation
2017	\$ 288,952	179.5%	\$ 1,935,370
2016	404,108	139.7%	2,165,003
2015	412,327	125.4%	2,325,483

Net OPEB Liability:

The components of the net OPEB liability as of June 30, 2017 (under GASB Statement No 74), were as follows:

Total OPEB liability	\$ 3,514,785
Plan fiduciary net position	1,267,652
Net OPEB liability	<u>\$ 2,247,133</u>
Plan fiduciary net position as a percentage of the total liability	36.1%

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

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB liability	\$ 2,601,460	\$ 2,247,133	\$ 1,934,967

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

The following presents the net OPEB liability, calculated using the healthcare cost trend rate of 4.25%, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% lower or 1% higher than the current rate:

	1% Decrease (3.25%)	Current Trend Rate (4.25%)	1% Increase (5.25%)
Net OPEB liability	\$ 1,897,647	\$ 2,247,133	\$ 2,653,678

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 June 30, 2017, the actuarial accrued liability for benefits was \$3,514,785 and the UAAL was \$2,247,133. The covered payroll (annual payroll of active employees covered by the plan) was \$8,417,532, and the ratio of the UAAL to the covered payroll was 26.70%.

City of Aberdeen, Maryland

Notes to Basic Financial Statements

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

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

Actuarial Methods and Assumptions:

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

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

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

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

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

Actuarial assumptions –

- Investment return: 7.00%, net of investment expenses and including inflation
- Healthcare trend: 6.25% initially, grading down to 4.25% ultimate
- Vision trend: 3.50% for all years
- Dental trend: 4.50% for all years
- Inflation: 2.75%

Mortality – RP-2000 Combined Mortality Table for males and females projected to 2027 (Scale BB).

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

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

City of Aberdeen, Maryland

Notes to Basic Financial Statements

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

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

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

Medical and prescription drug cost trend assumptions –

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

Retirement rate assumptions –

General:

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

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

City of Aberdeen, Maryland

Notes to Basic Financial Statements

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

Termination rate assumptions –

General:

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

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

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

Disability:

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

There were changes to several assumptions from the previous actuarial valuation. The actuarial method was changed from the projected unit credit method to the entry age normal (level percentage of pay), which resulted in an approximate \$426,000 decrease to the OPEB liability and an approximate \$400 decrease in the normal cost. Medical and prescription drug trend percentages were updated. The RP-2000 Combined Mortality Table was projected to 2027, previously projected to 2015. There were no other significant changes to assumptions when compared to the prior actuarial valuation.

Investments:

The OPEB Plan does not have a formal investment policy.

Investments are valued as of the measurement date at fair value. The actuarial value of assets was determined using techniques to control volatility in annual cash contributions. The UAAL is amortized over a closed period of 30 years. The remaining amortization period at June 30, 2017, was 27 years. As of the measurement date, all of the plan's investments were held in one organization, ICMA Retirement Corporation, and were invested in two funds: VT II Vantagepoint Milestone 2025 Fund (49.6% of the Plan's net position) of and VT II Vantagepoint Milestone 2035 Fund (50.4% of the Plan's net position).

For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 13.04%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Note 12. Other Information

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

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

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 12. Other Information (Continued)

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

The City entered into two separate, unrelated contracts for storm system and intersection improvements. The projects are being funded by current revenue and accumulated net position. The value of the City's remaining commitments under these contracts at June 30, 2017, are \$43,574 and \$190,731 for the storm and intersection improvements, respectively.

Subsequent events: In July 2017, the City obtained new police vehicles under various capital financing agreements totaling approximately \$840,000. Monthly payments of principal and interest, ranging between \$676 and \$911, are to be paid over a five-year period.

The City utilized the IRS mortality tables when determining its net pension liability for the City's two defined benefit pension plans. In October, 2017, the IRS issued Notice 2017-60, which provides updated mortality tables to be utilized beginning in 2018. The new tables have not been adopted as of the June 30, 2016 or 2017, measurement dates. The City has not yet determined the impact the adoption of the new tables will have on its net pension liability; however, they believe the impact could be significant.

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

The GASB has issued several pronouncements prior to the year ended June 30, 2017, that have effective dates that may impact future financial presentations.

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

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and will be effective for the City beginning with its year ending June 30, 2018. Statement 75 requires governments to report a liability on the face of the financial statements for the OPEB that they provide and requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information about their OPEB liabilities.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, is effective for the City beginning with its year ending June 30, 2018, and should be applied retroactively. Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts—or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements—in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

City of Aberdeen, Maryland

Notes to Basic Financial Statements

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

GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*, is effective for the City beginning with its year ending June 30, 2018. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

GASB Statement No. 83, *Certain Asset Retirement Obligations*, is effective for the City beginning with its year ending June 30, 2019. The objective of this statement is to establish guidance for determining the timing and pattern of recognition for liabilities and corresponding deferred outflow of resources related to asset retirement obligations (ARO). Under this Statement, a government that has legal obligations to perform future asset retirement activities related to its tangible capital assets is required to recognize a liability and a corresponding deferred outflow of resources. The guidance also identifies the circumstances that trigger recognition of these transactions. The Statement requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred. The deferred outflow of resources associated with an ARO will be measured at the amount of the corresponding liability upon initial measurement and generally recognized as an expense during the reporting periods that the asset provides service. Disclosure requirements include a general description of the ARO and associated tangible capital assets, the source of the obligation to retire the assets, the methods and assumptions used to measure the liability, and other relevant information.

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

GASB Statement No. 85, *Omnibus 2017*, is effective for the City beginning with its year ending June 30, 2018. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and OPEB).

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, is effective for the City beginning with its year ending June 30, 2018. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

City of Aberdeen, Maryland

Notes to Basic Financial Statements

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

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

Required Supplementary Information

City of Aberdeen, Maryland

Required Supplementary Information (Unaudited)

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

Defined Benefit Pension Plan

	Measurement Date			
	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Total pension liability, beginning	\$ 1,537,783	\$ 1,586,831	\$ 1,573,653	\$ 1,661,697
Interest	61,849	67,615	78,181	82,568
Difference between expected and actual experience	(26,801)	9,873	5,043	(9,240)
Changes in assumptions	3,637	31,340	88,239	3,713
Benefit payments	(151,299)	(157,876)	(158,285)	(165,085)
Total pension liability, ending	<u>\$ 1,425,169</u>	<u>\$ 1,537,783</u>	<u>\$ 1,586,831</u>	<u>\$ 1,573,653</u>
Plan fiduciary net position, beginning	\$ 1,339,137	\$ 1,399,552	\$ 1,449,945	\$ 1,501,553
Contributions – City	67,855	57,934	62,665	65,314
Net investment income	51,157	53,869	59,641	64,166
Benefit payments	(151,299)	(157,876)	(158,285)	(165,085)
Administrative expenses	(18,238)	(14,342)	(14,414)	(16,003)
Plan fiduciary net position, ending	<u>\$ 1,288,612</u>	<u>\$ 1,339,137</u>	<u>\$ 1,399,552</u>	<u>\$ 1,449,945</u>
Net pension liability, beginning	<u>\$ 198,646</u>	<u>\$ 187,279</u>	<u>\$ 123,708</u>	<u>\$ 160,144</u>
Net pension liability, ending	<u>\$ 136,557</u>	<u>\$ 198,646</u>	<u>\$ 187,279</u>	<u>\$ 123,708</u>
Plan fiduciary net position as a percentage of total pension liability	90.4%	87.1%	88.2%	92.1%
Covered payroll	0	0	0	0
City's net pension liability as a percentage of covered payroll	N/A	N/A	N/A	N/A

