

City of Aberdeen, Maryland

Comprehensive Annual Financial Report
June 30, 2014

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October 31, 2014

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, 2014, 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 compiled with to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that the financial statements will be free from material misstatement. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived and 2) the valuation of costs and benefits requires estimates and judgments by management.

City of Aberdeen's financial statements have been audited by McGladrey 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, 2014 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, 2014 are fairly presented in conformity with GAAP. The auditor's report is presented as the first component of the financial section of this report.

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

PROFILE OF THE GOVERNMENT

The City of Aberdeen was incorporated in 1892. The City is a full service municipality providing water and wastewater utilities, public safety, planning, public works, and environmental and administrative services to a populous of just over 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 traversed by two interstate highways, Interstate 95 and Route 40, and two rail lines, Amtrak and CSX.

Pursuant to City Charter, the Mayor presents the capital and operating budgets to the City Council during April of each year. The City Council holds public hearings regarding the budgets and, prior to July 1, passes an annual appropriation ordinance. The legislation becomes effective July 1 and provides the spending authority at the fund level for the operations of the City Government with unexpended or unencumbered appropriation authority expiring the following June 30. The appropriated budgets are prepared by fund and department. Expenditures of the funds may not legally exceed appropriations at the fund level. During the fiscal year, the City Council may adopt supplemental appropriations. A Statement of Revenues, Expenditures, and Changes in Fund Balances on a Budget (Non-GAAP) vs. Actual basis is presented for the two major governmental funds which adopted an annual budget, and can be found on pages 66 through 70 of this report.

FACTORS AFFECTING FINANCIAL CONDITION

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

Local economy - Aberdeen has a rich history as a military community and is home to the United States Army's Aberdeen Proving Ground. Aberdeen Proving Ground (APG) was established on October 20, 1917 and is the U.S. Army's oldest active testing and evaluation facility. As a center for Army material

testing, laboratory research and military training, the post is a key element in the nation's defense. APG is one of the Army's finest test, evaluation, research, development, engineering and training installations in the world.

In 2005, Congress completed its BRAC (Base Realignment and Closure) process. APG had had its mission changed from ordinance development, testing and training to high tech electronic research and development. As a result, the number of jobs on APG grew to over 25,000, including contractors. These new personnel have higher skill levels and incomes than those that they replaced. These increases in wages and salaries have had a positive impact on the local economy.

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

Long-term financial planning – In October 2011, Fitch Ratings, and Standard and Poor's Rating Services assigned their AA rating to the City. In September 2013, Fitch Ratings affirmed the AA rating. In September 2014, Standard and Poor's upgraded the rating to AA+.

The water and sewer systems will continue to be the primary focus for the City in years to come. The City has recently completed an upgrade to its wastewater treatment plant to state of the art ENR (Enhanced Nutrient Removal) technology. This new technology allows the plant to remove more nitrogen and phosphorus from its wastewater. Also, tending to aging infrastructure will be an ongoing priority.

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, 2013. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

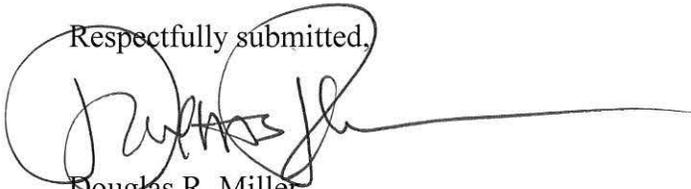
A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGMENTS

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

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

Respectfully submitted,



Douglas R. Miller
City Manager



Opiribo Jack, CPA
Director of Finance



Government Finance Officers Association

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

Presented to

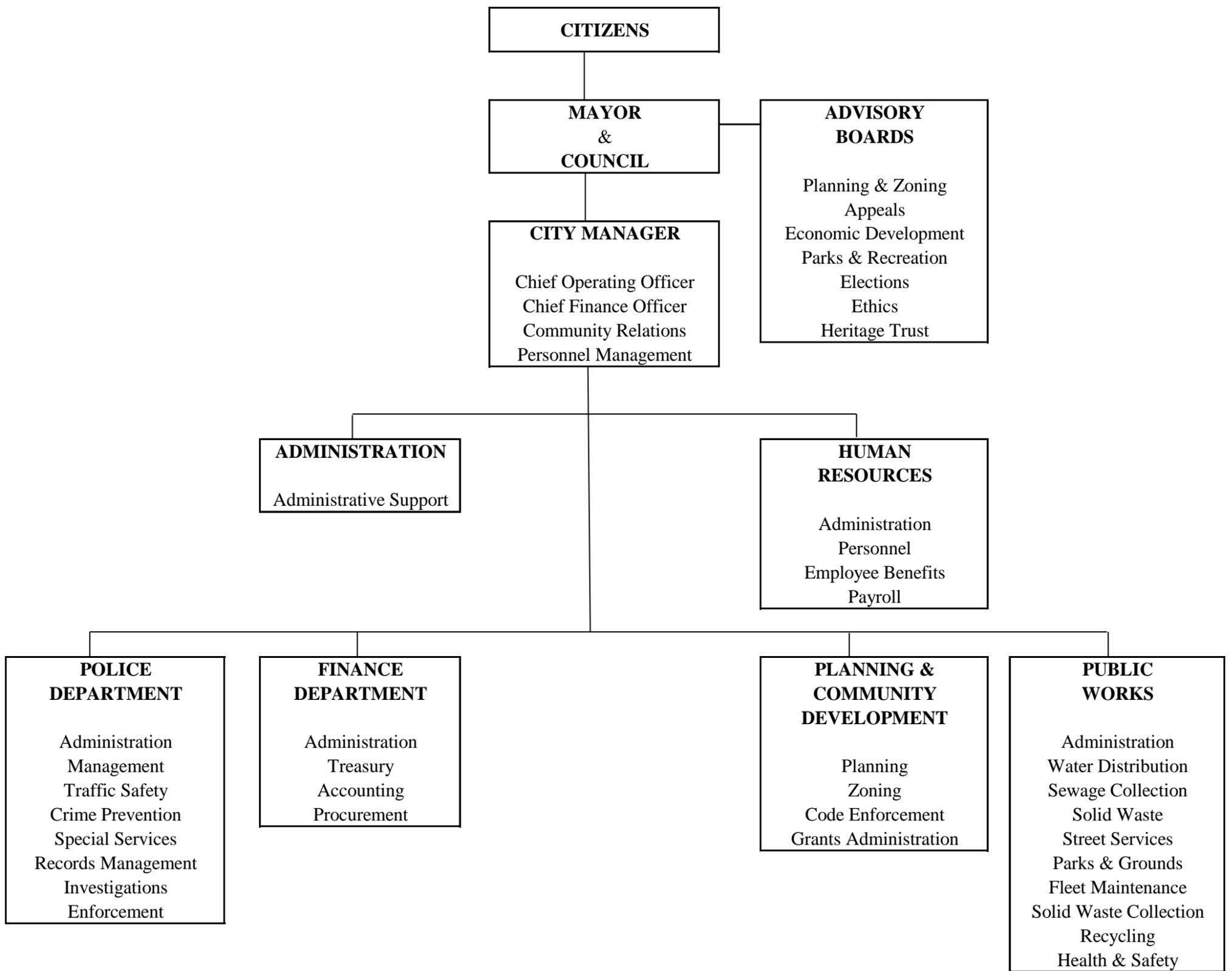
**City of Aberdeen
Maryland**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

CITY OF ABERDEEN – ORGANIZATIONAL CHART



CITY OF ABERDEEN
HARFORD COUNTY, MARYLAND
GOVERNMENT ORGANIZATION

ELECTED AND APPOINTED OFFICIALS

AS OF JUNE 30, 2014

ELECTED OFFICIALS

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

APPOINTED OFFICIALS

City Manager	Mr. Douglas Miller
City Clerk	Mrs. Monica A. Correll
Director of Finance	Mr. Opiribo Jack
Police Chief	Mr. Henry Trabert
Director of Public Works	Mr. Matthew Lapinsky
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

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, 2014, 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 7, retroactive to July 1, 2013, the City adopted the new accounting guidance of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 10 through 20, the Schedules of Funding Progress on page 67, the Schedules of Employer Contributions on page 68, the Schedules of Changes in the City's Net Pension Liability and Related Ratios on page 69, the Schedule of Contributions and Investment Returns on page 70 and the Schedule of Employer Contributions and Funding Progress (OPEB) on page 71 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 31, 2014, 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.



Frederick, Maryland
October 31, 2014

City of Aberdeen, Maryland

Management's Discussion and Analysis

June 30, 2014

Introduction

As management of the City of Aberdeen, Maryland (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2014. The Management's Discussion and Analysis (MD&A) is best understood if read in conjunction with the City's basic financial statements.

Financial Highlights

1. The City's assets exceeded its liabilities at the close of the most recent fiscal year by \$69.1 million (*net position*). Of this amount, \$9.7 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 \$4.5 million. Most of this increase is attributable to better than expected tax revenues, grants, and utility usage charges.
3. The City's total long-term liabilities decreased by \$1.5 million during the current fiscal year from \$29.1 million to \$27.7 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 \$11.8 million. This represents a decrease of \$123 thousand over the prior year. About 80% (\$9.5 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 \$9.5 million or 70.9% 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, 2014

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

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

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

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

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

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

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

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 its three pension funds, the City of Aberdeen Defined Benefit Pension Plan, the City of Aberdeen Defined Benefit Plan, and the City of Aberdeen Police Department Pension Plan. The basic fiduciary fund financial statements can be found on pages 31 to 32 of this report.

City of Aberdeen, Maryland Management's Discussion and Analysis June 30, 2014

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are part of the basic financial statements and can be found on pages 33 to 66 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 67 to 71 of this report. Other supplementary information as noted in the table of contents can be found on pages 72 to 76 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 exceeded liabilities by \$69.1 million at the close of the most recent fiscal year. City of Aberdeen net position are divided into three categories – invested in capital assets (net of related debt), restricted net position and unrestricted net position.

The largest portion of the City's net position (80%) 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 5.9% 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 \$9.7 million (14.1% 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 6.9% increase. This reflects the increase in tax revenues, and charges for services in the water and sewer funds.

City of Aberdeen, Maryland
Management's Discussion and Analysis
June 30, 2014

The following table summarizes the net position for governmental and business-type activities as of June 30, 2014 and 2013:

	Governmental Activities (000)		Business-type Activities (000)		Total (000)	
	2014	2013	2014	2013	2014	2013
Assets						
Current and other assets	\$ 14,168	\$ 14,239	\$ 5,745	\$ 6,290	\$ 19,913	\$ 20,529
Capital assets, net	21,033	18,513	58,777	57,622	79,810	76,135
Total assets	35,201	32,752	64,522	63,912	99,723	96,664
Liabilities						
Long-term liabilities	7,315	7,574	20,352	21,545	27,667	29,119
Other liabilities	2,044	1,928	893	971	2,937	2,899
Total liabilities	9,359	9,502	21,245	22,516	30,604	32,018
Net Position						
Net investment in capital assets	16,364	13,508	38,919	36,701	55,283	50,209
Restricted	485	493	3,610	3,644	4,095	4,137
Unrestricted	8,993	9,249	748	1,051	9,741	10,300
Total Net Position	\$ 25,842	\$ 23,250	\$ 43,277	\$ 41,396	\$ 69,119	\$ 64,646

City of Aberdeen, Maryland
Management's Discussion and Analysis
June 30, 2014

The following table indicates the changes in net position for governmental and business-type activities for the years ended June 30, 2014 and 2013:

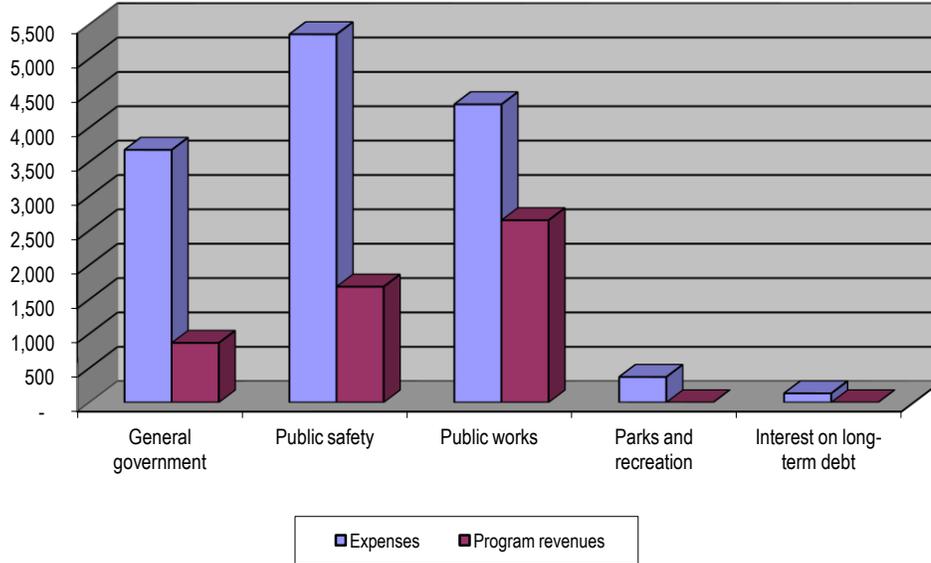
	Governmental Activities (000)		Business-type Activities (000)		Total (000)	
	2014	2013	2014	2013	2014	2013
Revenues						
Program revenues:						
Charges for service	\$ 2,615	\$ 2,557	\$ 6,973	\$ 6,363	\$ 9,588	\$ 8,920
Operating grants/contributions	2,107	1,510	-	-	2,107	1,510
Capital grants/contributions	479	108	1,665	3,169	2,144	3,277
General revenues:						
Property taxes	9,936	10,042	-	-	9,936	10,042
State shared taxes	1,330	1,253	-	-	1,330	1,253
Miscellaneous	351	276	178	149	529	425
Total revenues	16,818	15,746	8,816	9,681	25,634	25,427
Program Expenses						
General government	3,675	3,014	-	-	3,675	3,014
Public safety	5,356	5,194	-	-	5,356	5,194
Public works	4,337	4,588	-	-	4,337	4,588
Parks and recreation	371	81	-	-	371	81
Interest on long-term debt	132	140	-	-	132	140
Utilities and other enterprise funds	-	-	7,290	6,384	7,290	6,384
Total expenses	13,871	13,017	7,290	6,384	21,161	19,401
Increase in net position before transfers	2,947	2,729	1,526	3,297	4,473	6,026
Transfers	(355)	(280)	355	280	-	-
Increase in net position	2,592	2,449	1,881	3,577	4,473	6,026
Net Position, July 1 (as restated)	23,250	20,801	41,396	37,819	64,646	58,620
Net Position, June 30	\$ 25,842	\$ 23,250	\$ 43,277	\$ 41,396	\$ 69,119	\$ 64,646

Governmental activities: The increase in net position for governmental activities was \$2.6 million, which is slightly higher when compared to the 2013 increase of \$2.4 million. There were no significant line item increases compared to 2013, except for operating grants/contributions which increased mainly due to an additional \$272 thousand in highway user tax revenue.

City of Aberdeen, Maryland Management's Discussion and Analysis June 30, 2014

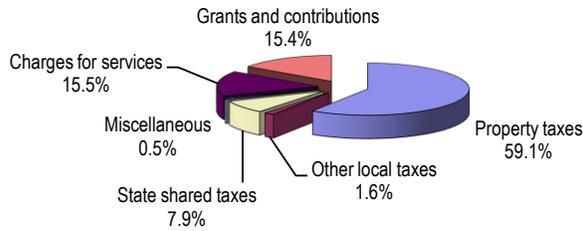
The following chart compares the Expenses and Program Revenues of the City's Governmental Activities:

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



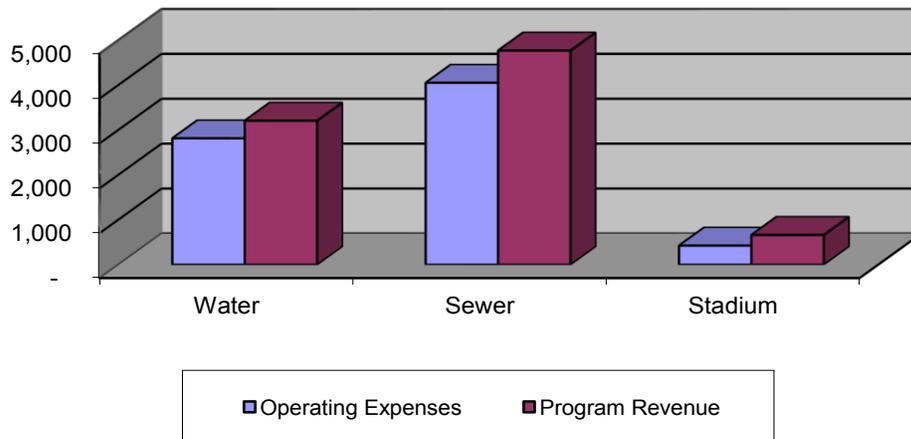
Business-type Activities: Business-type activities increased the City's net position by \$1.9 million, which is \$1.7 million less than the increase from 2012 to 2013. Key elements of this decrease are as follows:

- Capital grants and contributions decreased \$1.5 million due to decreased state funding for capitalized upgrades to the wastewater treatment plant.
- Business-type expenses increased by \$906 thousand primarily due to the completion of the ENR construction project:
 - Debt service increased by approximately \$107 thousand related to interest on project related debt.
 - Energy and process chemical increased by approximately \$156 thousand due to the ENR project becoming operational.
 - Depreciation expense increased by approximately \$321 thousand, mainly due to the ENR becoming operational.

City of Aberdeen, Maryland Management's Discussion and Analysis June 30, 2014

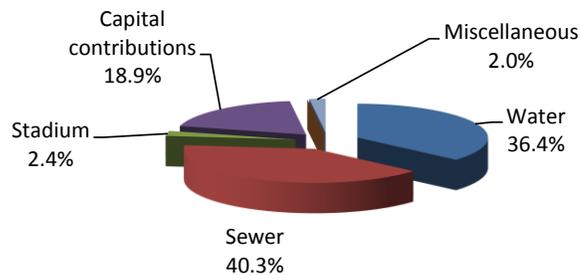
The following chart compares the Expenses and Program Revenues of the City's Business-type Activities.

**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, 2014

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City of Aberdeen's governmental funds reported combined ending balances of \$11.8 million, a decrease of \$123 thousand in comparison with the prior year. Approximately 80.4% of this total amount (\$9.5 million) constitutes unassigned fund balance, which represents working capital available to support governmental operating needs and future years' expenditures. The remainder of fund balance is classified to reflect constraints on the City's remaining fund balance, including: 1) non-spendable fund balance for other assets, including prepaid items, and inventory (\$32 thousand), 2) restricted for community development (\$485 thousand), and 3) assigned balances for public safety, public works, storm water management and capital projects (\$1.8 million).

The General Fund is the chief operating fund of the City of Aberdeen. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$9.5 million, which represents 99.7% 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 70.9% of total General Fund expenditures, while total fund balance represents 71.1% of that same amount. The General Fund balance decreased by \$1.4 million during the current fiscal year. The key elements are:

- Total revenues were \$819 thousand higher than the prior year.
- Highway user tax revenue increased by \$272 thousand compared to 2013.
- Taxes were \$883 thousand more than anticipated due to new growth and increased property values as assessed by the State Department of Assessment and Taxation, and more people employed than anticipated.
- Total expenditures were \$1.1 million higher than the prior year mainly due to a \$200,000 contribution to a neighboring park project, a \$100,000 donation towards the purchase of a fire truck, \$135,000 in IT investments, \$100,000 for winter operations, and \$144,000 in higher medical insurance premiums.
- Transfers out were \$4 million for the funding of capital projects in other funds.

Financial resources of the Capital Project Fund are used in the acquisition or construction of major capital projects not financed by the proprietary funds. At the end of the current fiscal year, fund balance of \$160 thousand was assigned to storm water management, \$102 thousand was assigned for encumbrances, and the remaining fund balance of \$1.5 million was assigned to capital projects for a total fund balance of \$1.8 million. The fund balance increased by \$1.3 million during the current fiscal year. The key elements are:

- Revenue was \$453 thousand higher than 2013 due to increased grant revenue.
- Expenditures were \$2.7 million more than 2013 due to increased public works projects.
- Total transfers in were \$3.9 million from the general fund for capital projects funding.
- Expenditures were \$2.1 million less than anticipated.

Proprietary funds. The City of Aberdeen's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the three funds at the end of the year amounted to a surplus of \$1.2 million for the Water Fund, a deficit of \$571 thousand for the Sewer Fund, and a surplus of \$144 thousand for the Stadium Fund. The total net position increased by \$1.9 million. Other factors concerning these funds' finances have been addressed in the discussion of the City of Aberdeen's business-type activities.

City of Aberdeen, Maryland

Management's Discussion and Analysis

June 30, 2014

General Fund Budgetary Highlights

The final budget for the General Fund expenditures was increased \$1.2 million (7.7%) over the original budget to adjust for situations arising during the year. The most significant increases relate to a \$92 thousand increase for an energy audit and improvements to City Hall, a \$61 thousand increase for police car computers, a \$100 thousand increase for donation to the fire department towards the purchase of a fire truck, \$10 thousand increase for electronic traffic citation equipment, a \$200 thousand increase for contribution towards the purchase of a park, and a \$407 thousand increase towards capital purchases.

Property taxes were \$567 thousand higher than budgeted due to higher growth and property values than initially assessed. Income tax was \$310 thousand higher than budgeted because more people were employed than anticipated.

Capital Asset and Debt Administration

Capital assets. The City of Aberdeen's investment in capital assets for its governmental and business-type activities as of June 30, 2014, amounts to \$79.8 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 City of Aberdeen's investment in capital assets for the current fiscal year was \$3.7 million or 4.8% (a 13.6% increase for governmental activities and a 2.0% increase for business-type activities). The major capital asset activities in the current year included street resurfacing totaling approximately \$2.1 million and completion of the ENR upgrade for \$1.4 million.

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

	Governmental Activities (000)		Business-type Activities (000)		Total (000)	
	2014	2013	2014	2013	2014	2013
Land	\$ 4,471	\$ 4,471	\$ 1,963	\$ 1,963	\$ 6,434	\$ 6,434
Buildings	4,877	5,046	14,561	14,738	19,438	19,784
Improvements other than buildings	157	5	586	57	743	62
Machinery and equipment	1,011	923	1,995	1,731	3,006	2,654
Vehicles	618	502	-	-	618	502
Recreational facilities	214	213	-	-	214	213
Infrastructure	9,206	7,177	-	-	9,206	7,177
Water and sewer systems	-	-	39,650	15,736	39,650	15,736
Construction in progress	479	176	22	23,397	501	23,573
Total	\$ 21,033	\$ 18,513	\$ 58,777	\$ 57,622	\$ 79,810	\$ 76,135

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

City of Aberdeen, Maryland
Management's Discussion and Analysis
June 30, 2014

Long-term debt. At the end of the current fiscal year, the City of Aberdeen had total long-term liabilities outstanding of \$27.7 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)	
	2014	2013	2014	2013	2014	2013
General obligation bonds	\$ 4,110	\$ 4,395	\$ 10,440	\$ 11,275	\$ 14,550	\$ 15,670
Notes payable	558	609	9,369	9,799	9,927	10,408
Compensated absences	552	530	112	106	664	636
Net pension obligation	33	84	-	-	33	84
OPEB obligation	2,061	1,955	383	311	2,444	2,266
Premiums (discounts), net	1	1	48	54	49	55
Total	\$ 7,315	\$ 7,574	\$ 20,352	\$ 21,545	\$ 27,667	\$ 29,119

During the current fiscal year, the City of Aberdeen's total long-term liabilities decreased by \$1.5 million or 5.0%. The City obtained loans from the Maryland Department of the Environment for wastewater treatment plant upgrades with proceeds totaling approximately \$149 thousand during the year. The City has strictly adhered to its debt repayment amortization schedules.

The amount of general obligation debt the City of Aberdeen may issue is not limited by State statute or local ordinance. However, the City adheres to a fiscal policy adopted by its elected officials that prohibits general obligation debt from exceeding 15% of the assessed value of taxable property. The City was in full compliance at June 30, 2014. Additional information on the City of Aberdeen's long-term liabilities can be found in Note 8, pages 46 through 50 of this report.

Economic Factors and Next Year's Budgets and Rates

- Regional employment that also impacts the City has been stable and is expected to remain stable. Harford County unemployment rates are lower than many other Maryland counties and Maryland unemployment rates are lower than most states in the country.
- The U.S. Army has been adding jobs (mostly civilian) to the Aberdeen Proving Grounds (APG) as a result of BRAC (Base Realignment and Closure). Employment on APG is remaining stable and may possibly increase once "sequestration" and other Federal budget issues are resolved.
- New construction, both residential and commercial, is expected to continue at a moderate rate, which will impact the real estate tax base.
- The real estate tax rate remains unchanged at \$0.6800 per \$100 of assessed value for the fiscal year 2015 budget.
- The water and sewer base rates remain unchanged at \$15.23 and \$19.57 respectively for the fiscal year 2015 budget.

All of these factors were considered in preparing the City of Aberdeen's budget for fiscal year 2015.

City of Aberdeen, Maryland
Management's Discussion and Analysis
June 30, 2014

Requests for Information:

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

City of Aberdeen, Maryland

Statement of Net Position

June 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 12,651,139	\$ 3,769,941	\$ 16,421,080
Receivables, current	1,047,983	1,834,905	2,882,888
Prepays	11,618	-	11,618
Internal balances	208,262	(208,262)	-
Inventory	20,065	130,470	150,535
Receivables, noncurrent	228,970	218,208	447,178
Capital assets			
Nondepreciable assets	4,950,224	1,985,579	6,935,803
Net of accumulated depreciation	16,083,031	56,791,473	72,874,504
Total assets	35,201,292	64,522,314	99,723,606
Liabilities			
Accounts payable	1,028,668	690,846	1,719,514
Accrued liabilities	298,273	201,351	499,624
Unearned revenue	439,304	-	439,304
Other liabilities	277,894	-	277,894
Noncurrent liabilities			
Due within one year	642,416	1,438,000	2,080,416
Due in more than one year	6,672,402	18,914,934	25,587,336
Total liabilities	9,358,957	21,245,131	30,604,088
Net Position			
Net investment in capital assets	16,364,349	38,919,289	55,283,638
Restricted for			
Community development	485,238	-	485,238
Debt service	-	1,032,565	1,032,565
Capital revolving loans	-	2,577,140	2,577,140
Unrestricted	8,992,748	748,189	9,740,937
Total net position	\$ 25,842,335	\$ 43,277,183	\$ 69,119,518

See Notes to Basic Financial Statements.

City of Aberdeen, Maryland

Statement of Activities
Year Ended June 30, 2014

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	\$ 3,675,233	\$ 358,560	\$ 59,744	\$ 447,832	\$ (2,809,097)	\$ -	\$ (2,809,097)
Public safety	5,356,062	26,945	1,625,963	31,100	(3,672,054)	-	(3,672,054)
Public works	4,336,712	2,229,890	421,430	-	(1,685,392)	-	(1,685,392)
Parks and recreation	371,255	-	-	-	(371,255)	-	(371,255)
Interest on long-term debt	132,416	-	-	-	(132,416)	-	(132,416)
Total governmental activities	13,871,678	2,615,395	2,107,137	478,932	(8,670,214)	-	(8,670,214)
Business-Type Activities							
Water	2,814,456	3,207,157	-	-	-	392,701	392,701
Sewer	4,052,338	3,553,453	-	1,215,187	-	716,302	716,302
Stadium	423,981	212,162	-	450,000	-	238,181	238,181
Total business-type activities	7,290,775	6,972,772	-	1,665,187	-	1,347,184	1,347,184
Total primary government	\$ 21,162,453	\$ 9,588,167	\$ 2,107,137	\$ 2,144,119	(8,670,214)	1,347,184	(7,323,030)
General revenues							
Property tax					9,936,228	-	9,936,228
Other local taxes					263,525	-	263,525
State shared taxes, unrestricted					1,330,186	-	1,330,186
Interest earnings					18,125	74,504	92,629
Gain on disposal of capital assets					69,598	-	69,598
Gain on sale of property					-	103,812	103,812
Transfers					(355,391)	355,391	-
Total general revenues and transfers					11,262,271	533,707	11,795,978
Change in net position					2,592,057	1,880,891	4,472,948
Net position							
Beginning, as restated (Note 7)					23,250,278	41,396,292	64,646,570
Ending					\$ 25,842,335	\$ 43,277,183	\$ 69,119,518

See Notes to Basic Financial Statements.

City of Aberdeen, Maryland

**Balance Sheet – Governmental Funds
June 30, 2014**

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 9,823,197	\$ 220,347	\$ 2,607,595	\$ 12,651,139
Receivables (net of allowance for uncollectibles)	1,004,001	265,345	7,607	1,276,953
Due from other funds	270,656	-	-	270,656
Prepays	11,618	-	-	11,618
Inventory	20,065	-	-	20,065
Total assets	\$ 11,129,537	\$ 485,692	\$ 2,615,202	\$ 14,230,431
Liabilities				
Accounts payable	\$ 431,165	\$ 454	\$ 597,049	\$ 1,028,668
Due to other funds	50,954	-	11,440	62,394
Accrued liabilities	298,273	-	-	298,273
Unearned revenue	226,252	-	213,052	439,304
Other liabilities	277,894	-	-	277,894
Total liabilities	1,284,538	454	821,541	2,106,533
Deferred Inflows of Resources				
Unavailable revenue – property taxes and grants	312,321	-	-	312,321
Fund Balances				
Non-spendable				
Prepays	11,618	-	-	11,618
Inventory	20,065	-	-	20,065
Restricted				
Community development	-	485,238	-	485,238
Assigned				
Encumbrances	-	-	102,439	102,439
Stormwater management	-	-	160,243	160,243
Capital projects	-	-	1,530,979	1,530,979
Unassigned	9,500,995	-	-	9,500,995
Total fund balances	9,532,678	485,238	1,793,661	11,811,577
Total liabilities, deferred inflows of resources and fund balances	\$ 11,129,537	\$ 485,692	\$ 2,615,202	\$ 14,230,431

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, 2014

Fund balances – Total Governmental Funds		\$ 11,811,577
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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	40,144,304	
Accumulated depreciation	(19,111,049)	
	<u>21,033,255</u>	21,033,255

Long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		312,321
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

General obligation bonds payable	(4,110,000)	
Notes payable	(558,116)	
Net pension obligation	(33,441)	
Net OPEB obligation	(2,060,708)	
Accumulated unused compensated absences	(551,763)	
Bond premiums	(22,203)	
Bond discounts	21,413	
	<u>(7,314,818)</u>	(7,314,818)

Net position of governmental activities		<u><u>\$ 25,842,335</u></u>
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See Notes to Basic Financial Statements.