Police Department Pension Plan

	Measurement Date			
	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Total pension liability, beginning	\$ 11,930,689	\$ 10,257,086	\$ 9,455,418	\$ 8,947,650
Service costs	383,990	306,236	323,625	298,295
Interest	760,928	720,047	697,737	656,293
Difference between expected and actual experience	(103,878)	42,306	(87,169)	(117,048)
Changes in assumptions	(399,120)	946,333	160,404	-
Changes in benefit terms	-	142,070	-	-
Benefit payments	(440,433)	(483,389)	(292,929)	(329,772)
Total pension liability, ending	<u>\$ 12,132,176</u>	<u>\$ 11,930,689</u>	<u>\$ 10,257,086</u>	<u>\$ 9,455,418</u>
Plan fiduciary net position, beginning	\$ 9,454,665	\$ 9,231,544	\$ 8,734,063	\$ 7,266,437
Contributions – City	545,099	521,120	424,102	506,000
Contributions – employees	171,518	213,041	161,734	162,876
Net investment income (loss)	1,079,768	(2,904)	234,745	1,162,779
Benefit payments	(440,433)	(483,389)	(292,929)	(329,772)
Administrative expenses	(29,110)	(24,747)	(30,171)	(34,257)
Plan fiduciary net position, ending	<u>\$ 10,781,507</u>	<u>\$ 9,454,665</u>	<u>\$ 9,231,544</u>	<u>\$ 8,734,063</u>
Net pension liability, beginning	<u>\$ 2,476,024</u>	<u>\$ 1,025,542</u>	<u>\$ 721,355</u>	<u>\$ 1,681,213</u>
Net pension liability, ending	<u>\$ 1,350,669</u>	<u>\$ 2,476,024</u>	<u>\$ 1,025,542</u>	<u>\$ 721,355</u>
Plan fiduciary net position as a percentage of total pension liability	88.9%	79.2%	90.0%	92.4%
Covered payroll	\$ 2,331,171	\$ 2,303,500	\$ 2,175,531	\$ 2,269,920
City's net pension liability as a percentage of covered payroll	57.9%	107.5%	47.1%	31.8%

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

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

City of Aberdeen, Maryland

Required Supplementary Information (Unaudited)

Schedule of City Contributions – Pension

Last 10 Fiscal Years – City Reporting

Defined Benefit Pension Plan

Measurement Date	Actuarially Determined Contribution	Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
Years Ended June 30,					
2017	\$ 67,855	\$ 67,855	\$ -	\$ -	100%
2016	57,934	57,934	-	-	100%
2015	62,665	62,665	-	-	100%
2014	65,314	65,314	-	-	100%
2013	70,452	70,452	-	-	100%
2012	40,133	40,133	-	-	100%
2011	64,215	64,215	-	-	100%
2010	114,001	114,001	-	-	100%
2009	117,321	117,321	-	-	100%
2008	115,053	115,053	-	-	100%

Police Department Pension Plan

Measurement Date	Actuarially Determined Contribution	Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
Years Ended June 30,					
2017	\$ 545,099	\$ 545,099	\$ -	\$ 2,331,171	23.4%
2016	521,120	521,120	-	2,303,500	22.6%
2015	424,102	424,102	-	2,175,531	19.5%
2014	462,805	506,000	(43,195)	2,269,928	22.3%
2013	505,772	517,000	(11,228)	1,905,358	27.1%
2012	516,888	516,888	-	1,765,006	29.3%
2011	506,099	506,099	-	1,742,242	29.0%
2010	434,789	434,789	-	1,672,736	26.0%
2009	304,632	304,632	-	1,882,921	16.2%
2008	289,102	289,102	-	1,782,548	16.2%

City of Aberdeen, Maryland**Required Supplementary Information (Unaudited)**

Other Post-Employment Benefits (OPEB)**Schedule of Changes in the City's Net OPEB Liability and Related Ratios**

	Measurement Date June 30, 2017
Total OPEB liability, beginning	\$ 3,295,297
Service cost	122,429
Interest	230,644
Benefit payments	(133,585)
Total OPEB liability, ending	<u>\$ 3,514,785</u>
Plan fiduciary net position, beginning	\$ 764,790
Contributions – City	518,585
Net investment income (loss)	117,928
Benefit payments	(133,585)
Administrative expenses	(66)
Plan fiduciary net position, ending	<u>\$ 1,267,652</u>
Net OPEB liability, beginning	<u>\$ 2,530,507</u>
Net OPEB liability, ending	<u>\$ 2,247,133</u>
Plan fiduciary net position as a percentage of total OPEB liability	36.1%
Covered payroll	\$ 8,417,532
City's net OPEB liability as a percentage of covered payroll	26.7%

Notes to Schedule (prepared under GASB Statement No. 74):

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

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

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

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

City of Aberdeen, Maryland

Required Supplementary Information (Unaudited)

Schedule of City Contributions – OPEB

Years Ended June 30,	Actuarial Valuation Date	Actuarially Determined Contribution	Actual City Contribution	Contribution Deficiency / (Excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
2017	6/30/2017	\$ 288,952	\$ 518,585	\$ (229,633)	\$ 8,417,532	6.2%
2016	6/30/2015	404,108	564,588	(160,480)	8,689,397	6.5%
2015	6/30/2015	412,327	517,002	(104,675)	7,679,576	6.7%
2014	7/1/2014	284,836	107,595	177,241	7,903,392	1.4%
2013	7/1/2013	351,581	135,840	215,741	7,451,184	1.8%
2012	7/1/2011	527,550	84,624	442,926	7,331,777	1.2%
2011	7/1/2011	904,253	140,801	763,452	6,467,790	2.2%
2010	7/1/2009	925,000	80,702	844,298	7,630,981	1.1%

Notes to Schedule (prepared under GASB Statement No. 45 and 74):

Valuation date: Actuarial determined contribution rates are calculated as of the actuarial valuation dates identified above.

Methods and assumptions used to determine the contribution rates:

Actuarial cost method – In the June 30, 2017 actuarial valuation, entry age normal. In the June 30, 2015 actuarial valuation and prior, level dollar.

Amortization method – In the June 30, 2017 actuarial valuation, level percentage of payroll, closed. In the June 30, 2015 actuarial valuation and prior, projected unit credit.

Amortization period – 30 years

Asset valuation method – smoothed value of assets

Investment rate of return – 7.00%, net of investment expenses and including inflation. Prior to July 1, 2014, 4.00%.

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

Vision trend – 3.50% for all years

Dental trend – 4.50% for all years

Inflation – 2.75%

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

Salary increase – 3.0% per year

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

Other Information:

City amounts above include implicit subsidies.

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

City of Aberdeen, Maryland

Required Supplementary Information (Unaudited)

Schedule of Funding Progress – OPEB

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age Normal (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b)-(a)/(c)]
June 30, 2017	\$1,267,652	\$ 3,514,788	2,247,136	36.07%	\$ 8,417,532	26.7%
June 30, 2015	377,437	3,958,749	3,581,312	9.53%	7,679,576	46.6%
July 1, 2014	-	3,007,175	3,007,175	0.00%	7,903,392	38.0%
July 1, 2013	-	3,847,398	3,847,398	0.00%	7,451,184	51.6%
July 1, 2011	-	6,377,779	6,377,779	0.00%	6,467,790	98.6%
July 1, 2009	-	9,625,000	9,625,000	-	7,630,981	126.1%

The schedule above was prepared under GASB Statement No. 45.

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

City of Aberdeen, Maryland

Required Supplementary Information (Unaudited)

Schedule of Investment Returns – Pension and OPEB

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

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

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

Supplementary Information

City of Aberdeen, Maryland

Schedule of Revenues and Other Financing Sources – Budget and Actual – General Fund
Year Ended June 30, 2017

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Taxes				
Property taxes				
Real estate taxes	\$ 8,799,000	\$ 8,799,000	\$ 9,220,581	\$ 421,581
Corporation personal property taxes	724,043	724,043	1,441,858	717,815
Utilities personal property tax	433,288	433,288	464,108	30,820
Penalties and interest	60,000	60,000	22,992	(37,008)
Additions and abatements	(15,000)	(15,000)	(35,555)	(20,555)
Discount on taxes	(63,919)	(63,919)	(71,795)	(7,876)
Tax credit – firemen exemptions	(12,771)	(12,771)	(13,592)	(821)
Tax credit – no water or sewer	-	-	(5,030)	(5,030)
Enterprise Zone Tax Credits	(92,551)	(92,551)	(140,932)	(48,381)
	<u>9,832,090</u>	<u>9,832,090</u>	<u>10,882,635</u>	<u>1,050,545</u>
Local taxes				
Franchise tax	182,378	182,378	182,943	565
Mobile home excise tax	31,200	31,200	27,200	(4,000)
Utilities pole tax	64,200	64,200	64,249	49
	<u>277,778</u>	<u>277,778</u>	<u>274,392</u>	<u>(3,386)</u>
State shared taxes				
Income tax	1,200,000	1,200,000	1,473,108	273,108
Total taxes	<u>11,309,868</u>	<u>11,309,868</u>	<u>12,630,135</u>	<u>1,320,267</u>
Licenses and Permits				
Traders' licenses	35,000	35,000	36,946	1,946
Liquor licenses	3,000	3,000	5,992	2,992
Mobile home park licenses	600	600	400	(200)
Peddlers permits	-	-	200	200
Grading permits	18,000	18,000	12,909	(5,091)
Building permits	27,000	27,000	37,275	10,275
Site plan review	14,000	14,000	13,984	(16)
Deed stamps and tax certificates	3,500	3,500	6,508	3,008
Total licenses and permits	<u>101,100</u>	<u>101,100</u>	<u>114,214</u>	<u>13,114</u>

(Continued)

City of Aberdeen, Maryland

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

(Continued)

Year Ended June 30, 2017

	Budget Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget Positive (Negative)
Intergovernmental				
Grants from federal government				
Disaster Relief	\$ -	\$ -	\$ 58,592	\$ 58,592
Law enforcement grant	-	16,500	16,500	-
	-	16,500	75,092	58,592
Grants from state government				
Police state aid	278,697	278,697	283,391	4,694
Highway user	510,566	510,566	484,831	(25,735)
	789,263	789,263	768,222	(21,041)
Grants from county government				
In lieu of financial corporation	7,142	7,142	7,142	-
Tax differential - Harford County	1,125,842	1,125,842	1,125,842	-
Hotel and motel	600,000	600,000	672,582	72,582
Senior Center reimbursement	56,927	56,927	47,759	(9,168)
	1,789,911	1,789,911	1,853,325	63,414
Grants from local government				
Residential special patrol	120,000	120,000	57,082	(62,918)
Total intergovernmental	2,699,174	2,715,674	2,753,721	38,047
APG Management Fees	750,000	750,000	1,021,412	271,412
Miscellaneous Revenues				
Trash collection stickers fees	233,689	233,689	210,325	(23,364)
Police seized assets	-	101,600	84,559	(17,041)
Police miscellaneous income	15,000	15,000	68,092	53,092
Antenna leases	39,589	39,589	47,319	7,730
Fines	20,000	20,000	20,875	875
DPW miscellaneous income	20,000	20,000	32,356	12,356
Interest	6,000	6,000	46,957	40,957
Other rents	3,500	3,500	5,799	2,299
Other	25,000	25,000	33,214	8,214
Total miscellaneous revenues	362,778	464,378	549,496	85,118
Total revenues	15,222,920	15,341,020	17,068,978	1,727,958
Other Financing Sources				
Appropriation of fund balance	-	1,054,808	-	(1,054,808)
Total revenues and other financing sources	\$ 15,222,920	\$ 16,395,828	\$ 17,068,978	\$ 673,150

City of Aberdeen, Maryland

Schedule of Expenditures and Other Financing Uses – Budget and Actual – General Fund
Year Ended June 30, 2017

	Budget Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget Positive (Negative)
General Government				
Legislative				
Elected officials	\$ 55,000	\$ 55,000	\$ 55,000	\$ -
Operating expenditures	29,290	29,290	23,942	5,348
Maryland Municipal League	16,950	16,950	16,946	4
	<u>101,240</u>	<u>101,240</u>	<u>95,888</u>	<u>5,352</u>
Executive				
Salaries	468,228	468,228	440,742	27,486
Operating expenditures	63,500	83,578	79,168	4,410
	<u>531,728</u>	<u>551,806</u>	<u>519,910</u>	<u>31,896</u>
Finance				
Salaries	410,128	410,128	392,195	17,933
Operating expenditures	50,500	50,500	52,570	(2,070)
Capital expenditures	1,000	1,000	2,210	(1,210)
	<u>461,628</u>	<u>461,628</u>	<u>446,975</u>	<u>14,653</u>
Legal				
Codification	6,000	6,000	4,008	1,992
Counsel	100,000	100,000	145,235	(45,235)
	<u>106,000</u>	<u>106,000</u>	<u>149,243</u>	<u>(43,243)</u>
Planning and community development				
Salaries	207,606	207,606	193,305	14,301
Operating expenditures	23,000	27,000	30,251	(3,251)
Capital expenditures	1,000	1,000	-	1,000
	<u>231,606</u>	<u>235,606</u>	<u>223,556</u>	<u>12,050</u>
Government buildings				
Salaries	18,866	18,866	19,045	(179)
Operating expenditures	705,500	762,500	712,937	49,563
Capital expenditures	1,000	1,000	-	1,000
	<u>725,366</u>	<u>782,366</u>	<u>731,982</u>	<u>50,384</u>
General government				
Operating expenditures	107,878	107,878	69,656	38,222
	<u>107,878</u>	<u>107,878</u>	<u>69,656</u>	<u>38,222</u>
Health and safety				
Operating expenditures	15,000	15,000	14,627	373
Capital expenditures	1,000	1,000	-	1,000
	<u>16,000</u>	<u>16,000</u>	<u>14,627</u>	<u>1,373</u>
Total general government	<u>2,281,446</u>	<u>2,362,524</u>	<u>2,251,837</u>	<u>110,687</u>

(Continued)

City of Aberdeen, Maryland

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

Year Ended June 30, 2017

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Public Safety				
Police Department				
Salaries	\$ 3,543,423	\$ 3,543,423	\$ 3,496,344	\$ 47,079
Operating expenditures	689,412	712,912	651,871	61,041
Capital expenditures	1,000	102,600	85,009	17,591
	<u>4,233,835</u>	<u>4,358,935</u>	<u>4,233,224</u>	<u>125,711</u>
Volunteer fire department				
Contribution	260,000	260,000	260,000	-
Total public safety	<u>4,493,835</u>	<u>4,618,935</u>	<u>4,493,224</u>	<u>125,711</u>
Public Works				
Public works administration				
Salaries	398,532	398,532	330,628	67,904
Operating expenditures	42,250	42,250	62,634	(20,384)
Capital expenditures	1,000	1,000	61	939
	<u>441,782</u>	<u>441,782</u>	<u>393,323</u>	<u>48,459</u>
Streets				
Salaries	763,649	763,649	640,964	122,685
Operating expenditures	501,700	501,700	395,055	106,645
Capital expenditures	1,000	1,000	-	1,000
	<u>1,266,349</u>	<u>1,266,349</u>	<u>1,036,019</u>	<u>230,330</u>
Street lighting				
Operating expenditures	315,000	315,000	316,015	(1,015)
Winter operation				
Operating expenditures	60,000	60,000	51,469	8,531
Solid waste				
Salaries	293,821	293,821	303,497	(9,676)
Operating expenditures	398,700	398,700	313,244	85,456
Capital expenditures	1,000	1,000	-	1,000
	<u>693,521</u>	<u>693,521</u>	<u>616,741</u>	<u>76,780</u>
Total public works	<u>2,776,652</u>	<u>2,776,652</u>	<u>2,413,567</u>	<u>363,085</u>
Parks and Recreation				
Operating expenditures	106,500	143,639	116,202	27,437
Miscellaneous				
Retirement and OPEB plans	1,149,191	1,164,291	1,099,696	64,595
Payroll expenditures	1,970,201	1,991,201	2,032,235	(41,034)
Miscellaneous	464,662	370,662	145,139	225,523
	<u>3,584,054</u>	<u>3,526,154</u>	<u>3,277,070</u>	<u>249,084</u>
Debt Service				
Debt service principal	350,000	350,000	327,900	22,100
Debt service interest and fees	109,187	109,187	94,610	14,577
	<u>459,187</u>	<u>459,187</u>	<u>422,510</u>	<u>36,677</u>
Total expenditures	<u>13,701,674</u>	<u>13,887,091</u>	<u>12,974,410</u>	<u>912,681</u>
Other Financing Uses				
Transfers out	1,521,246	2,508,737	2,508,737	-
Total expenditures and other financing uses	<u>\$ 15,222,920</u>	<u>\$ 16,395,828</u>	<u>\$ 15,483,147</u>	<u>\$ 912,681</u>