City of Aberdeen, Maryland

Statement of Revenues, Expenditures, and Changes
in Fund Balances – Governmental Funds
Year Ended June 30, 2014

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
Revenues				
Taxes	\$ 11,959,551	\$ -	\$ -	\$ 11,959,551
Licenses and permits	106,969	-	-	106,969
Intergovernmental	1,660,117	39,657	453,000	2,152,774
APG management fees	2,162,376	-	-	2,162,376
Miscellaneous	421,986	10,285	-	432,271
Total revenues	16,310,999	49,942	453,000	16,813,941
Expenditures				
Current:				
General government	1,942,479	57,659	558,735	2,558,873
Public safety	4,135,050	-	134,296	4,269,346
Public works	3,627,828	-	2,507,750	6,135,578
Parks and recreation	408,207	-	-	408,207
Miscellaneous	2,827,280	-	-	2,827,280
Debt service:				
Principal	335,985	-	-	335,985
Interest	132,917	-	-	132,917
Total expenditures	13,409,746	57,659	3,200,781	16,668,186
Excess (deficiency) of revenue over (under) expenditures	2,901,253	(7,717)	(2,747,781)	145,755
Other Financing Sources (Uses)				
Transfers in (out)	(4,327,107)	-	3,971,716	(355,391)
Proceeds from sale of capital assets	51,139	-	35,000	86,139
Total other financing sources (uses)	(4,275,968)	-	4,006,716	(269,252)
Net change in fund balances	(1,374,715)	(7,717)	1,258,935	(123,497)
Fund Balances				
Beginning	10,907,393	492,955	534,726	11,935,074
Ending	\$ 9,532,678	\$ 485,238	\$ 1,793,661	\$ 11,811,577

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, 2014**

Net change in fund balances – total governmental funds	\$ (123,497)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays of \$3,487,905 exceeded depreciation of \$950,616 in the current period.	2,537,289
In the statement of activities, only the gain/loss on the disposition of capital assets is reported, whereas in the governmental funds, the entire proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balances by costs of the capital assets of \$403,514 sold, less accumulated depreciation of \$386,973.	(16,541)
In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for compensated absences are measured by the amount of financial resources used (essentially, the amounts actually paid or expected to be paid). This year, the amount earned was more than compensated absences used or forfeited by \$21,781.	(21,781)
The net pension obligation is not an expenditure in the governmental funds until paid, whereas they are expensed in the statement of activities when incurred. This year, the net pension obligation decreased.	50,201
The OPEB obligation is not an expenditure in the governmental funds until paid, whereas they are expensed in the statement of activities when incurred. This year, the OPEB obligation increased.	(105,686)
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.	335,985
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. This amount is the net effect of these differences in the treatment of long-term debt and related items.	501
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.	(64,414)
Change in net position of governmental activities	\$ 2,592,057

City of Aberdeen, Maryland

Statement of Revenues, Expenditures, and Changes in
Fund Balance – Budget and Actual – General Fund
Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts Budgetary Basis	Final Budget Positive (Negative)
Revenues				
Taxes	\$ 11,077,619	\$ 11,077,619	\$ 11,960,521	\$ 882,902
Licenses and permits	88,000	88,000	106,969	18,969
Intergovernmental	1,593,703	1,700,142	1,660,117	(40,025)
APG management fees	600,000	600,000	802,857	202,857
Miscellaneous	298,846	361,452	421,986	60,534
Total revenues	13,658,168	13,827,213	14,952,450	1,125,237
Expenditures				
General government	1,905,062	2,040,501	1,940,712	99,789
Public safety	4,034,207	4,211,414	4,127,158	84,256
Public works	2,301,204	2,371,204	2,268,309	102,895
Parks and recreation	62,500	410,500	408,207	2,293
Miscellaneous	2,941,345	3,022,844	2,999,790	23,054
Debt service				
Principal	530,000	530,000	530,966	(966)
Interest	135,966	135,966	134,093	1,873
Total expenditures	11,910,284	12,722,429	12,409,235	313,194
Other Financing Sources (Uses)				
Transfers out	(3,919,884)	(4,327,107)	(4,327,107)	-
Appropriation of fund balance	2,172,000	3,222,323	3,222,323	-
Total other financing sources (uses)	(1,747,884)	(1,104,784)	(1,104,784)	-
Net change in fund balance – budgetary basis	\$ -	\$ -	1,438,431	\$ 1,438,431
Adjustments to Conform with Generally Accepted Accounting Principles (GAAP)			(2,813,146)	
Net Change in Fund Balance – GAAP Basis			(1,374,715)	
Fund Balance				
Beginning			10,907,393	
Ending			<u>\$ 9,532,678</u>	

See Notes to Basic Financial Statements.

City of Aberdeen, Maryland

Statement of Net Position – Proprietary Funds
June 30, 2014

	Business-Type Activities – Enterprise Funds			
	Water Utility	Sewer Utility	Stadium	Total
Assets				
Current assets				
Cash and cash equivalents	\$ 3,556,567	\$ 212,245	\$ 1,129	\$ 3,769,941
Receivables, current	439,412	937,737	457,756	1,834,905
Due from other funds	50,954	-	-	50,954
Inventory	73,594	56,876	-	130,470
	<u>4,120,527</u>	<u>1,206,858</u>	<u>458,885</u>	<u>5,786,270</u>
Noncurrent assets				
Receivables, noncurrent	-	218,208	-	218,208
Capital assets, net	10,758,024	35,228,788	12,790,240	58,777,052
	<u>10,758,024</u>	<u>35,446,996</u>	<u>12,790,240</u>	<u>58,995,260</u>
Total assets	<u>14,878,551</u>	<u>36,653,854</u>	<u>13,249,125</u>	<u>64,781,530</u>
Liabilities				
Current liabilities				
Accounts payable	238,395	350,670	101,781	690,846
Due to other funds	-	61,270	197,946	259,216
Accrued liabilities	64,768	121,813	14,770	201,351
Notes payable	49,998	469,997	-	519,995
Bonds payable	347,116	-	513,813	860,929
Compensated absences	8,455	48,621	-	57,076
	<u>708,732</u>	<u>1,052,371</u>	<u>828,310</u>	<u>2,589,413</u>
Noncurrent liabilities				
Notes payable	-	8,849,273	-	8,849,273
Bonds payable	6,229,236	-	3,398,330	9,627,566
Compensated absences	4,693	50,452	-	55,145
OPEB liabilities	52,280	330,670	-	382,950
	<u>6,286,209</u>	<u>9,230,395</u>	<u>3,398,330</u>	<u>18,914,934</u>
Total liabilities	<u>6,994,941</u>	<u>10,282,766</u>	<u>4,226,640</u>	<u>21,504,347</u>
Net Position				
Net investment in capital assets	4,131,674	25,909,518	8,878,097	38,919,289
Restricted for debt service	-	1,032,565	-	1,032,565
Restricted for capital revolving loans	2,577,140	-	-	2,577,140
Unrestricted	1,174,796	(570,995)	144,388	748,189
Total net position	<u>\$ 7,883,610</u>	<u>\$ 26,371,088</u>	<u>\$ 9,022,485</u>	<u>\$ 43,277,183</u>

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, 2014

	Business-Type Activities – Enterprise Funds			
	Water Utility	Sewer Utility	Stadium	Total
Operating Revenues				
Charges for services	\$ 2,998,662	\$ 3,277,512	\$ 153,534	\$ 6,429,708
Other operating revenues	198,154	258,840	58,128	515,122
Miscellaneous	10,341	17,101	500	27,942
	<u>3,207,157</u>	<u>3,553,453</u>	<u>212,162</u>	<u>6,972,772</u>
Operating Expenses				
Cost of service	1,718,170	2,725,602	49,264	4,493,036
Other operating expenses	259,346	345,341	-	604,687
Depreciation	576,831	873,716	281,574	1,732,121
	<u>2,554,347</u>	<u>3,944,659</u>	<u>330,838</u>	<u>6,829,844</u>
Operating income (loss)	<u>652,810</u>	<u>(391,206)</u>	<u>(118,676)</u>	<u>142,928</u>
Non-Operating Revenues (Expenses)				
Investment interest	321	418	66	805
Interest income on notes receivable	-	-	73,699	73,699
Gain on sale of property	-	-	103,812	103,812
Loss on disposal of capital assets	(227)	-	-	(227)
Interest expense	(259,882)	(107,679)	(93,143)	(460,704)
	<u>(259,788)</u>	<u>(107,261)</u>	<u>84,434</u>	<u>(282,615)</u>
Income (loss) before grants, contributions and transfers	<u>393,022</u>	<u>(498,467)</u>	<u>(34,242)</u>	<u>(139,687)</u>
Transfers in	-	-	355,391	355,391
Capital grants and contributions	-	1,215,187	450,000	1,665,187
	<u>-</u>	<u>1,215,187</u>	<u>450,000</u>	<u>1,665,187</u>
Change in net position	<u>393,022</u>	<u>716,720</u>	<u>771,149</u>	<u>1,880,891</u>
Net Position				
Beginning, as restated (Note 7)	7,490,588	25,654,368	8,251,336	41,396,292
Ending	<u>\$ 7,883,610</u>	<u>\$ 26,371,088</u>	<u>\$ 9,022,485</u>	<u>\$ 43,277,183</u>

See Notes to Basic Financial Statements.

City of Aberdeen, Maryland

Statement of Cash Flows – Proprietary Funds

Year Ended June 30, 2014

	Business-Type Activities – Enterprise Funds			
	Water Utility	Sewer Utility	Stadium	Total
Cash Flows from Operating Activities				
Receipts from customers	\$ 3,150,773	\$ 3,493,665	\$ (225,994)	\$ 6,418,444
Payments to employees	(23,702)	(1,077,267)	-	(1,100,969)
Payments to suppliers	(1,991,883)	(2,001,614)	15,215	(3,978,282)
Net cash provided by (used in) operating activities	1,135,188	414,784	(210,779)	1,339,193
Cash Flows from Non-Capital Financing Activities				
Internal activity payments to other funds	(31,791)	89,963	197,946	256,118
Net transfers in	-	-	355,391	355,391
Net cash provided by (used in) non-capital financing activities	(31,791)	89,963	553,337	611,509
Cash Flows from Capital and Related Financing Activities				
Principal payments on notes payable	(113,912)	(465,523)	-	(579,435)
Principal payments on bonds payable	(334,900)	-	(500,000)	(834,900)
Proceeds from notes payable	-	149,494	-	149,494
Interest paid	(262,056)	(102,946)	(98,623)	(463,625)
Capital grants and contributions	-	1,101,626	450,000	1,551,626
Purchase of capital assets	(162,218)	(2,099,058)	(625,786)	(2,887,062)
Net cash used in capital and related financing activities	(873,086)	(1,416,407)	(774,409)	(3,063,902)
Cash Flows from Investing Activities				
Investment earnings	321	418	66	805
Principal collections on notes receivable	-	-	103,812	103,812
Interest received on note receivable	-	-	73,699	73,699
Net cash provided by investing activities	321	418	177,577	178,316
Net increase (decrease) in cash and cash equivalents	230,632	(911,242)	(254,274)	(934,884)
Cash and Cash Equivalents				
Beginning of year	3,325,935	1,123,487	255,403	4,704,825
End of year	\$ 3,556,567	\$ 212,245	\$ 1,129	\$ 3,769,941
Reconciliation of Operating Income (Loss) to Net Cash				
Provided by (used in) Operating Activities				
Operating income (loss)	\$ 652,810	\$ (391,206)	\$ (118,676)	\$ 142,928
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	576,831	873,716	281,574	1,732,121
Changes in assets and liabilities:				
Receivables	(56,384)	(59,788)	(438,156)	(554,328)
Inventory	10,554	11,173	-	21,727
Accounts payable	(37,600)	(122,966)	64,479	(96,087)
Accrued liabilities	4,650	10,028	-	14,678
Compensated absences	(27,918)	34,519	-	6,601
OPEB liabilities	12,245	59,308	-	71,553
Net cash provided by (used in) operating activities	\$ 1,135,188	\$ 414,784	\$ (210,779)	\$ 1,339,193

See Notes to Basic Financial Statements.

City of Aberdeen, Maryland

Statement of Fiduciary Net Position – Pension Trust Funds
June 30, 2014

Assets	
Cash and short-term investments	\$ 195,619
Participant loans	310,143
	<u>505,762</u>
Investments in mutual funds, at fair-value:	
Equities	10,446,551
Bonds	6,120,010
	<u>16,566,561</u>
Total assets	<u><u>\$ 17,072,323</u></u>
Net Position	
Restricted for pension benefits	<u><u>\$ 17,072,323</u></u>

See Notes to Basic Financial Statements.

City of Aberdeen, Maryland

Statement of Changes in Fiduciary Net Position – Pension Trust Funds
Year Ended June 30, 2014

Additions

Contributions	
Employer contributions	\$ 928,413
Employee contributions	264,875
Total contributions	<u>1,193,288</u>
Investment income	2,066,924
Total additions	<u>3,260,212</u>

Deductions

Benefit payments	726,259
Administrative expenses	53,781
Total deductions	<u>780,040</u>

Net increase in fiduciary net position 2,480,172

Net Position Restricted for Pensions

Beginning	14,592,151
Ending	<u>\$ 17,072,323</u>

See Notes to Basic Financial Statements.

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies

The City of Aberdeen, Maryland, (City), located in Harford County, was incorporated in 1892 under the provisions of Maryland State Law. The City operates under a form of government which comprises an elected City Council (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 basic financial statements include all funds, organizations, agencies, boards, commissions and authorities for which the City is financially accountable. The City has also considered all other potential organizations for which the nature and significance of their relationships with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a majority of the organization's governing body, and (1) the ability of the City to impose its will on that organization, or (2) the potential for that organization to provide specific benefits to or impose specific financial burdens on the City. Based on these criteria, there are no other organizations or agencies which should be included in these basic financial statements.