City of Aberdeen, Maryland

Schedule of Revenues, Expenditures and Other Financing Sources
Budget and Actual – Capital Projects Fund
Year Ended June 30, 2017

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues				
Revenues from other agencies	\$ -	\$ 122,478	\$ 35,292	\$ (87,186)
Total revenues	-	122,478	35,292	(87,186)
Expenditures				
General government	-	228,869	32,490	196,379
Public safety	48,219	48,219	47,497	722
Public works	1,258,809	1,560,491	1,559,329	1,162
Total expenditures	1,307,028	1,837,579	1,639,316	198,263
Other Financing Sources				
Transfers from general fund	1,146,785	1,286,276	1,286,276	-
Appropriation of fund balance	160,243	428,825	428,825	-
Total other financing sources	1,307,028	1,715,101	1,715,101	-
Net change in fund balance (budgetary basis)	<u>\$ -</u>	<u>\$ -</u>	111,077	<u>\$ 111,077</u>
Adjustments to Conform with Generally Accepted Accounting Principles (GAAP)			<u>(392,310)</u>	
Net Change in Fund Balance (GAAP Basis)			(281,233)	
Fund Balance				
Beginning			<u>784,827</u>	
Ending			<u>\$ 503,594</u>	

STATISTICAL SECTION

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

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Economic and Demographic Information

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

Operating Information

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

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

Table 1

	Fiscal Year									
	2017	2016	2015	2014 (1)	2013	2012	2011	2010 (1)	2009	2008
Governmental Activities										
Net Investment in Capital Assets	\$ 22,361,333	\$ 21,292,838	\$ 20,241,970	\$ 16,364,349	\$ 13,508,406	\$ 13,404,341	\$ 13,080,163	\$ 13,244,196	\$ 12,421,169	\$ 10,795,988
Restricted	-	429,003	441,896	485,238	492,955	508,400	521,296	451,668	426,970	392,998
Unrestricted	11,303,365	9,557,127	7,115,395	7,756,146	9,248,917	6,989,228	4,854,395	2,550,077	2,586,480	2,660,726
Total Governmental Activities Net Position	33,664,698	31,278,968	27,799,261	24,605,733	23,250,278	20,901,969	18,455,854	16,245,941	15,434,619	13,849,712
Business-Type Activities										
Net Investment in Capital Assets	40,021,208	39,873,118	39,292,242	38,919,289	36,701,093	34,440,815	29,692,671	24,016,623	22,250,352	20,368,984
Restricted	3,573,014	3,578,396	3,600,207	3,609,705	3,644,074	763,330	331,641	-	-	-
Unrestricted	2,930,693	883,220	1,945,341	748,189	1,051,125	2,833,689	(1,094,387)	(1,166,635)	477,966	1,914,926
Total Business-Type Activities Net Position	46,524,915	44,334,734	44,837,790	43,277,183	41,396,292	38,037,834	28,929,925	22,849,988	22,728,318	22,283,910
Primary Government										
Net Investment in Capital Assets	62,382,541	61,165,956	59,534,212	55,283,638	50,209,499	47,845,156	42,772,834	37,260,819	34,671,521	31,164,972
Restricted	3,573,014	4,007,399	4,042,103	4,094,943	4,137,029	1,271,730	852,937	451,668	426,970	392,998
Unrestricted	14,234,058	10,440,347	9,060,736	8,504,335	10,300,042	9,822,917	3,760,008	1,383,442	3,064,446	4,575,652
Total Primary Government Net Position	\$ 80,189,613	\$ 75,613,702	\$ 72,637,051	\$ 67,882,916	\$ 64,646,570	\$ 58,939,803	\$ 47,385,779	\$ 39,095,929	\$ 38,162,937	\$ 36,133,622

(1) As restated

Source:
City financial records.