B. Government-Wide and Fund Financial Statements

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

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

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

Fund financial statements: Separate financial statements are provided for governmental funds, 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 assigned to funds in which resources 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 does not meet the criteria set forth by the Codification, the City has elected to present the Special Revenue Fund 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 three pension funds, the City of Aberdeen Defined Benefit Pension Plan, the City of Aberdeen Defined Contribution Plan, and the City of Aberdeen Police Department Pension Plan. The fiduciary funds are used to report assets held in a trust or agency capacity for others and which therefore cannot be used to support the City's own programs.

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 as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers enterprise zone tax credit revenues to be available if they are collected within 90 days of the end of the current fiscal period, while all other revenues are considered to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures 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 nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

City of Aberdeen, Maryland

Notes to Basic Financial Statements

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 30th, the budget is passed by vote of the Mayor and City Council. Formal budgetary integration is employed as a management control device during the year for the General Fund. Budgets are adopted according to procedures set by the Mayor and City Council of Aberdeen.
3. Monthly statements are provided by the Director of Finance and budget review is executed by the Mayor and City Council periodically. The City Council legally adopts an annual budget for the General Fund and the Capital Projects Fund. The City has no legally adopted annual budget for the Water, Sewer, and Stadium Enterprise Funds. However, a budget is used as a management tool for these funds.

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

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

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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

General Fund	Revenues	Expenditures and Encumbrances	Other Financing Sources (Uses)	Current Year Effect on Fund Balance
Budgetary Basis	\$ 14,952,450	\$ 12,409,235	\$ (1,104,784)	\$ 1,438,431
Reimbursable salaries under APG contract	1,359,519	1,359,519	-	-
Proceeds from sale of capital assets	-	-	51,139	51,139
Principal received on special assessments receivable	(970)	-	-	(970)
Increase in allowance for uncollectible receivables	-	(168,806)	-	168,806
Repayments on line of credit	-	(194,981)	-	194,981
Appropriation of fund balance	-	-	(3,222,323)	(3,222,323)
Decrease in prepaid expenditures	-	5,955	-	(5,955)
Decrease in accrued interest payable	-	(1,176)	-	1,176
Modified accrual basis	\$ 16,310,999	\$ 13,409,746	\$ (4,275,968)	\$ (1,374,715)

G. Cash, Cash Equivalents and Investments

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

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

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, 2014, management has provided an allowance for uncollectible delinquent personnel property taxes in the amount of \$74,818. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received.

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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, Expenditures, and Changes in Fund Net Position – Proprietary Funds.

J. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2014, are reported as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which services are consumed.

K. Inventory

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

L. Capital Assets

Capital assets, including land, buildings, improvements, equipment, and infrastructure (roads, storm drains, and pipe systems) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements 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 estimated fair 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.

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

M. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City had no deferred outflows of resources at June 30, 2014.

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.

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 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.

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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

Deferred inflows of resources represent an acquisition of net position that applies to a future reporting 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 two sources, property taxes and grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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 action to establish, modify or rescind commitments would be a majority vote of the Mayor and City Council taken at a public meeting. 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. 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 a 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 position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position invested in capital assets, net of related debt excludes 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 and Investments

The City may invest in U.S. Treasury obligations, U.S. Government Agency Securities, repurchase agreements secured by U.S. Treasury obligations or U.S. Government Agency Securities, the Maryland Local Government Investment Pool, 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 deposits in the Maryland Local Government Investment Pool (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 of the pool, marked to market, is calculated and maintained on a weekly basis to ensure a amortized cost pursuant to Rule 2(a)-7 under the Investment Company Act of 1940.

Investment types within the pension trust fund investment portfolio are not limited by statute.

Credit risk – The City does not have a formal policy that specifically addresses credit risk. As of June 30, 2013, the Maryland Local Government Investment Pool was rated “AAAm” by Standards and Poor’s (their highest rating). Regulatory oversight for the local government investment pool rests with the Maryland State Treasurer’s Office and the fair value of the pool is the same as the value of the pool shares.

Interest rate and concentration of credit risk – Fair value fluctuates with interest rates, and increasing interest rates could cause fair value to decline below the original cost. To limit the City’s exposure to fair value losses arising from increasing interest rates, the City’s investment policy limits the term of investment maturities. City management believes the liquidity in the portfolio is adequate to meet cash flow requirements and to preclude the City from having to sell investments below original costs for that purpose. The investments at June 30, 2014, met the City’s investment policy.

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. At June 30, 2014, 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. In the case of repurchase agreements, this is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City’s underlying securities are held by the investment’s counterparty, but not in the name of the City. U.S. Treasury obligations or U.S. Government Agency Securities, which carry the explicit guarantee of the U.S. Government, underlie the repurchase agreements.

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

City of Aberdeen, Maryland

Notes to Basic Financial Statements

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 of approximately \$276,000.

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, 2014, 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	\$ 905,875	\$ (905,875)	\$ -
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	235,148	(235,148)	-
	<u>\$ 1,141,023</u>	<u>\$ (1,141,023)</u>	<u>\$ -</u>

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

Years Ending June 30,	
2015	\$ 104,632
2016	104,615
2017	111,288
2018	118,396
2019	125,966
2020-2023	576,126
	<u>\$ 1,141,023</u>

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 4. Receivables and Payables

Receivables at June 30, 2014, consist of the following:

	General	Special Revenue	Capital Projects	Water Utility	Sewer Utility	Stadium	Total
Receivables							
Taxes	\$ 169,626	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 169,626
Intergovernmental	494,124	-	7,607	-	226,913	452,183	1,180,827
Charges for services	-	-	-	247,937	344,980	-	592,917
Assessments/improvements	5,156	265,345	-	-	227,081	-	497,582
Other	409,913	-	-	191,475	356,971	5,573	963,932
Gross receivables	1,078,819	265,345	7,607	439,412	1,155,945	457,756	3,404,884
Allowance for uncollectibles	(74,818)	-	-	-	-	-	(74,818)
Net receivables	\$ 1,004,001	\$ 265,345	\$ 7,607	\$ 439,412	\$ 1,155,945	\$ 457,756	\$ 3,330,066

Accrued and other liabilities at June 30, 2014, consist of the following:

	General	Special Revenue	Capital Projects	Water Utility	Sewer Utility	Stadium	Total
Accrued liabilities							
Interest	\$ 19,287	\$ -	\$ -	\$ 42,149	\$ 58,510	\$ 14,770	\$ 134,716
Payroll	278,986	-	-	22,619	49,880	-	351,485
Intergovernmental	-	-	-	-	13,423	-	13,423
	\$ 298,273	\$ -	\$ -	\$ 64,768	\$ 121,813	\$ 14,770	\$ 499,624
Other liabilities							
Payroll withholdings	\$ (6,805)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (6,805)
Performance bonds	143,144	-	-	-	-	-	143,144
Seized property	126,357	-	-	-	-	-	126,357
Other	15,198	-	-	-	-	-	15,198
	\$ 277,894	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 277,894

Note 5. Interfund Receivables, Payables and Transfers

Interfund receivable and payable balances at June 30, 2014, are as follows:

Due From Fund	Due to Fund						Total
	General	Special Revenue	Capital Projects	Water Utility	Sewer Utility	Stadium	
General	\$ -	\$ -	\$ 11,440	\$ -	\$ 61,270	\$ 197,946	\$ 270,656
Water	50,954	-	-	-	-	-	50,954
	\$ 50,954	\$ -	\$ 11,440	\$ -	\$ 61,270	\$ 197,946	\$ 321,610

Interfund transfers for the year ended June 30, 2014, consisted of transfers from the General Fund to the Capital Projects Fund in the amount of \$3,971,716 for capital projects, and from the General Fund to the Stadium Fund in the amount of \$355,391 for debt service.

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 6. Capital Assets

Capital assets activity for the year ended June 30, 2014, is as follows:

	Balance, July 1, 2013	Additions	Deletions	Transfers	Balance, June 30, 2014
Governmental activities					
Capital assets not being depreciated					
Land	\$ 4,471,113	\$ -	\$ -	\$ -	\$ 4,471,113
Construction in process	175,739	470,034	-	(166,662)	479,111
	<u>4,646,852</u>	<u>470,034</u>	<u>-</u>	<u>(166,662)</u>	<u>4,950,224</u>
Capital assets being depreciated					
Buildings	10,992,728	-	-	-	10,992,728
Improvements other than buildings	31,900	159,549	-	-	191,449
Machinery and equipment, including equipment under financing agreement	4,654,757	284,408	(177,041)	51,325	4,813,449
Vehicles	2,277,361	345,214	(226,473)	-	2,396,102
Recreational facilities	586,166	28,961	-	-	615,127
Infrastructure	13,870,149	2,199,739	-	115,337	16,185,225
	<u>32,413,061</u>	<u>3,017,871</u>	<u>(403,514)</u>	<u>166,662</u>	<u>35,194,080</u>
Accumulated depreciation for					
Buildings	(5,947,298)	(169,956)	-	-	(6,117,254)
Improvements other than buildings	(27,150)	(7,170)	-	-	(34,320)
Machinery and equipment, including equipment under financing agreement	(3,732,135)	(238,352)	168,672	-	(3,801,815)
Vehicles	(1,775,450)	(220,629)	218,301	-	(1,777,778)
Recreational facilities	(372,621)	(28,560)	-	-	(401,181)
Infrastructure	(6,692,752)	(285,949)	-	-	(6,978,701)
	<u>(18,547,406)</u>	<u>(950,616)</u>	<u>386,973</u>	<u>-</u>	<u>(19,111,049)</u>
Total depreciable assets, net	<u>13,865,655</u>	<u>2,067,255</u>	<u>(16,541)</u>	<u>166,662</u>	<u>16,083,031</u>
Governmental activities capital assets, net	<u>\$ 18,512,507</u>	<u>\$ 2,537,289</u>	<u>\$ (16,541)</u>	<u>\$ -</u>	<u>\$ 21,033,255</u>

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 6. Capital Assets (Continued)

	Balance, July 1, 2013	Additions	Deletions	Transfers	Balance, June 30, 2014
Business-type activities					
Capital assets not being depreciated					
Land	\$ 1,963,416	\$ -	\$ -	\$ -	\$ 1,963,416
Construction in process	23,397,156	22,163	-	(23,397,156)	22,163
	<u>25,360,572</u>	<u>22,163</u>	<u>-</u>	<u>(23,397,156)</u>	<u>1,985,579</u>
Capital assets being depreciated					
Buildings	24,038,629	325,463	-	-	24,364,092
Improvements other than buildings	70,105	534,937	-	-	605,042
Machinery and equipment	10,727,951	548,839	(2,864)	-	11,273,926
Water systems	15,518,838	67,561	-	-	15,586,399
Sewer system	7,509,589	1,388,099	-	23,397,156	32,294,844
	<u>57,865,112</u>	<u>2,864,899</u>	<u>(2,864)</u>	<u>23,397,156</u>	<u>84,124,303</u>
Accumulated depreciation for					
Buildings	(9,301,033)	(503,101)	-	-	(9,804,134)
Improvements other than buildings	(13,073)	(5,540)	-	-	(18,613)
Machinery and equipment	(8,997,163)	(284,123)	2,637	-	(9,278,649)
Water systems	(5,070,996)	(465,206)	-	-	(5,536,202)
Sewer system	(2,221,081)	(474,151)	-	-	(2,695,232)
	<u>(25,603,346)</u>	<u>(1,732,121)</u>	<u>2,637</u>	<u>-</u>	<u>(27,332,830)</u>
Total depreciable assets, net	<u>32,261,766</u>	<u>1,132,778</u>	<u>(227)</u>	<u>23,397,156</u>	<u>56,791,473</u>
Business-type activities capital assets, net	<u>\$ 57,622,338</u>	<u>\$ 1,154,941</u>	<u>\$ (227)</u>	<u>\$ -</u>	<u>\$ 58,777,052</u>

Depreciation expense was charged in the statement of activities for the year ended June 30, 2014, as follows:

Governmental activities	
General government	\$ 502,928
Public safety	162,560
Public works	252,398
Recreation	32,730
	<u>\$ 950,616</u>
Business-type activities	
Water utility	\$ 576,831
Sewer utility	873,716
Stadium	281,574
	<u>\$ 1,732,121</u>

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 7. Restatement of Beginning Net Position

The City applied GASB Statement Number 65, *Items Previously Reported as Assets and Liabilities*, in fiscal year 2014. Under the new guidance, debt issuance costs are no longer presented as an asset to be amortized over the life of the debt, but are to be expensed in the year in which incurred. The following adjustments to the net positions as of June 30, 2013, represent previously reported unamortized bond issuance costs in the various funds.

	Governmental Activities	Business-type Activities
Net position as of June 30, 2013, as previously reported	\$ 23,345,671	\$ 41,602,779
Cumulative effect of change in accounting principle	(95,393)	(206,487)
Net position as of June 30, 2013, as restated	<u>\$ 23,250,278</u>	<u>\$ 41,396,292</u>

	Enterprise Funds	
	Water Utility	Stadium
Net position as of June 30, 2013, as previously reported	\$ 7,600,036	\$ 8,348,375
Cumulative effect of change in accounting principle	(109,448)	(97,039)
Net position as of June 30, 2013, as restated	<u>\$ 7,490,588</u>	<u>\$ 8,251,336</u>

Note 8. Long-Term Liabilities

Long-term liabilities activity as of and for the year ended June 30, 2014, is as follows:

	Balance, July 1, 2013	Additions	Deductions	Balance, June 30, 2014	Amounts Due Within One Year
Governmental activities					
General obligation bonds payable	\$ 4,395,000	\$ -	\$ (285,000)	\$ 4,110,000	\$ 295,000
Notes payable	609,101	-	(50,985)	558,116	51,054
Other obligations					
Compensated absences	529,982	230,907	(209,126)	551,763	295,861
Net pension obligation	83,642	-	(50,201)	33,441	-
Net OPEB obligation	1,955,022	213,281	(107,595)	2,060,708	-
Add bond premiums	24,432	-	(2,229)	22,203	2,229
Less bond discounts	(23,141)	-	1,728	(21,413)	(1,728)
	<u>\$ 7,574,038</u>	<u>\$ 444,188</u>	<u>\$ (703,408)</u>	<u>\$ 7,314,818</u>	<u>\$ 642,416</u>
Business-type activities					
General obligation bonds payable	\$ 11,275,200	\$ -	\$ (834,900)	\$ 10,440,300	\$ 855,800
Notes payable	9,799,208	149,494	(579,435)	9,369,267	519,995
Other obligations					
Compensated absences	105,620	44,871	(38,270)	112,221	57,076
Net OPEB obligation	311,397	71,553	-	382,950	-
Add bond premiums	91,877	-	(9,899)	81,978	9,899
Less bond discounts	(38,553)	-	4,771	(33,782)	(4,770)
	<u>\$ 21,544,749</u>	<u>\$ 265,918</u>	<u>\$ (1,457,733)</u>	<u>\$ 20,352,934</u>	<u>\$ 1,438,000</u>

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 8. Long-Term Liabilities (Continued)