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

Table 2

	Fiscal Year									
	2017	2016	2015	2014 (1)	2013	2012	2011	2010	2009	2008
Expenses										
Governmental Activities:										
General Government	\$ 3,981,692	\$ 3,523,465	\$ 3,468,452	\$ 4,911,835	\$ 3,014,256	\$ 3,466,644	\$ 3,058,171	\$ 2,777,534	\$ 2,685,612	\$ 2,799,968
Public Safety	6,575,990	5,991,215	5,739,007	5,356,062	5,193,500	5,305,825	5,408,853	5,889,590	5,460,448	5,202,358
Public Works	4,508,120	4,387,453	4,135,899	4,336,712	4,587,658	3,974,061	3,877,699	4,270,376	3,797,298	3,725,529
Parks and Recreation	149,700	122,603	109,297	371,255	81,358	71,590	70,806	148,666	64,827	81,574
Interest on Long-Term Debt	92,562	142,235	123,875	132,416	139,764	255,227	301,412	323,712	340,908	358,733
Total Governmental Activities Expenses	15,308,064	14,166,971	13,576,530	15,108,280	13,016,536	13,073,347	12,716,941	13,409,878	12,349,093	12,168,162
Business-Type Activities:										
Water	3,251,622	3,094,184	2,982,943	2,814,456	2,784,946	2,578,348	2,191,486	1,780,578	1,817,802	1,976,315
Sewer	4,143,124	4,017,082	3,962,657	4,052,338	3,183,672	2,982,631	3,059,799	3,157,487	2,917,769	3,009,494
Stadium	496,814	527,575	460,981	423,981	415,268	594,530	598,721	621,708	840,062	676,822
Total Business-Type Activities Expenses	7,891,560	7,638,841	7,406,581	7,290,775	6,383,886	6,155,509	5,850,006	5,559,773	5,575,633	5,662,631
Total Primary Government Expense:	<u>\$ 23,199,624</u>	<u>\$ 21,805,812</u>	<u>\$ 20,983,111</u>	<u>\$ 22,399,055</u>	<u>\$ 19,400,422</u>	<u>\$ 19,228,856</u>	<u>\$ 18,566,947</u>	<u>\$ 18,969,651</u>	<u>\$ 17,924,726</u>	<u>\$ 17,830,793</u>
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	\$ 361,070	\$ 368,918	\$ 328,930	\$ 358,560	\$ 340,520	\$ 348,916	\$ 356,149	\$ 453,230	\$ 422,716	\$ 1,086,951
Public Safety	100,448	29,916	27,659	26,945	118,427	69,048	14,468	7,516	29,797	14,468
Public Works	2,544,070	2,469,187	2,399,067	2,229,890	2,097,915	2,074,107	2,334,406	1,788,128	1,409,014	1,424,643
Operating Grants and Contributions	2,750,406	2,655,066	1,982,361	2,107,137	1,510,237	1,393,877	1,237,436	1,176,308	1,928,185	1,877,862
Capital Grants and Contributions	311,176	494,342	633,393	478,932	108,359	419,823	20,474	942,226	513,477	156,294
Total Governmental Activities Program Revenues	6,067,170	6,017,429	5,371,410	5,201,464	4,175,458	4,305,771	3,962,933	4,367,408	4,303,189	4,560,218
Business-Type Activities:										
Charges for Services:										
Water	3,896,382	2,674,959	3,660,863	3,207,157	2,961,294	2,501,549	2,779,442	2,073,874	2,140,638	2,317,759
Sewer	3,522,854	3,169,699	3,831,922	3,553,453	3,158,243	2,861,174	3,250,654	2,639,041	2,528,610	2,294,824
Stadium	83,000	65,150	196,740	212,162	243,514	214,556	222,869	36,476	50,310	58,279
Operating Grants and Contributions	120,000	120,000	-	-	-	2,577,140	-	-	-	-
Capital Grants and Contributions	966,666	447,700	566,225	1,665,187	3,169,174	6,551,525	5,334,555	601,188	804,182	996,608
Total Business-Type Activities Program Revenues	8,588,902	6,477,508	8,255,750	8,637,959	9,532,225	14,705,944	11,587,520	5,350,579	5,523,740	5,667,470
Total Primary Government Program Revenue:	<u>\$ 14,656,072</u>	<u>\$ 12,494,937</u>	<u>\$ 13,627,160</u>	<u>\$ 13,839,423</u>	<u>\$ 13,707,683</u>	<u>\$ 19,011,715</u>	<u>\$ 15,550,453</u>	<u>\$ 9,717,987</u>	<u>\$ 9,826,929</u>	<u>\$ 10,227,688</u>
Net (Expense)/Revenue										
Governmental Activities	\$ (9,240,894)	\$ (8,149,542)	\$ (8,205,120)	\$ (9,906,816)	\$ (8,841,078)	\$ (8,767,576)	\$ (8,754,008)	\$ (9,042,470)	\$ (8,045,904)	\$ (7,607,944)
Business-Type Activities	697,342	(1,161,333)	849,169	1,347,184	3,148,339	8,550,435	5,737,514	(209,194)	(51,893)	4,839
Total Primary Government Net Expense:	<u>\$ (8,543,552)</u>	<u>\$ (9,310,875)</u>	<u>\$ (7,355,951)</u>	<u>\$ (8,559,632)</u>	<u>\$ (5,692,739)</u>	<u>\$ (217,141)</u>	<u>\$ (3,016,494)</u>	<u>\$ (9,251,664)</u>	<u>\$ (8,097,797)</u>	<u>\$ (7,603,105)</u>
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes										
Property Taxes	\$ 10,907,789	\$ 10,053,492	\$ 10,043,124	\$ 9,936,228	\$ 10,041,666	\$ 10,145,968	\$ 9,652,855	\$ 9,090,293	\$ 8,719,008	\$ 8,195,655
Other Local Taxes	274,392	277,870	273,859	263,525	259,512	258,102	274,763	171,859	219,082	212,141
State Shared Taxes, Unrestricted	1,483,135	1,472,297	1,593,992	1,330,186	1,252,941	1,183,456	1,320,327	1,120,426	954,638	1,151,137
Investment Earnings	49,603	26,249	16,290	18,125	16,381	13,672	8,154	6,316	31,157	37,111
Gain on Sale of Capital Assets	134,166	324,547	10,189	69,598	-	-	-	-	-	-
Transfers	(1,222,461)	(525,206)	(538,806)	(355,391)	(279,841)	(387,507)	(292,178)	(535,102)	(293,074)	(311,025)
Total Governmental Activities	11,626,624	11,629,249	11,398,648	11,262,271	11,290,659	11,213,691	10,963,921	9,853,792	9,630,811	9,285,019
Business-Type Activities:										
Taxes										
Other Local Taxes	-	-	-	-	-	-	-	-	-	-
State Shared Taxes, Unrestricted	121,994	66,630	-	-	-	-	-	228,370	192,582	230,917
Investment Earnings	51,649	24,606	68,648	74,504	149,162	169,967	50,245	4,953	10,645	42,155
Gain (loss) on Sale of Capital Assets	96,735	41,836	103,984	103,812	-	-	-	11,852	-	25,000
Transfers	1,222,461	525,206	538,806	355,391	279,841	387,507	292,178	535,102	293,074	311,025
Total Business-Type Activities	1,492,839	658,277	711,438	533,707	429,003	557,474	342,423	780,277	496,301	609,097
Total Primary Government	<u>\$ 13,119,463</u>	<u>\$ 12,287,526</u>	<u>\$ 12,110,086</u>	<u>\$ 11,795,978</u>	<u>\$ 11,719,662</u>	<u>\$ 11,771,165</u>	<u>\$ 11,306,344</u>	<u>\$ 10,634,069</u>	<u>\$ 10,127,112</u>	<u>\$ 9,894,116</u>
Change in Net Position										
Governmental Activities	\$ 2,385,730	\$ 3,479,707	\$ 3,193,528	\$ 1,355,455	\$ 2,449,581	\$ 2,446,115	\$ 2,209,913	\$ 811,322	\$ 1,584,907	\$ 1,677,075
Business-Type Activities	2,190,181	(503,056)	1,560,607	1,880,891	3,577,342	9,107,909	6,079,937	571,083	444,408	613,936
Total Primary Government Change in Net Position	<u>\$ 4,575,911</u>	<u>\$ 2,976,651</u>	<u>\$ 4,754,135</u>	<u>\$ 3,236,346</u>	<u>\$ 6,026,923</u>	<u>\$ 11,554,024</u>	<u>\$ 8,289,850</u>	<u>\$ 1,382,405</u>	<u>\$ 2,029,315</u>	<u>\$ 2,291,011</u>

(1) As restated

Source:
City financial records

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

Table 3

Fiscal Year	Property Tax	Income Tax	Admissions Tax	Other Local Taxes	Total
2017	\$ 10,907,789	\$ 1,483,135	\$ -	\$ 274,392	\$ 12,665,316
2016	10,053,492	1,405,667	66,630	277,870	11,803,659
2015	10,043,124	1,593,992	-	273,859	11,910,975
2014	9,936,228	1,330,186	-	263,525	11,529,939
2013	10,041,666	1,252,941	-	259,512	11,554,119
2012	10,145,968	1,183,456	-	258,102	11,587,526
2011	9,652,855	1,320,327	-	274,763	11,247,945
2010	9,090,293	1,120,426	-	171,859	10,382,578
2009	8,719,008	954,638	-	219,082	9,892,728
2008	8,195,655	1,151,137	-	212,141	9,558,933

Source:
City financial records.

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

Table 4

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Fund										
Non-spendable	\$ 574,127	\$ 143,866	\$ 32,457	\$ 31,683	\$ 30,913	\$ 24,613	\$ 30,949	\$ 78,952	\$ 70,413	\$ 77,590
Restricted	-	-	-	-	-	-	-	-	-	-
Assigned	89,596	-	157,496	-	-	9,003	-	-	-	-
Unassigned	12,531,920	11,303,280	9,290,251	9,500,995	10,876,480	8,525,257	5,873,609	3,585,829	2,737,304	1,998,778
Total General Fund	\$ 13,195,643	\$ 11,447,146	\$ 9,480,204	\$ 9,532,678	\$ 10,907,393	\$ 8,558,873	\$ 5,904,558	\$ 3,664,781	\$ 2,807,717	\$ 2,076,368
Special Revenue Fund										
Non-spendable	-	-	-	-	-	-	-	-	-	-
Restricted	-	429,003	441,896	485,238	492,955	508,400	521,296	553,403	611,667	645,010
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	(89,921)	-	-	-	-	-	-	-	-	-
Total Special Revenue Fund	\$ (89,921)	\$ 429,003	\$ 441,896	\$ 485,238	\$ 492,955	\$ 508,400	\$ 521,296	\$ 553,403	\$ 611,667	\$ 645,010
Capital Projects Fund										
Non-spendable	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-	-
Assigned	503,594	784,827	636,903	1,793,661	534,726	407,948	340,645	305,671	286,424	140,113
Unassigned	-	-	-	-	-	-	-	-	-	-
Total Capital Projects Fund	\$ 503,594	\$ 784,827	\$ 636,903	\$ 1,793,661	\$ 534,726	\$ 407,948	\$ 340,645	\$ 305,671	\$ 286,424	\$ 140,113

Source: City financial records.

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

Table 5

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues										
Taxes	\$ 13,114,966	\$ 11,814,604	\$ 12,065,927	\$ 11,959,551	\$ 11,648,825	\$ 11,834,498	\$ 11,252,818	\$ 10,443,370	\$ 10,761,701	\$ 10,288,820
Licenses and permits	114,214	110,186	141,486	106,969	75,289	101,713	125,997	170,944	106,314	100,404
Intergovernmental	2,327,352	3,217,453	2,345,414	2,152,774	1,433,591	1,587,713	1,296,914	1,972,543	1,582,144	1,191,511
APG management fees	2,473,394	2,402,144	2,297,286	2,162,376	2,058,083	2,011,145	2,251,434	1,669,750	1,342,864	1,362,843
Miscellaneous	568,642	393,440	333,174	432,271	451,977	431,152	350,767	433,533	570,917	1,163,612
Total Revenues	18,598,568	17,937,827	17,183,287	16,813,941	15,667,765	15,966,221	15,277,930	14,690,140	14,363,940	14,107,190
Expenditures										
General government	2,758,287	2,849,207	3,303,913	2,558,873	1,841,877	1,695,505	1,714,059	1,997,247	1,982,372	1,750,112
Public safety	4,456,162	4,353,357	4,302,711	4,269,346	3,956,424	3,949,922	3,926,465	4,030,589	4,264,153	4,046,493
Public works	5,500,938	4,607,440	6,501,419	6,135,578	3,998,299	4,074,871	3,627,232	4,004,543	3,937,387	4,269,247
Parks and recreation	111,165	98,922	160,314	408,207	64,993	100,063	84,907	125,369	72,092	64,574
Miscellaneous	3,306,756	3,287,148	3,193,147	2,827,280	2,594,414	2,533,562	2,684,113	2,552,305	2,400,513	2,287,315
Debt service										
Principal	333,834	346,128	346,054	335,985	325,921	432,251	404,920	389,622	405,899	364,413
Interest	94,791	122,823	124,376	132,917	146,143	89,300	301,412	314,607	331,335	348,993
Total Expenditures	16,561,933	15,665,025	17,931,934	16,668,186	12,928,071	12,875,474	12,743,108	13,414,282	13,393,751	13,131,147
Excess of revenues over (under) expenditures	2,036,635	2,272,802	(748,647)	145,755	2,739,694	3,090,747	2,534,822	1,275,858	970,189	976,043
Other financing sources										
Loan proceeds, net of payments to escrow agent and issuance of refunding bonds	-	22,844	-	-	-	5,482	-	77,291	167,202	-
Transfer in (out)	(1,222,461)	(525,206)	(538,806)	(355,391)	(279,841)	(387,507)	(292,178)	(535,102)	(293,074)	(311,025)
Proceeds from sale of capital assets	134,166	331,533	34,879	86,139	-	-	-	-	-	-
Total other financing sources	(1,088,295)	(170,829)	(503,927)	(269,252)	(279,841)	(382,025)	(292,178)	(457,811)	(125,872)	(311,025)
Net change in fund balances	<u>\$ 948,340</u>	<u>\$ 2,101,973</u>	<u>\$ (1,252,574)</u>	<u>\$ (123,497)</u>	<u>\$ 2,459,853</u>	<u>\$ 2,708,722</u>	<u>\$ 2,242,644</u>	<u>\$ 818,047</u>	<u>\$ 844,317</u>	<u>\$ 665,018</u>
Debt Service (P & I) as a percentage of non-capital expenditures	<u>2.92%</u>	<u>3.40%</u>	<u>3.51%</u>	<u>3.56%</u>	<u>3.86%</u>	<u>4.42%</u>	<u>5.78%</u>	<u>5.77%</u>	<u>6.19%</u>	<u>6.06%</u>

Source: City financial records.

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

Table 6

Fiscal Year	Property Tax	Income Tax	Highway User Tax (1)	Admissions Tax	Other Local Taxes	Total
2017	\$ 10,882,635	\$ 1,473,108	\$ 484,831	\$ -	\$ 274,392	\$ 13,114,966
2016	10,050,537	1,419,567	-	66,630	277,870	11,814,604
2015	10,063,210	1,314,582	414,276	-	273,859	12,065,927
2014	9,990,337	1,309,945	390,765	-	268,504	11,959,551
2013	9,924,915	1,346,694	118,724	-	258,492	11,648,825
2012	10,146,919	1,240,865	193,082	-	253,632	11,834,498
2011	9,680,141	1,250,670	47,244	-	274,763	11,252,818
2010	9,074,414	1,107,207	89,890	-	171,859	10,443,370
2009	8,760,795	1,112,667	669,154	-	219,085	10,761,701
2008	8,172,879	1,124,841	778,959	-	212,141	10,288,820

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

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

Source: City financial records.

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

Table 7

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

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

Source: City financial records.

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

Table 8

Real Property Tax Rate

Fiscal Year Ending June 30	City of Aberdeen		Harford County	State of Maryland	Total Tax Rate
	<u>General Fund</u>	<u>Total Direct Rate</u>			
2017	\$ 0.6566	\$ 0.6566	1.042	0.112	\$ 1.811
2016	0.6600	0.6600	1.042	0.112	1.814
2015	0.6800	0.6800	1.042	0.112	1.834
2014	0.6800	0.6800	1.042	0.112	1.834
2013	0.6800	0.6800	1.042	0.112	1.834
2012	0.6800	0.6800	1.042	0.112	1.834
2011	0.6875	0.6875	1.042	0.112	1.842
2010	0.6875	0.6875	1.064	0.112	1.864
2009	0.7000	0.7000	1.082	0.112	1.894
2008	0.7150	0.7150	1.082	0.112	1.909

Personal Property Tax Rate

Fiscal Year Ending June 30	City of Aberdeen		Harford County	State of Maryland	Total Tax Rate
	<u>General Fund</u>	<u>Total Direct Rate</u>			
2017	\$ 1.700	\$ 1.700	2.605	\$ -	\$ 4.305
2016	1.700	1.700	2.605	-	4.305
2015	1.700	1.700	2.605	-	4.305
2014	1.700	1.700	2.605	-	4.305
2013	1.700	1.700	2.605	-	4.305
2012	1.700	1.700	2.605	-	4.305
2011	1.700	1.700	2.605	-	4.305
2010	1.700	1.700	2.660	-	4.360
2009	1.700	1.700	2.705	-	4.405
2008	1.700	1.700	2.705	-	4.405

Source: City financial records.

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

Table 9

2017				
Taxpayer	Type of Business	Assessed Valuation	City Tax	Percentage of Total Assessment
Frito-Lay	Manufacturing	\$ 68,970,050	\$ 1,084,949	4.52%
KRK Title Holder LP	Warehouse	26,624,633	174,817	1.74%
913 Old Philadelphia Road LLC	Distribution Warehouse	23,622,000	155,102	1.55%
Inland American Aberdeen	Real Property Management	22,778,300	149,562	1.49%
Medline Industries, Inc.	Manufacturing	21,310,033	139,922	1.40%
Wal-Mart Real Estate	Retail	17,186,533	112,847	1.13%
H & S Properties Dev. Corp	Property Management	16,207,933	106,421	1.06%
Pier 1. Imports	Warehouse	5,209,600	88,563	0.34%
FR Old Post Road LLC	Warehouse	12,542,333	82,353	0.82%
Comast of Harford County	Cable	4,676,500	79,501	0.31%
TOTAL		\$ 219,127,915	\$ 2,174,037	14.35%
Total Assessed Valuation		\$ 1,526,548,332		
2008				
Taxpayer	Type of Business	Assessed Valuation	City Tax	Percentage of Total Assessment
Metropolitan Life Insurance/Pier I	Warehouse	\$ 8,818,680	\$ 63,054	0.79%
Frito-Lay, Inc.	Manufacturing	5,848,640	41,818	0.53%
Wagner/Kinsley Ptnr./Camden Cold	Warehouse	3,187,680	22,792	0.29%
One Thousand & One Ptnr	Manufacturing	3,077,200	22,002	0.28%
Colgate Investments	Shopping Center	2,722,760	19,468	0.25%
Aberdeen Marketplace, Inc.	Shopping Center	2,674,880	19,125	0.24%
Fast Food Merchandisers	Grocers Wholesale	2,430,880	17,381	0.22%
Stancill's, Inc.	Property Management	2,150,560	15,377	0.19%
WalMart Stores, Inc.	Retail	2,145,200	15,338	0.19%
Aberdeen Hotel Ltd. Ptnr	Hospitality	1,922,280	13,744	0.17%
TOTAL		\$ 34,978,760	\$ 250,098	3.15%
Total Assessed Valuation		\$ 1,109,510,661		

Source: City financial records.