General obligation bonds payable relating to governmental activities at June 30, 2014, 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	\$ 3,705,000
Series B Infrastructure Bonds of 2004; authorized amount \$679,800; interest at rates ranging from 3.0% to 4.8%; payable in annual payments of principal ranging from \$10,500 to \$50,000 and semiannual payments of interest through May 2024	405,000
	<u>\$ 4,110,000</u>

A schedule of maturities of the general obligation bonds payable relating to governmental activities as of June 30, 2014, is as follows:

Years Ending June 30,	Principal	Interest	Total
2015	\$ 295,000	\$ 105,078	\$ 400,078
2016	295,000	98,677	393,677
2017	300,000	92,287	392,287
2018	320,000	85,762	405,762
2019	320,000	78,722	398,722
2020-2024	1,445,000	277,956	1,722,956
2025-2029	930,000	119,404	1,049,404
2030	205,000	6,663	211,663
	<u>\$ 4,110,000</u>	<u>\$ 864,549</u>	<u>\$ 4,974,549</u>

Notes payable relating to governmental activities at June 30, 2014, consists of the following:

Bank term loan, issued in the amount of \$1,000,000; unsecured, currently being liquidated in quarterly installments of principal and interest payments of approximately \$76,378, accruing interest at a rate of 3.67%; maturing June 2025	\$ 550,000
Liquidation liability, Harford County Liquor Control Board; unsecured original amount \$20,920; annual principal and interest payments of \$1,529, interest at 7.0%, maturing June 2020	8,116
	<u>\$ 558,116</u>

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 governmental activities as of June 30, 2014, is as follows:

Years Ending June 30,	Principal	Interest	Total
2015	\$ 51,054	\$ 19,513	\$ 70,567
2016	51,128	17,604	68,732
2017	51,206	15,690	66,896
2018	51,291	13,771	65,062
2019	51,381	11,846	63,227
2020-2024	252,056	30,014	282,070
2025	50,000	688	50,688
	<u>\$ 558,116</u>	<u>\$ 109,126</u>	<u>\$ 667,242</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, 2014, 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	\$ 4,288,200
Series B Infrastructure Bonds of 2007; authorized amount \$3,084,500; interest at rates ranging from 3.5% to 4.25%; payable in annual payments of principal ranging from \$105,000 to \$221,000 and semiannual payments of interest through May 2027	2,267,100
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	2,875,000
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	1,010,000
	<u>\$ 10,440,300</u>

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, 2014, is as follows:

Years Ending June 30,	Principal	Interest	Total
2015	\$ 855,800	\$ 336,587	\$ 1,192,387
2016	874,000	316,788	1,190,788
2017	900,700	295,156	1,195,856
2018	913,000	270,750	1,183,750
2019	951,500	245,402	1,196,902
2020-2024	3,409,300	839,249	4,248,549
2025-2029	2,185,500	336,643	2,522,143
2030	350,500	15,107	365,607
	<u>\$ 10,440,300</u>	<u>\$ 2,655,682</u>	<u>\$ 13,095,982</u>

Notes payable relating to business-type activities at June 30, 2014, 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	\$ 7,137,234
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	446,297
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	202,754
Bank term loans, issued for a combined amount of \$1,742,000, unsecured, accruing interest at rates ranging from 1.12% to 4.75%; payable monthly, quarterly or semiannually at varying amounts; due dates through 2016	82,982
	<u>\$ 9,369,267</u>

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, 2014, is as follows:

Years Ending June 30,	Principal	Interest	Total
2015	\$ 519,995	\$ 84,816	\$ 604,811
2016	466,782	70,269	537,051
2017	459,979	64,804	524,783
2018	455,630	59,293	514,923
2019	413,378	54,020	467,398
2020-2024	3,623,879	213,113	3,836,992
2025-2029	2,158,743	115,189	2,273,932
2030-2032	1,270,881	22,944	1,293,825
	<u>\$ 9,369,267</u>	<u>\$ 684,448</u>	<u>\$ 10,053,715</u>

Note 9. Line of Credit

The City entered into a revolving line of credit agreement with a commercial bank for \$2,000,000 with interest adjusted daily to seventy percent of the bank prime rate published in the Wall Street Journal, subject to a 2.8% floor. The line of credit is used for operating expenditures and capital purchases. The line is renewable annually and is unsecured. The outstanding balance is recorded in the General Fund and was repaid in full during the year ended June 30, 2014.

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 10. Pension Plans

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

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

Defined Benefit Pension Plan

Description of Plan:

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

Plan Membership:

The DB Plan's membership consisted of the following as of July 1, 2014, the date of the last actuarial valuation:

Inactive plan members or beneficiaries currently receiving benefits	19
Inactive plan members entitled to but not yet receiving benefits	<u>2</u>
Total	<u><u>21</u></u>

Contribution Information and Funding Policy:

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

The contribution requirements of the City are established and may be amended by the City legislature. The City is required to contribute at an actuarially determined rate. The actuarially required contribution rate and the amount paid into the DB Plan for the year ended June 30, 2014, was \$65,314. The DB Plan does not provide for a maximum employer contribution. No contributions are required of employees. Administrative costs are financed through investment earnings.

Valuation of Investments:

The DB Plan's Unallocated Insurance contracts are valued at contract value. Contract value represents contributions made under the contract, plus interest and contract rate, less funds used to purchase annuities or pay administrative expenses charged by Principal Financial Group. Funds under the contract that have been allocated and applied to purchase annuities are excluded from the DB Plan's assets.

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 10. Pension Plans (Continued)

Annual Pension Cost and Net Pension Obligation:

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

Annual required contribution	\$ 65,314
Interest on net pension obligation	4,967
Adjustment to annual required contribution	<u>(12,401)</u>
Annual pension cost	57,880
Less contributions made	<u>(65,314)</u>
Decrease in net pension obligation	(7,434)
Net pension obligation	
Beginning	<u>94,605</u>
Ending	<u><u>\$ 87,171</u></u>

The annual required contributions for the current year were determined as part of the July 1, 2013, actuarial valuation using the entry age normal cost method. The actuarial assumptions included (a) 5.25% annual money-weighted rate of return, net of investment expense and (b) projected salary increases ranging from 4.08% to 7.30% per year. Both (a) and (b) included an inflation component of 2.20%. The assumptions did not include postretirement benefit increases, which are funded by City appropriation when granted. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period. The unfunded actuarial accrued liability is amortized as a level dollar of projected payroll on an open basis. The remaining amortization period at June 30, 2014, was ten years, which is re-established each year.

Three-year trend information:

City Defined Benefit Plan

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2014	\$ 57,880	112.8%	\$ 87,171
June 30, 2013	\$ 62,383	112.9%	\$ 94,605
June 30, 2012	\$ 31,377	127.9%	\$ 102,674

Funding Status and Funding Progress:

As of July 1, 2014, the most recent actuarial valuation date, the plan was 92.44% funded. The actuarial accrued liability for benefits was \$1,568,524, and the actuarial value of assets was \$1,449,945, resulting in an unfunded actuarial liability (UAAL) of \$118,579.

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

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 10. Pension Plans (Continued)

Defined Contribution Plan

Description of Plan:

The City of Aberdeen Defined Contribution Plan (DC Plan) is a defined contribution pension plan established by the City to provide benefits at retirement to employees of the City who are not participants in the defined benefit plan or the police pension plan. The DC 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 ICMA. At June 30, 2014, there were 110 plan members. DC Plan participants are required to contribute 2% of annual base pay. The City is required to contribute 7% of annual base pay. DC Plan provisions and contribution requirements are established and may be amended by the Aberdeen City Council. Participants' and the City's actual contributions were \$101,999 and \$357,099, respectively.

Basis of Accounting:

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

Valuation of Investments:

Plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sales price.

Police Department Pension Plan

Description of Plan:

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

Plan Membership:

The PD Pension Plan's membership consisted of the following as of July 1, 2014, the date of the last actuarial valuation:

Active plan members	35
Inactive plan members or beneficiaries currently receiving benefits	7
Inactive plan members entitled to but not yet receiving benefits	<u>8</u>
Total	<u>50</u>

Contribution Information and Funding Policy:

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

The contribution requirements of the City are established and may be amended by the City legislature. The City is required to contribute at an actuarially determined rate; the current rate is 17.56% 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, 2014, were \$462,805 and \$506,000, respectively. 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 \$162,876 at June 30, 2014.

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 10. Pension Plans (Continued)

Annual Pension Cost and Net Pension Obligation:

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

Annual required contribution	\$ 462,805
Interest on net pension obligation	(795)
Adjustment to annual required contribution	1,223
Annual pension cost	<u>463,233</u>
Less contributions made	<u>(506,000)</u>
Increase in net pension asset	(42,767)
Net pension asset	
Beginning	(10,963)
Ending	<u>\$ (53,730)</u>

The annual required contributions for the current year were determined as part of the July 1, 2013 actuarial valuation using the entry age normal cost method. The actuarial assumptions included (a) 7.25% annual money-weighted rate of return, net of investment expense and (b) projected salary increases ranging from 5.38% to 8.60% per year. Both (a) and (b) included an inflation component of 3.50%. The assumptions did not include postretirement benefit increases, which are funded by City appropriation when granted. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period. The unfunded actuarial accrued liability is amortized as a level dollar of projected payroll on an open basis. The remaining amortization period at June 30, 2014 was 15 years, which is re-established each year.

Three-year trend information:

Police Defined Benefit Plan

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension (Asset) Obligation
June 30, 2014	\$ 463,233	109.2%	\$ (53,730)
June 30, 2013	\$ 505,761	102.2%	\$ (10,963)
June 30, 2012	\$ 516,877	100.0%	\$ 276

Funding Status and Funding Progress:

As of July 1, 2014, the most recent actuarial valuation date, the plan was 84.95% funded. The actuarial accrued liability for benefits was \$9,676,391, and the actuarial value of assets was \$8,219,635, resulting in an unfunded accrued actuarial liability (UAAL) of \$1,456,756. The covered payroll (annual payroll of active employees covered by the plan) was \$1,905,358, and the ratio of the UAAL to the covered payroll was 76.46%.

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

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 10. Pension Plans (Continued)

The financial information for each plan as of and for the year ended June 30, 2014, is summarized as follows:

	Combining Statement of Fiduciary Net Position			
	Defined Contribution Plan	Police Department Pension Plan	Defined Benefit Plan	Total
Assets				
Cash and short-term investments	\$ 195,619	\$ -	\$ -	\$ 195,619
Participant loans	310,143	-	-	310,143
	<u>505,762</u>	<u>-</u>	<u>-</u>	<u>505,762</u>
Investments in mutual funds, at fair-value				
Equities	6,076,370	4,370,181	-	10,446,551
Bonds	199,635	4,363,882	1,556,493	6,120,010
	<u>6,276,005</u>	<u>8,734,063</u>	<u>1,556,493</u>	<u>16,566,561</u>
Total assets	\$ 6,781,767	\$ 8,734,063	\$ 1,556,493	\$ 17,072,323
Net Position				
Restricted for pension benefits	<u>\$ 6,781,767</u>	<u>\$ 8,734,063</u>	<u>\$ 1,556,493</u>	<u>\$ 17,072,323</u>
Combining Statement of Changes in Fiduciary Net Position				
	Defined Contribution Plan	Police Department Pension Plan	Defined Benefit Plan	Total
Additions				
Contributions				
Employer contributions	\$ 357,099	\$ 506,000	\$ 65,314	\$ 928,413
Employee contributions	101,999	162,876	-	264,875
Total contributions	<u>459,098</u>	<u>668,876</u>	<u>65,314</u>	<u>1,193,288</u>
Investment earnings				
Investment income	733,457	1,162,780	170,687	2,066,924
Total additions	<u>1,192,555</u>	<u>1,831,656</u>	<u>236,001</u>	<u>3,260,212</u>
Deductions				
Benefit payments	231,402	329,772	165,085	726,259
Administrative expenses	3,548	34,257	15,976	53,781
Total deductions	<u>234,950</u>	<u>364,029</u>	<u>181,061</u>	<u>780,040</u>
Change in net position	<u>957,605</u>	<u>1,467,627</u>	<u>54,940</u>	<u>2,480,172</u>
Net Position Restricted for Pensions				
Beginning	5,824,162	7,266,436	1,501,553	14,592,151
Ending	<u>\$ 6,781,767</u>	<u>\$ 8,734,063</u>	<u>\$ 1,556,493</u>	<u>\$ 17,072,323</u>

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 11. 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.

Defined Benefit Pension Plan

Plan Description

Benefits Provided. The City's Defined Benefit Pension Plan provides retirement, termination, and death benefits. Normal retirement benefits for all plan members are calculated as 1 percent 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 2/3 percent for each year up to five, 3 1/3 percent for each of the next five years, and 2.5 percent 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 normal retirement. Termination benefits for all plan members are vested at 100% after 8 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.

Investments

Investment policy. The City's Defined Benefit Plan does not have a formal investment policy.

<u>Asset Class</u>	<u>Target Allocation</u>
Fixed income	100.00%

Concentrations. As of the measurement date, all of the Plan's investments were held in one organization, Principal Financial Group.

Rate of Return. 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, 2014 is 4.44%.

Net Pension Liability of the City

The components of the net pension liability of the City at June 30, 2014, were as follows:

Total pension liability	\$ 1,573,653
Plan fiduciary net position	1,556,493
City's net pension liability	<u>\$ 17,160</u>
Plan fiduciary net position as a percentage of the total pension liability	98.91%

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 11. Pension Plans – Plan Reporting (Continued)

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of July 1, 2013, using the following actuarial assumption, applied to all periods in the measurement:

Inflation	2.25%
Salary increases	Ranging from 4.08% to 7.3% based on age, plus 2.2%
Investment rate of return	5.25%

Mortality rates were based on the 2014 IRS Prescribed Mortality – Optional Combined Table for Small Plans, male and female.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major 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. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2014 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed income	4.55%

Discount rate. The discount rate used to measure the total pension liability was 5.25 percent. The plan’s fiduciary net position and benefit payments were projected to determine the discount rate. Projected fiduciary net position includes expected employer contributions, expected contributions from current employees, projected benefit and administrative payments, and expected investment return. Projected benefit payments are based on plan provisions and participant data as of the measurement date, and include the effects of automatic cost-of-living adjustments, projected salary changes and projected service credits. The long-term rate of return is used to calculate the actuarial present value of projected benefit payments for each future period when the projected fiduciary net position is greater than the projected expected benefit payments. Otherwise, a municipal bond rate is used. The discount rate is a single rate that reflects this valuation.

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 5.25 percent, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.25 percent) or 1-percentage-point higher (6.25 percent) than the current rate:

	1% Decrease (4.25%)	Current Discount Rate (5.25%)	1% Increase (6.25%)
City's net pension liability (asset)	141,500	17,160	(91,467)

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 11. Pension Plans – Plan Reporting (Continued)

Police Department Pension Plan

Plan Description

Benefits Provided. The City's Police Department 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 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 5 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 5 years of service) amounts to the accrued benefit on the date of disability. Line of duty disability (catastrophic disability) provides 66 2/3% of compensation, but not less than the employee contribution benefit or the ordinary disability benefit. Line of duty disability (non-catastrophic disability) provides 33 1/3% 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 members at the discretion of the plan sponsor.