Property Tax Levies and Collections
Last Ten Fiscal Years

Table 10

Fiscal Year Ending June 30	Total Tax Levy	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Total Tax Levy
2017	\$ 11,163,890	\$ 11,053,787	99.01%	\$ -	\$ 11,053,787	99.01%
2016	10,257,072	10,151,760	98.97%	57,732	10,209,493	99.54%
2015	10,424,604	10,354,710	99.33%	25,457	10,380,167	99.57%
2014	10,186,068	10,108,621	99.24%	64,321	10,172,942	99.87%
2013	10,238,167	10,181,487	99.45%	55,070	10,236,557	99.98%
2012	10,456,757	10,384,584	99.31%	60,285	10,444,868	99.89%
2011	9,957,031	9,870,388	99.13%	74,290	9,944,678	99.88%
2010	9,396,201	9,298,812	98.96%	81,483	9,380,295	99.83%
2009	9,116,713	9,021,982	98.96%	20,366	9,042,348	99.18%
2008	8,470,443	8,351,509	98.60%	99,023	8,450,532	99.76%

Source: City financial records.

Ratios of Outstanding Debt By Type
Last Ten Fiscal Years

Table 11

Fiscal Year Ending June 30	Governmental Activities			Business-Type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Loans Payable	Total Governmental Activities	General Obligation Bonds	Loans Payable	Total Business-Type Activities			
2017	\$ 3,682,416	\$ -	\$ 3,682,416	\$ 7,985,881	\$ 9,251,479	\$ 17,237,360	\$ 20,919,776	N/A	\$ 1,340
2016	3,994,800	5,934	4,000,734	8,834,300	8,382,489	17,216,789	21,217,523	N/A	1,362
2015	3,815,000	507,062	4,322,062	9,584,500	8,849,271	18,433,771	22,755,833	N/A	1,474
2014	4,110,000	558,116	4,668,116	10,440,300	9,369,267	19,809,567	24,477,683	N/A	1,619
2013	4,395,000	609,101	5,004,101	11,275,200	9,799,208	21,074,408	26,078,509	N/A	1,743
2012	4,670,000	660,022	5,330,022	12,092,200	7,522,290	19,614,490	24,944,512	N/A	1,668
2011	4,757,600	710,882	5,468,482	12,669,316	2,758,934	15,428,250	20,896,732	N/A	1,397
2010	4,969,200	796,970	5,766,170	8,271,100	1,332,924	9,604,024	15,370,194	N/A	1,090
2009	5,175,700	911,010	6,086,710	8,745,300	1,643,797	10,389,097	16,475,807	N/A	1,168
2008	5,372,000	1,088,819	6,460,819	9,201,800	1,942,855	11,144,655	17,605,474	N/A	1,258

Source: City financial records.

N/A - Currently not available

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

Table 12

Fiscal Year Ending June 30	Population	Estimated Actual Assessed Value (2)	Gross Bonded Debt (1)	Less Business-type Non-General Obligation Bonds	Net Bonded Debt (3)	Ratio of Net Bonded Debt To Actual Assessed Value	Net Bonded Debt Per Capita
2017	15,612	\$ 1,526,548,332	\$ 20,919,776	\$ 9,251,479	\$ 11,668,297	0.76%	\$ 747
2016	15,580	1,463,671,689	21,217,523	8,382,489	12,835,034	0.88%	824
2015	15,434	1,448,414,443	22,755,833	8,849,271	13,906,562	0.96%	901
2014	15,120	1,403,991,333	24,477,683	9,369,267	15,108,416	1.08%	999
2013	14,959	1,407,317,557	26,078,509	9,799,208	16,279,301	1.16%	1,088
2012	14,959	1,452,852,329	24,944,512	7,522,290	17,422,222	1.20%	1,165
2011	14,959	1,370,244,996	20,896,732	2,758,934	18,137,798	1.32%	1,213
2010	14,099	1,289,682,720	15,370,194	1,332,924	14,037,270	1.09%	996
2009	14,100	1,224,975,139	16,475,807	1,643,797	14,832,010	1.21%	1,052
2008	14,000	1,109,510,661	17,605,474	1,942,855	15,662,619	1.41%	1,119

(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) Excludes Business-type Loans Payable (Non-General Obligation Debts)

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

Source: City financial records.

**Debt Computations
June 30, 2017**

Table 13

COMPUTATION OF LEGAL DEBT MARGIN

TOTAL ASSESSED VALUE OF PROPERTY	<u>\$ 1,526,548,332</u>
Debt limit 15%	228,982,250
Amount of debt applicable to debt limit	<u>3,682,416</u>
LEGAL DEBT MARGIN	<u><u>\$ 225,299,834</u></u>

COMPUTATION OF DIRECT AND OVERLAPPING DEBT

	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to the Town</u>	<u>Share of Debt Outstanding</u>
DIRECT DEBT OF THE CITY	\$ 3,682,416	100.00%	\$ 3,682,416
Indirect debt:			
Harford County	<u>554,628,030 ²</u>	5.49% ¹	<u>30,449,079</u>
TOTAL DIRECT AND OVERLAPPING DEBT	<u><u>\$ 558,310,446</u></u>		<u><u>\$ 34,131,495</u></u>

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

<u>\$ 1,526,548,332</u>
<u><u>\$27,825,862,920</u></u>

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

Source: City financial records.

**Legal Debt Margin Information
Last Ten Years**

Table 14

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Debt Limit	\$ 228,982,250	\$ 219,550,753	\$ 217,262,166	\$ 210,598,700	\$ 211,097,634	\$ 217,927,849	\$ 205,536,749	\$ 193,452,408	\$ 183,746,271	\$ 166,426,599
Total net debt applicable to limit	<u>11,668,297</u>	<u>12,835,034</u>	<u>13,906,562</u>	<u>15,108,416</u>	<u>16,279,301</u>	<u>17,422,222</u>	<u>18,137,798</u>	<u>14,037,270</u>	<u>14,832,010</u>	<u>15,662,619</u>
Legal debt margin	<u>\$ 217,313,953</u>	<u>\$ 206,715,719</u>	<u>\$ 203,355,604</u>	<u>\$ 195,490,284</u>	<u>\$ 194,818,333</u>	<u>\$ 200,505,627</u>	<u>\$ 187,398,951</u>	<u>\$ 179,415,138</u>	<u>\$ 168,914,261</u>	<u>\$ 150,763,980</u>
Total net debt applicable to the limit as a percentage of debt limit	5.10%	5.85%	6.40%	7.17%	7.71%	7.99%	8.82%	7.26%	8.07%	9.41%

Source: City financial records.