Investments

Investment policy. The City's Police Department Pension Plan does not have a formal investment policy.

Asset Class	Target Allocation
Domestic equity	41.07%
International equity	12.67%
Fixed income	40.14%
Real estate	6.12%
Cash	0.00%
Total	<u><u>100.00%</u></u>

Concentrations. As of the measurement date, all of the Plan's investments were held in one organization, Principal Financial Group.

Rate of Return. 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, 2014 is 15.73%.

Net Pension Liability of the City

The components of the net pension liability of the City at June 30, 2014, were as follows:

Total pension liability	\$ 9,455,418
Plan fiduciary net position	8,734,063
City's net pension liability	<u><u>\$ 721,355</u></u>

Plan fiduciary net position as a percentage of the total pension liability 92.37%

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 11. Pension Plans – Plan Reporting (Continued)

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of July 1, 2013, using the following actuarial assumption, applied to all periods in the measurement:

Inflation	2.25%
Salary increases	Ranging from 5.38% to 8.6% based on age, plus 3.5%
Investment rate of return	7.25%

Mortality rates were based on the 2014 IRS Prescribed Mortality – Optional Generational Annuitant tables, male and female.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major 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. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2014 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Domestic equity	9.34%
International equity	9.35%
Fixed income	5.19%
Real estate	7.53%
Cash	2.60%

Discount rate. The discount rate used to measure the total pension liability was 7.25 percent. The plan’s fiduciary net position and benefit payments were projected to determine the discount rate. Projected fiduciary net position includes expected employer contributions, expected contributions from current employees, projected benefit and administrative payments, and expected investment return. Projected benefit payments are based on plan provisions and participant data as of the measurement date, and include the effects of automatic cost-of-living adjustments, projected salary changes and projected service credits. The long-term rate of return is used to calculate the actuarial present value of projected benefit payments for each future period when the projected fiduciary net position is greater than the projected expected benefit payments. Otherwise, a municipal bond rate is used. The discount rate is a single rate that reflects this valuation.

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 7.25 percent, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
City's net pension liability	1,899,499	721,355	(261,675)

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 12. Post-Employment Health Care Benefits

The City provides other post employment benefits (OPEB) to employees who qualify as a retiree and meet specific service requirements. At June 30, 2014, 20 retirees and dependents are eligible for health benefits and 13 of those are also eligible for life insurance coverage. The cost of retiree health care and life insurance benefits is recognized as expenditure when claims are accrued.

General Plan Description and Provisions:

Healthcare and prescription drug insurance benefits are provided to eligible retirees and their eligible dependents until Medicare eligibility. Effective July 1, 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. Only police retirees over age 65 can have a spouse's Medicare Supplement plan reimbursed by the City.

The City pays 80% – 90% of the monthly premium, depending upon election, including spousal and dependent coverage for participants in both Defined Benefit Plans and the Defined Contribution Plan. All full-time, active employees who retire or are disabled from the City 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.

Underlying Plan Description:

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

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

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

Funding Policy:

The City is required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The current ARC rate is 4.6% of annual covered payroll. The ARC consisted of the normal cost of \$138,387 and the amortization of unfunded accrued liability of \$226,484. The City's implicit subsidy contributed to the plan for the year ended June 30, 2014, amounted to \$10,316. The City contributed \$97,279 for current health care and life insurance premiums for the year ended June 30, 2014. As of the year ended June 30, 2014, the City has not established an OPEB trust to pre-fund future benefits.

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 12. Post-Employment Health Care Benefits (Continued)

Annual OPEB Cost and Net OPEB Obligation:

The City had an actuarial valuation performed as of July 1, 2014, 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, 2014. The City's annual OPEB cost and net OPEB obligation for the current year, were as follows:

Annual required contribution	\$ 364,871
Interest on net OPEB obligation	90,658
Adjustment to annual required contribution	<u>(170,693)</u>
Annual OPEB cost	284,836
Contributions made	<u>107,595</u>
Increase in net OPEB obligation	<u>177,241</u>
Net OPEB obligation beginning of year	<u>2,266,417</u>
Net OPEB obligation end of year	<u><u>\$ 2,443,658</u></u>

Three year trend information:

Fiscal Year Ended June 30,	Annual OPEB Cost (AOC)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 284,836	37.8%	\$ 2,443,658
2013	351,581	38.6%	2,266,417
2012	527,551	16.0%	2,050,676

Funding Status and Progress:

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the City are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. As of July 1, 2014, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$3,007,175, which also represents the unfunded actuarial accrual liability (UAAL). The covered payroll (annual payroll of active employees covered by the plan) was \$7,903,392, and the ratio of the UAAL to the covered payroll was 38.03%.

On October 27, 2014, the City Council authorized the establishment of a Non-Pension Post-Employment Benefits Trust Fund.

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.

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 12. Post-Employment Health Care Benefits (Continued)

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

The unfunded liability was amortized over a period of 30 years as a level percentage of pay, on an open basis.

Life insurance costs are nominal and excluded from the calculation.

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

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

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

Actuarial assumptions –

Discount rate 7.0%
Inflation rate 3.0%

Healthcare cost trend assumptions –

Year	Annual Rate of Increase
2013	8.25%
2014	7.25%
2015	6.75%
2016	6.25%
2017	5.25%
2018 and Later	4.75%

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 12. Post-Employment Health Care Benefits (Continued)

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

Retirement rate assumptions –

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

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 12. Post-Employment Health Care Benefits (Continued)

Turnover assumptions –

General

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

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

Police

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

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 12. Post-Employment Health Care Benefits (Continued)

Disability

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

Note 13. Other Information

Risk Management:

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

Commitments and Contingencies:

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

The City entered into contracts for construction to upgrade the Wastewater Treatment Plant to Enhanced Nutrient Removal (ENR) technology. The projects are being funded 39% by the City and 61% through state grant proceeds. The value of the City's remaining commitment under these contracts at June 30, 2014, is \$435,271.

City of Aberdeen, Maryland

Notes to Basic Financial Statements

Note 14. New Governmental Accounting Standards Board (GASB) Standards

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the year ended June 30, 2014, 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. 68, *Accounting for Pensions by State and Local Governmental Employers*, will be effective for the City beginning with its year ending June 30, 2015. This Statement replaces the requirements of GASB Statement No. 27 and No. 50, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. This Statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement calls for immediate recognition of more pension expense than is currently required. Cost – sharing employers will now be required to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. The Statement will improve the comparability and consistency of how governments calculate the pension liabilities and expense. It also requires employers to present more extensive note disclosures and RSI, including disclosing descriptive information about the types of benefits provided, how contributions to the pension plan are determined, and assumptions and methods used to calculate the pension liability.
- GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, will be effective for the City beginning with its year ending June 30, 2015. This Statement establishes accounting and financial reporting standards related to government combinations (such as mergers, acquisitions, and transfers) and disposals of government operations. This Statement requires the use of carrying values to measure the assets and liabilities in a government merger. For government acquisitions, this Statement requires measurements of assets acquired and liabilities assumed generally to be based upon their acquisition values. This Statement also provides guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. Additionally, this Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions.
- GASB Statement No. 71, *Pension Transition for Contributions Made subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*, will be effective for the City with its year ending June 30, 2015. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

City of Aberdeen, Maryland

Required Supplementary Information (Unaudited)

Schedules of Funding Progress – Pension Plans

City Defined Benefit Plan

Actuarial Valuation Date July 1,	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)]
2014	\$ 1,449,945	\$ 1,568,524	\$ 118,579	92.44%	\$ -	N/A
2013	1,501,553	1,660,334	158,781	90.44%	-	N/A
2012	1,541,531	1,706,249	164,718	90.35%	-	N/A
2011	1,600,649	1,746,033	145,384	91.67%	-	N/A
2010	1,632,250	1,847,668	215,418	88.34%	-	N/A
2009	1,609,339	1,878,626	269,287	85.67%	-	N/A
2008	1,590,396	2,006,397	416,001	79.27%	-	N/A

Police Department Pension Plan

Actuarial Valuation Date July 1,	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)]
2014	\$ 8,219,635	\$ 9,676,391	\$ 1,456,756	84.95%	\$ 1,905,358	76.46%
2013	7,078,122	9,156,941	2,078,819	77.30%	1,765,006	117.78%
2012	6,069,005	8,710,394	2,641,389	69.68%	1,742,242	151.61%
2011	5,358,480	8,230,302	2,871,822	65.11%	1,672,736	171.68%
2010	4,738,637	7,468,636	2,729,999	63.45%	1,882,921	144.99%
2009	3,867,470	6,119,155	2,251,685	63.20%	1,782,548	126.32%
2008	4,032,415	5,429,131	1,396,716	74.27%	1,546,417	90.32%

City of Aberdeen, Maryland

Required Supplementary Information (Unaudited)

Schedules of Employer Contributions – Pension Plans

City Defined Benefit Plan

Years Ended June 30,	Annual Required Contribution	Actual Contribution	Percentage Contributed
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%
2007	103,598	103,598	100%
2006	81,951	81,951	100%

Police Department Pension Plan

Years Ended June 30,	Annual Required Contribution	Actual Contribution	Percentage Contributed
2014	\$ 462,805	\$ 506,000	109%
2013	505,772	517,000	102%
2012	516,888	516,888	100%
2011	506,099	506,099	100%
2010	434,789	434,789	100%
2009	304,632	304,632	100%
2008	289,102	289,102	100%
2007	228,903	228,903	100%
2006	199,541	199,541	100%

City of Aberdeen, Maryland

Required Supplementary Information (Unaudited)

	City Defined Benefit Plan 2014	Police Department Pension Plan 2014
Schedules of Changes in the City's Net Pension Liability and Related Ratios		
Total pension liability:		
Service cost	\$ -	\$ 298,295
Interest	82,870	652,972
Differences between expected and actual experience	(9,542)	(113,727)
Changes of assumptions	3,713	-
Benefit payments, including refunds	(165,085)	(329,772)
Net change in total pension liability	(88,044)	507,768
Total pension liability, beginning	1,661,697	8,947,650
Total pension liability, ending	<u>\$ 1,573,653</u>	<u>\$ 9,455,418</u>
Plan fiduciary net position:		
Contributions, employer	\$ 65,314	\$ 506,000
Contributions, employee	-	162,876
Net investment income	170,687	1,155,822
Benefit payments, including refunds	(165,085)	(329,772)
Administrative expense	(15,976)	(27,299)
Net change in plan fiduciary net position	54,940	1,467,627
Plan fiduciary net position, beginning	1,501,553	7,266,436
Plan fiduciary net position, ending	<u>\$ 1,556,493</u>	<u>\$ 8,734,063</u>
City's net pension liability	<u>\$ 17,160</u>	<u>\$ 721,355</u>
Plan fiduciary net position as a percentage of total pension liability	98.91%	92.37%
Covered payroll	\$ -	\$ 2,269,928
City's net position liability as a percentage of covered payroll	0.00%	31.78%
Notes to schedules:		
Long-term rate of return on assets	5.25%	7.25%
Discount rate	5.25%	7.25%
Salary increase assumption	Ranging from 4.08% to 7.3% based on age, plus 2.2%	Ranging from 5.38% to 8.6% based on age, plus 3.5%
COLA increase assumption	0.00%	0.00%
Retirement age assumption	Normal retirement age	Normal retirement age
Plan changes	None	None

Information for fiscal years prior to 2014 is not readily available.

City of Aberdeen, Maryland

Required Supplementary Information (Unaudited)

Schedules of Contributions
Current Fiscal Year

	<u>2014</u>
City Defined Benefit Plan:	
Actuarially determined contribution	65,314
Contribution	<u>65,314</u>
Contribution deficiency (excess)	<u>-</u>
Covered payroll	-
Contributions as a percentage of covered payroll	0.0%

Police Department Pension Plan:	
Actuarially determined contribution	462,805
Contribution	<u>506,000</u>
Contribution deficiency (excess)	<u>(43,195)</u>
Covered payroll	2,269,928
Contributions as a percentage of covered payroll	22.3%

Information for fiscal years prior to 2014 is not readily available.

Schedules of Investment Returns
Current Year

	<u>2014</u>
City Defined Benefit Plan:	
Annual money-weighted rate of return, net of investment expense	4.44%
Police Department Pension Plan:	
Annual money-weighted rate of return, net of investment expense	15.73%

Information for fiscal years prior to 2014 is not readily available.

City of Aberdeen, Maryland

Required Supplementary Information (Unaudited)

Other Post Employment Benefits (OPEB):

Schedule of Employer Contributions

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

Years Ended June 30,	Annual Required Contribution	Actual Contribution	Percentage Contributed
2014	\$ 364,871	\$ 107,595	29.49%
2013	342,794	135,840	39.63%
2012	527,551	84,624	16.04%

Schedule of Funding Progress

The following table provides an analysis of funding progress for the last three valuations:

Actuarial Valuation Date July 1,	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)]
2014	\$ -	\$ 3,007,175	3,007,175	0.00%	\$ 7,903,392	38.05%
2013	-	3,847,398	3,847,398	0.00%	7,451,184	51.63%
2011	-	6,377,779	6,377,779	0.00%	6,467,790	98.61%

City of Aberdeen, Maryland

Schedule of Revenues and Other Financing Sources – Budget and Actual – General Fund
Year Ended June 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Taxes				
Property taxes				
Real estate taxes	\$ 8,558,468	\$ 8,558,468	\$ 9,024,602	\$ 466,134
Corporation personal property taxes	719,100	719,100	611,574	(107,526)
Utilities personal property tax	303,110	303,110	398,313	95,203
Penalties and interest	43,000	43,000	61,871	18,871
Semi-annual service charge	1,100	1,100	733	(367)
Additions and abatements	(15,000)	(15,000)	(14,016)	984
Discount on taxes	(59,909)	(59,909)	(63,570)	(3,661)
Tax credit – firemen exemptions	(14,688)	(14,688)	(11,934)	2,754
Tax credit – no water or sewer	(6,295)	(6,295)	(6,295)	-
Enterprise Zone tax credits	(105,305)	(105,305)	(10,941)	94,364
	<u>9,423,581</u>	<u>9,423,581</u>	<u>9,990,337</u>	<u>566,756</u>
Local taxes				
Franchise tax	165,223	165,223	173,911	8,688
Mobile home excise tax	28,200	28,200	35,610	7,410
Utilities pole tax	58,545	58,545	58,863	318
Hospitality Way special assessment	2,070	2,070	1,090	(980)
	<u>254,038</u>	<u>254,038</u>	<u>269,474</u>	<u>15,436</u>
State shared taxes				
Income tax	1,000,000	1,000,000	1,309,945	309,945
Highway tax	400,000	400,000	390,765	(9,235)
	<u>1,400,000</u>	<u>1,400,000</u>	<u>1,700,710</u>	<u>300,710</u>
Total taxes	<u>11,077,619</u>	<u>11,077,619</u>	<u>11,960,521</u>	<u>882,902</u>
Licenses and Permits				
Traders' licenses	30,000	30,000	36,772	6,772
Liquor licenses	5,000	5,000	2,683	(2,317)
Peddlers permits	-	-	230	230
Grading permits	15,000	15,000	19,173	4,173
Building permits	22,000	22,000	26,932	4,932
Site plan review	12,000	12,000	14,055	2,055
Deed Stamps and Tax Certificates	-	-	4,677	4,677
Public Works agreement revenue	4,000	4,000	2,447	(1,553)
Total licenses and permits	<u>88,000</u>	<u>88,000</u>	<u>106,969</u>	<u>18,969</u>