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

Table 15

Fiscal Year Ending June 30	(1) Estimated Population	(2) Per Capita Income	(2) Personal Income (000s)	(2) Median Age	(2) School Enrollment	(2) Unemployment Rate
2017	15,612	56,523	14,185,269	N/A	37,426	4.2%
2016	15,580	54,532	13,667,279	40.1	37,448	4.4%
2015	15,434	52,612	13,168,204	39.9	37,537	5.5%
2014	15,120	50,760	12,687,334	39.8	37,842	6.0%
2013	14,959	48,952	12,200,680	39.5	37,868	7.5%
2012	14,959	49,203	12,233,940	39.2	38,224	7.4%
2011	14,959	48,432	11,948,693	38.3	38,394	7.3%
2010	14,099	46,489	11,400,848	38.1	38,637	7.3%
2009	14,100	45,092	10,988,340	38.1	38,610	7.7%
2008	14,000	44,772	10,869,713	37.8	39,175	4.1%

(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, 2017. Income and Median Age information were not available.

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

Table 16

2017			
Company	Number Employed	Percentage of Total County Employment	Product/ Service
U.S. Army Aberdeen Proving Ground	21,000	22.98%	Government
Harford County Public Schools	5,231	5.72%	Government
UM Upper Chesapeake Medical Center	3,300	3.61%	Healthcare
Harford County Government	1,541	1.69%	Government
Kohl's E-Fulfillment Center	1,140	1.25%	Warehouse
Rite Aid Mid-Atlantic Customer Dist. Ctr.	1,100	1.20%	Retailer
Harford Community College	1,010	1.11%	Education
Kleins Shop Rites of Maryland	1,000	1.09%	Groceries
Jacobs Technology, Inc.	875	0.96%	Technology
Jones Junction	670	0.73%	Auto Dealership
TOTAL	36,867	40.35%	
Total Employees in Harford County (Data available for county only)	91,376	100.00%	
2008			
Company	Number Employed	Percentage of Total County Employment	Product/ Service
U.S. Army Aberdeen Proving Ground	12,500	17.05%	Government
Harford County Public Schools	5,306	7.24%	Government
Upper Chesapeake Health System	2,464	3.36%	Healthcare
Harford County Government	1,588	2.17%	Government
Rite Aid Mid-Atlantic Customer Dist. Ctr.	1,270	1.73%	Retailer
SAIC	797	1.09%	Technology
Jacobs Technology, Inc.	656	0.89%	Technology
Home Depot	605	0.83%	Home Improvement
Walmart	597	0.81%	Retailer
Saks Fifth Avenue	495	0.68%	Retailer
TOTAL	26,278	35.85%	
Total Employees in Harford County (Data available for county only)	73,298	100.00%	

Source:
Harford County CAFR

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

Table 17

Function	Full-time Equivalent City Government Employees by Function									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Government										
Mayor and Council	5	5	5	5	5	5	5	5	5	5
Administration	6	8	8	7	4	4	5	5	5	4
Finance	8	6	6	6	6	6	6	6	6	7
Planning	3	3	3	3	3	3	4	4	4	4
Human Resources	2	2	1	1	1	1	1	1	1	1
Building Custodian	1	1	1	1	1	1	1	1	1	1
Public Safety										
Police										
Officers	42	40	40	40	40	40	40	45	46	46
Civilians	15	14	14	14	14	14	14	14	14	14
Building (Construction) Inspection	1	1	1	1	1	1	1	1	1	1
Public Works	81	79	79	81	81	81	78	78	78	74
Sanitation	7	7	7	7	7	7	8	8	8	8
Parks and Recreation	-	-	-	-	-	-	-	-	-	-
Total	171	166	165	166	163	163	163	168	169	165

Source: City Fiscal Year Budgets

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

Table 18

Function	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Government										
Construction Permits Issued	56	57	94	42	157	301	305	305	306	460
Estimated Value of Construction	\$ 30,009,640	\$ 32,693,069	\$ 86,276,604	\$ 21,979,857	\$ 29,577,709	\$ 32,911,735	\$ 26,720,274	\$ 72,730,957	\$ 32,886,480	\$ 17,348,304
Public Safety										
Traffic Contacts	11,625	7,399	3,885	7,072	8,123	7,193	2,465	3,998	5,741	4,180
Calls for Service	30,103	31,763	33,683	27,095	30,065	35,580	36,505	38,341	49,969	52,550
Public Works										
Street Resurfacing (miles)	3.52	1.65	0.48	5.07	0.65	0.89	0.34	0.98	2.05	2.22
Sidewalk Replacement/Repair (miles)	0.25	1.90	0.50	1.00	0.01	0.14	0.14	0.04	0.08	0.03
Stormwater Ponds Managed	9	15	15	14	14	2	2	10	10	10
Recreation										
Number of Activity Sessions Offered										
Preschool Activities	-	-	-	-	-	-	-	-	-	-
Youth Activities	-	-	-	-	-	-	-	-	-	-
Adult Activities	-	-	-	-	-	-	-	-	-	-
Total Number of Activity Sessions Offered	-	-	-	-	-	-	-	-	-	-
Program Participants										
Preschool Activities	-	-	-	-	-	-	-	-	-	-
Youth Activities	-	-	-	-	-	-	-	-	-	-
Adult Activities	-	-	-	-	-	-	-	-	-	-
Total Program Participants	-	-	-	-	-	-	-	-	-	-
Water										
New Connections	52	46	166	87	22	152	13	11	19	25
Water Main/Lateral Breaks	27.0	29.0	38.0	36.0	39.0	38.0	66.0	44.0	54.0	26.0
Average Daily Consumption (millions of gallons)	1.313	1.287	1.364	1.351	1.325	1.442	1.404	1.333	1.410	1.502
Sewer										
Sewer Main/Lateral Breaks	10.0	12.0	15.0	37.0	80.0	6.0	9.0	14.0	10.0	6.0
Average Daily Sewage Treatment (millions of gallons)	1.60	1.71	1.97	2.17	1.62	1.73	1.52	1.97	1.69	1.76

Source: Various City departments

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

Table 19

Function	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Public Safety - Police										
Stations	1	1	1	1	1	1	1	1	1	1
Vehicles	48	48	50	52	54	56	56	54	53	52
Highways and Streets										
Streets (miles)	72.92	72.60	72.92	72.92	72.92	72.92	72.92	72.92	72.67	72.67
Storm Sewers (miles)	48.81	39.05	39.01	20.10	15.00	15.00	15.00	15.00	15.00	15.00
Catch Basins	1,862	1,835	1,913	1,913	1,013	1,013	1,013	1,013	1,013	1,013
Street Lights	1,505	110	110	1,753	1,753	1,753	1,753	1,753	1,753	1,748
Culture and Recreation										
Number of Parks/Playgrounds	10	10	11	8	8	8	8	8	8	8
Park Acreage	91.87	91.87	93.01	36.67	36.67	36.67	36.98	36.98	36.98	34.06
Tennis Courts	1	1	1	1	1	1	1	1	1	2
Water										
Treatment Plants	1	1	1	1	1	1	1	1	1	1
Wells	14	14	14	14	14	16	16	16	16	16
Reservoirs	-	-	-	-	-	-	-	-	-	-
Water Towers	4	4	4	4	4	4	4	4	4	4
Pumping Stations	4	4	4	4	5	5	4	4	4	4
Maximum Daily Capacity (million gallons)	2.40	2.40	2.40	2.40	2.40	2.40	2.10	2.00	2.50	2.50
Number of Customer Accounts	5,112	5,072	4,999	4,986	4,974	4,923	4,765	4,759	4,963	4,773
Water Mains (miles)	87.09	86.89	82.92	82.92	66.93	66.93	66.93	66.73	66.23	66.23
Fire Hydrants	590	587	552	552	517	517	517	517	502	502
Wastewater										
Treatment Plants	1	1	1	1	1	1	12	1	1	1
Maximum Daily Treatment Capacity (million gallons)	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Pumping Stations	11	11	11	11	10	10	10	10	10	10
Sanitary Sewers (miles)	74.86	74.86	75.12	75.06	68.79	68.79	68.79	68.79	68.54	68.54

Source: Various city departments