(Continued)

City of Aberdeen, Maryland

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

Year Ended June 30, 2014

	Budget Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Intergovernmental				
Grants from federal government				
Disaster Relief	\$ -	\$ -	\$ 11,908	\$ 11,908
	-	-	11,908	11,908
Grants from state government				
Police state aid	261,984	261,984	262,248	264
Law enforcement grant	-	-	2,000	2,000
Other	-	101,439	29,100	(72,339)
	261,984	363,423	293,348	(70,075)
Grants from county government				
In lieu of financial corporation	7,142	7,142	7,142	-
Tax differential - Harford County	1,182,481	1,182,481	1,182,481	-
Senior Center reimbursement	52,096	52,096	52,602	506
Other	-	5,000	5,000	-
	1,241,719	1,246,719	1,247,225	506
Grants from local government				
Residential special patrol	90,000	90,000	107,636	17,636
Total intergovernmental	1,593,703	1,700,142	1,660,117	(40,025)
APG Management Fees	600,000	600,000	802,857	202,857
Miscellaneous Revenues				
Trash collection stickers fees	190,492	190,492	183,999	(6,493)
Police seized money	-	60,706	68,598	7,892
Police miscellaneous income	16,650	18,550	26,443	7,893
Antenna leases	34,704	34,704	45,704	11,000
Fines and forfeitures	15,000	15,000	20,798	5,798
Interest on savings	6,000	6,000	7,840	1,840
Other	36,000	36,000	68,604	32,604
Total miscellaneous revenues	298,846	361,452	421,986	60,534
Total revenues	13,658,168	13,827,213	14,952,450	1,125,237
Other Financing Sources				
Appropriation of fund balance	2,172,000	3,222,323	3,222,323	-
Total revenues and other financing sources	\$ 15,830,168	\$ 17,049,536	\$ 18,174,773	\$ 1,125,237

City of Aberdeen, Maryland

Schedule of Expenditures and Other Financing Uses – Budget and Actual – General Fund
Year Ended June 30, 2014

	Budget Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
General Government				
Legislative				
Elected officials	\$ 40,000	\$ 40,000	\$ 40,004	\$ (4)
Operating expenditures	62,125	62,125	47,273	14,852
Maryland Municipal League	16,079	16,079	15,969	110
National League of Cities	2,000	2,000	1,489	511
	<u>120,204</u>	<u>120,204</u>	<u>104,735</u>	<u>15,469</u>
Executive				
Salaries	399,036	399,036	381,774	17,262
Operating expenditures	60,537	60,537	50,139	10,398
	<u>459,573</u>	<u>459,573</u>	<u>431,913</u>	<u>27,660</u>
Finance				
Salaries	310,098	310,098	307,778	2,320
Operating expenditures	17,250	17,250	12,738	4,512
Audit expenditures	40,000	40,000	26,671	13,329
	<u>367,348</u>	<u>367,348</u>	<u>347,187</u>	<u>20,161</u>
Legal				
Codification	5,800	5,800	11,343	(5,543)
Counsel	100,000	100,000	121,113	(21,113)
	<u>105,800</u>	<u>105,800</u>	<u>132,456</u>	<u>(26,656)</u>
Planning and community development				
Salaries	181,664	181,664	176,241	5,423
Operating expenditures	24,000	24,000	20,249	3,751
	<u>205,664</u>	<u>205,664</u>	<u>196,490</u>	<u>9,174</u>
Government buildings				
Salaries	17,623	17,623	16,929	694
Operating expenditures	504,350	639,789	611,855	27,934
	<u>521,973</u>	<u>657,412</u>	<u>628,784</u>	<u>28,628</u>
General government				
Operating expenditures	103,500	103,500	92,358	11,142
	<u>103,500</u>	<u>103,500</u>	<u>92,358</u>	<u>11,142</u>
Health and safety				
Operating expenditures	21,000	21,000	6,789	14,211
Total general government	<u>1,905,062</u>	<u>2,040,501</u>	<u>1,940,712</u>	<u>99,789</u>
Public Safety				
Police Department				
Salaries	3,309,851	3,309,851	3,274,115	35,736
Operating expenditures	624,356	701,563	653,043	48,520
	<u>3,934,207</u>	<u>4,011,414</u>	<u>3,927,158</u>	<u>84,256</u>

(Continued)

City of Aberdeen, Maryland

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

Year Ended June 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Volunteer fire department Contribution	\$ 100,000	\$ 200,000	\$ 200,000	\$ -
Total public safety	4,034,207	4,211,414	4,127,158	84,256
Public Works				
Public works administration				
Salaries	293,842	293,842	286,249	7,593
Operating expenditures	30,900	30,900	21,567	9,333
	<u>324,742</u>	<u>324,742</u>	<u>307,816</u>	<u>16,926</u>
Streets				
Salaries	631,456	631,456	597,448	34,008
Operating expenditures	371,212	371,212	330,103	41,109
	<u>1,002,668</u>	<u>1,002,668</u>	<u>927,551</u>	<u>75,117</u>
Street lighting				
Operating expenditures	300,000	370,000	313,153	56,847
Winter operation				
Operating expenditures	30,000	30,000	122,941	(92,941)
Solid waste				
Salaries	263,694	263,694	250,262	13,432
Operating expenditures	380,100	380,100	346,586	33,514
	<u>643,794</u>	<u>643,794</u>	<u>596,848</u>	<u>46,946</u>
Total public works	2,301,204	2,371,204	2,268,309	102,895
Parks and Recreation				
Operating expenditures	62,500	410,500	408,207	2,293
Miscellaneous				
Retirement plans	765,584	765,584	762,024	3,560
Payroll expenditures	2,004,903	2,004,903	1,873,326	131,577
Miscellaneous	170,858	252,357	364,440	(112,083)
	<u>2,941,345</u>	<u>3,022,844</u>	<u>2,999,790</u>	<u>23,054</u>
Debt Service				
Debt service principal	530,000	530,000	530,966	(966)
Debt service interest	135,966	135,966	134,093	1,873
	<u>665,966</u>	<u>665,966</u>	<u>665,059</u>	<u>907</u>
Total expenditures	11,910,284	12,722,429	12,409,235	313,194
Other Financing Uses				
Transfers out	3,919,884	4,327,107	4,327,107	-
	<u>3,919,884</u>	<u>4,327,107</u>	<u>4,327,107</u>	<u>-</u>
Total expenditures and other financing uses	\$ 15,830,168	\$ 17,049,536	\$ 16,736,342	\$ 313,194

City of Aberdeen, Maryland

Schedule of Revenues, Expenditures and Other Financing Sources

Budget and Actual – Capital Projects Fund

Year Ended June 30, 2014

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues				
Revenues from other agencies	\$ 81,750	\$ 1,233,317	\$ 453,000	\$ (780,317)
Total revenues	<u>81,750</u>	<u>1,233,317</u>	<u>453,000</u>	<u>(780,317)</u>
Expenditures				
General government	81,750	1,314,405	566,288	748,117
Public safety	124,928	124,928	134,296	(9,368)
Public works	3,554,000	3,879,156	2,607,650	1,271,506
Parks and recreation	-	100,000	-	100,000
Total expenditures	<u>3,760,678</u>	<u>5,418,489</u>	<u>3,308,234</u>	<u>2,110,255</u>
Other Financing Sources				
Transfers from general fund	3,678,928	3,962,928	3,971,716	8,788
Appropriation of fund balance	-	222,244	222,244	-
Total other financing sources	<u>3,678,928</u>	<u>4,185,172</u>	<u>4,193,960</u>	<u>8,788</u>
Net change in fund balance (budgetary basis)	<u>\$ -</u>	<u>\$ -</u>	1,338,726	<u>\$ 1,338,726</u>
Adjustments to Conform with Generally Accepted Accounting Principles (GAAP)			<u>(79,791)</u>	
Net Change in Fund Balance (GAAP Basis)			1,258,935	
Fund Balance				
Beginning			<u>534,726</u>	
Ending			<u>\$ 1,793,661</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									
	2014	2013	2012	2011	2010 (1)	2009	2008	2007	2006	2005
Governmental Activities										
Invested in Capital Assets, Net of Related Debt	\$ 16,364,349	\$ 13,508,406	\$ 13,404,341	\$ 13,080,163	\$ 13,244,196	\$ 12,421,169	\$ 10,795,988	\$ 9,595,925	\$ 10,431,798	\$ 10,279,920
Restricted	485,238	492,955	508,400	521,296	451,668	426,970	392,998	932,988	702,871	822,018
Unrestricted	8,992,748	9,248,917	6,989,228	4,854,395	2,550,077	2,586,480	2,660,726	1,643,724	481,501	401,623
Total Governmental Activities Net Position	25,842,335	23,250,278	20,901,969	18,455,854	16,245,941	15,434,619	13,849,712	12,172,637	11,616,170	11,503,561
Business-Type Activities										
Invested in Capital Assets, Net of Related Debt	38,919,289	36,701,093	34,440,815	29,692,671	24,016,623	22,250,352	20,368,984	19,771,744	19,513,200	19,310,251
Restricted	3,609,705	3,644,074	763,330	331,641	-	-	-	-	-	-
Unrestricted	748,189	1,051,125	2,833,689	(1,094,387)	(1,166,635)	477,966	1,914,926	1,898,230	870,825	1,909,540
Total Business-Type Activities Net Position	43,277,183	41,396,292	38,037,834	28,929,925	22,849,988	22,728,318	22,283,910	21,669,974	20,384,025	21,219,791
Primary Government										
Invested in Capital Assets, Net of Related Debt	55,283,638	50,209,499	47,845,156	42,772,834	37,260,819	34,671,521	31,164,972	29,367,669	29,944,998	29,590,171
Restricted	4,094,943	4,137,029	1,271,730	852,937	451,668	426,970	392,998	932,988	702,871	822,018
Unrestricted	9,740,937	10,300,042	9,822,917	3,760,008	1,383,442	3,064,446	4,575,652	3,541,954	1,352,326	2,311,163
Total Primary Government Net Position	\$ 69,119,518	\$ 64,646,570	\$ 58,939,803	\$ 47,385,779	\$ 39,095,929	\$ 38,162,937	\$ 36,133,622	\$ 33,842,611	\$ 32,000,195	\$ 32,723,352

(1) As restated

Source:
City financial records.

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

Table 2

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Expenses										
Governmental Activities:										
General Government	\$ 3,675,233	\$ 3,014,256	\$ 3,466,644	\$ 3,058,171	\$ 2,777,534	\$ 2,685,612	\$ 2,799,968	\$ 2,594,746	\$ 2,030,600	\$ 2,451,455
Public Safety	5,356,062	5,193,500	5,305,825	5,408,853	5,889,590	5,460,448	5,202,358	4,827,596	4,590,880	3,793,289
Public Works	4,336,712	4,587,658	3,974,061	3,877,699	4,270,376	3,797,298	3,725,529	3,645,846	2,449,570	2,644,919
Parks and Recreation	371,255	81,358	71,590	70,806	148,666	64,827	81,574	77,148	77,432	99,161
Interest on Long-Term Debt	132,416	139,764	255,227	301,412	323,712	340,908	358,733	377,165	361,623	314,519
Total Governmental Activities Expenses	13,871,678	13,016,536	13,073,347	12,716,941	13,409,878	12,349,093	12,168,162	11,522,501	9,510,105	9,303,343
Business-Type Activities:										
Water	2,814,456	2,784,946	2,578,348	2,191,486	1,780,578	1,817,802	1,976,315	1,579,997	1,637,339	1,300,626
Sewer	4,052,338	3,183,672	2,982,631	3,059,799	3,157,487	2,917,769	3,009,494	2,321,829	2,462,258	1,993,563
Stadium	423,981	415,268	594,530	598,721	621,708	840,062	676,822	688,757	717,743	842,424
Total Business-Type Activities Expenses	7,290,775	6,383,886	6,155,509	5,850,006	5,559,773	5,575,633	5,662,631	4,590,583	4,817,340	4,136,613
Total Primary Government Expenses	\$ 21,162,453	\$ 19,400,422	\$ 19,228,856	\$ 18,566,947	\$ 18,969,651	\$ 17,924,726	\$ 17,830,793	\$ 16,113,084	\$ 14,327,445	\$ 13,439,956
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	\$ 358,560	\$ 340,520	\$ 348,916	\$ 356,149	\$ 453,230	\$ 422,716	\$ 1,086,951	\$ 327,737	\$ 548,402	\$ 515,345
Public Safety	26,945	118,427	69,048	14,468	7,516	29,797	14,468	59,177	135,411	142,980
Public Works	2,229,890	2,097,915	2,074,107	2,334,406	1,788,128	1,409,014	1,424,643	1,590,460	297,736	213,674
Operating Grants and Contributions	2,107,137	1,510,237	1,393,877	1,237,436	1,176,308	1,928,185	1,877,862	1,750,903	1,538,318	1,676,546
Capital Grants and Contributions	478,932	108,359	419,823	20,474	942,226	513,477	156,294	37,000	50,959	-
Total Governmental Activities Program Revenues	5,201,464	4,175,458	4,305,771	3,962,933	4,367,408	4,303,189	4,560,218	3,765,277	2,570,826	2,548,545
Business-Type Activities:										
Charges for Services:										
Water	3,207,157	2,961,294	2,501,549	2,779,442	2,073,874	2,140,638	2,317,759	2,224,057	1,768,070	1,317,407
Sewer	3,553,453	3,158,243	2,861,174	3,250,654	2,639,041	2,528,610	2,294,824	2,196,583	2,061,576	1,664,691
Stadium	212,162	243,514	214,556	222,869	36,476	50,310	58,279	72,766	34,702	66,580
Operating Grants and Contributions	-	-	2,577,140	-	-	-	-	-	-	6,146
Capital Grants and Contributions	1,665,187	3,169,174	6,551,525	5,334,555	601,188	804,182	996,608	1,013,386	-	-
Total Business-Type Activities Program Revenues	8,637,959	9,532,225	14,705,944	11,587,520	5,350,579	5,523,740	5,667,470	5,506,792	3,864,348	3,054,824
Total Primary Government Program Revenues	\$ 13,839,423	\$ 13,707,683	\$ 19,011,715	\$ 15,550,453	\$ 9,717,987	\$ 9,826,929	\$ 10,227,688	\$ 9,272,069	\$ 6,435,174	\$ 5,603,369
Net (Expense)/Revenue										
Governmental Activities	\$ (8,670,214)	\$ (8,841,078)	\$ (8,767,576)	\$ (8,754,008)	\$ (9,042,470)	\$ (8,045,904)	\$ (7,607,944)	\$ (7,757,224)	\$ (6,939,279)	\$ (6,754,798)
Business-Type Activities	1,347,184	3,148,339	8,550,435	5,737,514	(209,194)	(51,893)	4,839	916,209	(952,992)	(1,081,789)
Total Primary Government Net Expense	\$ (7,323,030)	\$ (5,692,739)	\$ (217,141)	\$ (3,016,494)	\$ (9,251,664)	\$ (8,097,797)	\$ (7,603,105)	\$ (6,841,015)	\$ (7,892,271)	\$ (7,836,587)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes										
Property Taxes	\$ 9,936,228	\$ 10,041,666	\$ 10,145,968	\$ 9,652,855	\$ 9,090,293	\$ 8,719,008	\$ 8,195,655	\$ 7,419,615	\$ 5,122,663	\$ 4,641,710
Other Local Taxes	263,525	259,512	258,102	274,763	171,859	219,082	212,141	216,578	210,113	136,221
State Shared Taxes, Unrestricted	1,330,186	1,252,941	1,183,456	1,320,327	1,120,426	954,638	1,151,137	1,032,544	952,016	1,130,873
Investment Earnings	18,125	16,381	13,672	8,154	6,316	31,157	37,111	18,292	41,136	4,676
Gain on Sale of Capital Assets	69,598	-	-	-	-	-	-	-	725,960	1,875
Transfers	(355,391)	(279,841)	(387,507)	(292,178)	(535,102)	(293,074)	(311,025)	(373,338)	-	-
Total Governmental Activities	11,262,271	11,290,659	11,213,691	10,963,921	9,853,792	9,630,811	9,285,019	8,313,691	7,051,888	5,915,355
Business-Type Activities:										
Taxes										
Other Local Taxes	-	-	-	-	-	-	-	-	-	-
State Shared Taxes, Unrestricted	-	-	-	-	228,370	192,582	230,917	14,598	245,274	140,000
Investment Earnings	74,504	149,162	169,967	50,245	4,953	10,645	42,155	6,284	25,781	4,098
Gain (loss) on Sale of Capital Assets	103,812	-	-	-	11,852	-	25,000	(24,480)	-	2,366,844
Transfers	355,391	279,841	387,507	292,178	535,102	293,074	311,025	373,338	-	-
Total Business-Type Activities	533,707	429,003	557,474	342,423	780,277	496,301	609,097	369,740	271,055	2,510,942
Total Primary Government	\$ 11,795,978	\$ 11,719,662	\$ 11,771,165	\$ 11,306,344	\$ 10,634,069	\$ 10,127,112	\$ 9,894,116	\$ 8,683,431	\$ 7,322,943	\$ 8,426,297
Change in Net Position										
Governmental Activities	\$ 2,592,057	\$ 2,449,581	\$ 2,446,115	\$ 2,209,913	\$ 811,322	\$ 1,584,907	\$ 1,677,075	\$ 556,467	\$ 112,609	\$ (839,443)
Business-Type Activities	1,880,891	3,577,342	9,107,909	6,079,937	571,083	444,408	613,936	1,285,949	(681,937)	1,429,153
Total Primary Government Change in Net Position	\$ 4,472,948	\$ 6,026,923	\$ 11,554,024	\$ 8,289,850	\$ 1,382,405	\$ 2,029,315	\$ 2,291,011	\$ 1,842,416	\$ (569,328)	\$ 589,710

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
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
2007	7,419,615	1,007,088	25,456	216,578	8,668,737
2006	5,122,663	883,318	46,692	232,119	6,284,792
2005	4,641,710	1,085,574	45,299	136,221	5,908,804

Source:
City financial records.

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

Table 4

	Fiscal Year									
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
General Fund										
Non-spendable	\$ 31,683	\$ 30,913	\$ 24,613	\$ 30,949	\$ 78,952	\$ 70,413	\$ 77,590	\$ 75,471	\$ 313,906	\$ 351,020
Restricted	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	9,003	-	-	-	-	-	-	-
Unassigned	<u>9,500,995</u>	<u>10,876,480</u>	<u>8,525,257</u>	<u>5,873,609</u>	<u>3,585,829</u>	<u>2,737,304</u>	<u>1,998,778</u>	<u>1,091,376</u>	<u>841,538</u>	<u>518,034</u>
Total General Fund	<u><u>\$ 9,532,678</u></u>	<u><u>\$ 10,907,393</u></u>	<u><u>\$ 8,558,873</u></u>	<u><u>\$ 5,904,558</u></u>	<u><u>\$ 3,664,781</u></u>	<u><u>\$ 2,807,717</u></u>	<u><u>\$ 2,076,368</u></u>	<u><u>\$ 1,166,847</u></u>	<u><u>\$ 1,155,444</u></u>	<u><u>\$ 869,054</u></u>
Special Revenue Fund										
Non-spendable	-	-	-	-	-	-	-	-	-	-
Restricted	485,238	492,955	508,400	521,296	553,403	611,667	645,010	625,324	623,297	615,633
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Special Revenue Fund	<u><u>\$ 485,238</u></u>	<u><u>\$ 492,955</u></u>	<u><u>\$ 508,400</u></u>	<u><u>\$ 521,296</u></u>	<u><u>\$ 553,403</u></u>	<u><u>\$ 611,667</u></u>	<u><u>\$ 645,010</u></u>	<u><u>\$ 625,324</u></u>	<u><u>\$ 623,297</u></u>	<u><u>\$ 615,633</u></u>
Capital Projects Fund										
Non-spendable	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-	-
Assigned	1,793,661	534,726	407,948	340,645	305,671	286,424	140,113	404,302	155,036	(24,282)
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Capital Projects Fund	<u><u>\$ 1,793,661</u></u>	<u><u>\$ 534,726</u></u>	<u><u>\$ 407,948</u></u>	<u><u>\$ 340,645</u></u>	<u><u>\$ 305,671</u></u>	<u><u>\$ 286,424</u></u>	<u><u>\$ 140,113</u></u>	<u><u>\$ 404,302</u></u>	<u><u>\$ 155,036</u></u>	<u><u>\$ (24,282)</u></u>

Source: City financial records.

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

Table 5

	Fiscal Year									
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Revenues										
Taxes	\$ 11,959,551	\$ 11,648,825	\$ 11,834,498	\$ 11,252,818	\$ 10,443,370	\$ 10,761,701	\$ 10,288,820	\$ 9,514,458	\$ 6,978,414	\$ 6,535,704
Licenses and permits	106,969	75,289	101,713	125,997	170,944	106,314	100,404	107,599	166,226	109,197
Revenues from other agencies	2,152,774	1,433,591	1,587,713	1,296,914	1,972,543	1,582,144	1,191,511	943,894	926,400	1,113,234
APG management fees	2,162,376	2,058,083	2,011,145	2,251,434	1,669,750	1,342,864	1,362,843	1,511,396	289,193	303,639
Miscellaneous	432,271	451,977	431,152	350,767	433,533	570,917	1,163,612	408,206	1,179,693	393,592
Total Revenues	<u>16,813,941</u>	<u>15,667,765</u>	<u>15,966,221</u>	<u>15,277,930</u>	<u>14,690,140</u>	<u>14,363,940</u>	<u>14,107,190</u>	<u>12,485,553</u>	<u>9,539,926</u>	<u>8,455,366</u>
Expenditures										
General government	2,558,873	1,841,877	1,695,505	1,714,059	1,997,247	1,982,372	1,750,112	1,609,401	1,347,777	1,607,596
Public safety	4,269,346	3,956,424	3,949,922	3,926,465	4,030,589	4,264,153	4,046,493	3,945,451	3,261,424	2,867,065
Public works	6,135,578	3,998,299	4,074,871	3,627,232	4,004,543	3,937,387	4,269,247	3,347,816	1,985,844	2,741,008
Parks and recreation	408,207	64,993	100,063	84,907	125,369	72,092	64,574	54,308	39,576	63,494
Miscellaneous	2,827,280	2,594,414	2,533,562	2,684,113	2,552,305	2,400,513	2,287,315	2,197,424	2,143,563	1,853,161
Debt service										
Principal	335,985	325,921	432,251	404,920	389,622	405,899	364,413	327,694	324,621	299,655
Interest	132,917	146,143	89,300	301,412	314,607	331,335	348,993	367,425	351,883	312,990
Total Expenditures	<u>16,668,186</u>	<u>12,928,071</u>	<u>12,875,474</u>	<u>12,743,108</u>	<u>13,414,282</u>	<u>13,393,751</u>	<u>13,131,147</u>	<u>11,849,519</u>	<u>9,454,688</u>	<u>9,744,969</u>
Excess of revenues over (under) expenditures	145,755	2,739,694	3,090,747	2,534,822	1,275,858	970,189	976,043	636,034	85,238	(1,289,603)
Other financing sources										
Loan proceeds	-	-	5,482	-	77,291	167,202	-	-	-	1,679,800
Transfer in (out)	(355,391)	(279,841)	(387,507)	(292,178)	(535,102)	(293,074)	(311,025)	(373,338)	-	-
Proceeds from sale of capital assets	86,139	-	-	-	-	-	-	-	-	-
Total other financing sources	<u>(269,252)</u>	<u>(279,841)</u>	<u>(382,025)</u>	<u>(292,178)</u>	<u>(457,811)</u>	<u>(125,872)</u>	<u>(311,025)</u>	<u>(373,338)</u>	<u>-</u>	<u>1,679,800</u>
Net change in fund balances	<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>	<u>\$ 262,696</u>	<u>\$ 85,238</u>	<u>\$ 390,197</u>
Debt Service (P & I) as a percentage of non-capital expenditures	<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>	<u>6.21%</u>	<u>7.48%</u>	<u>6.84%</u>

Source: City financial records.

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

Table 6

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Income Tax</u>	<u>Highway User Tax</u>	<u>Admissions Tax</u>	<u>Other Local Taxes</u>	<u>Total</u>
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
2007	7,419,615	1,040,335	812,474	25,426	216,608	9,514,458
2006	5,122,663	873,499	725,447	46,692	210,113	6,978,414
2005	4,641,646	1,077,064	635,293	45,299	136,402	6,535,704

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

Source: City financial records.

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

Table 7

Fiscal Year Ending June 30	Real Property			Personal Property			Total Assessed Property		Market Value Change	
	Taxable Assessed Value	Estimated Actual Value	Total Direct Rate	Assessed Value	Estimated Actual Value	Total Direct Rate	Assessed Value	Estimated Actual Value	Amount	Percentage
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%
2007	934,874,053	934,874,053	0.7350	58,217,616	58,217,616	1.7000	993,091,669	993,091,669	150,609,144	17.88%
2006	804,175,635	804,175,635	0.5500	38,306,890	38,306,890	1.4000	842,482,525	842,482,525	79,862,385	10.47%
2005	710,478,812	710,478,812	0.5500	52,141,328	52,141,328	1.4000	762,620,140	762,620,140	15,043,100	2.01%

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

Source: City financial records.

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

Table 8

Real Property Tax Rate

Fiscal Year Ending June 30	City of Aberdeen		Harford County	State of Maryland	Total Tax Rate
	General Fund	Total			
		Direct Rate			
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
2007	0.7350	0.7350	1.082	0.112	1.929
2006	0.5500	0.5500	1.092	0.112	1.754
2005	0.5500	0.5500	1.092	0.132	1.774

Personal Property Tax Rate

Fiscal Year Ending June 30	City of Aberdeen		Harford County	State of Maryland	Total Tax Rate
	General Fund	Total			
		Direct Rate			
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
2007	1.700	1.700	2.705	-	4.405
2006	1.400	1.400	2.705	-	4.105
2005	1.400	1.400	2.730	-	4.130

Source: City financial records.

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

Table 9

Taxpayer	Type of Business	2014		Percentage of Total Assessment
		Assessed Valuation	City Tax	
Inland American Aberdeen	Real Property Management	31,315,800	\$ 212,947	2.23%
KRK Title Holder LP	Warehouse	25,328,900	172,237	1.80%
913 Old Philadelphia Road LLC	Distribution Warehouse	25,149,000	171,013	1.79%
Wal-Mart Real Estate	Retail	17,034,000	115,831	1.21%
Frito-Lay	Manufacturing	16,998,000	115,586	1.21%
COPT Northgate A LLC	Real Estate Investment	15,225,900	103,536	1.08%
Medline Industries, Inc.	Manufacturing	12,678,400	86,213	0.90%
Merritt - AD LLC	Real Estate Investment	12,674,800	86,189	0.90%
COPT Northgate D LLC	Real Estate Investment	12,418,800	84,448	0.88%
COPT Northgate C LLC	Real Estate Investment	12,143,600	82,576	0.86%
TOTAL		\$ 180,967,200	\$ 1,230,577	12.89%
Total Assessed Valuation		\$ 1,403,991,333		

Taxpayer	Type of Business	2005		Percentage of Total Assessment
		Assessed Valuation	City Tax	
Metropolitan Life Insurance	Warehouse	\$ 23,685,400	\$ 130,270	3.11%
Wagner/Kinsley Llc	Warehouse	21,496,866	118,233	2.82%
Catellus Development Corporation	Warehouse	20,931,000	115,121	2.74%
Medline Industries, Inc.	Manufacturing	16,198,300	89,091	2.12%
Frito-Lay Inc	Manufacturing	15,585,432	85,720	2.04%
State of Wisconsin Investment Board	Warehouse	13,693,200	75,313	1.80%
Hickory Ridge Properties, Inc.	Shopping Center	9,005,100	49,528	1.18%
One Thousand & One Ptn	Office/manufacturing	8,124,000	44,682	1.07%
Aberdeen Marketplace Inc	Shopping Center	7,262,266	39,942	0.95%
Colgate Investments	Shopping Center	7,109,966	39,105	0.93%
TOTAL		\$ 143,091,530	\$ 787,005	18.76%
Total Assessed Valuation		\$ 762,620,140		

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
2014	\$ 10,186,068	\$ 10,108,621	99.24%	\$ -	\$ 10,108,621	99.24%
2013	10,238,167	10,181,487	99.45%	30,271	10,211,758	99.74%
2012	10,456,757	10,384,584	99.31%	43,302	10,427,886	99.72%
2011	9,957,031	9,870,388	99.13%	61,492	9,931,879	99.75%
2010	9,396,201	9,298,812	98.96%	66,984	9,365,796	99.68%
2009	9,116,713	9,021,982	98.96%	6,566	9,028,547	99.03%
2008	8,470,443	8,351,509	98.60%	99,023	8,450,532	99.76%
2007	7,419,615	7,338,288	98.90%	36,475	7,374,763	99.40%
2006	5,133,979	5,079,671	98.94%	46,074	5,125,745	99.84%
2005	4,872,985	4,786,003	98.22%	75,415	4,861,418	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			
2014	\$ 4,110,790	\$ 558,116	\$ 4,668,906	\$ 10,488,496	\$ 9,369,267	\$ 19,857,763	\$ 24,526,669	N/A	\$ 1,622
2013	4,396,291	609,101	5,005,392	11,328,524	9,799,208	21,127,732	26,133,124	N/A	1,747
2012	4,672,293	660,022	5,332,315	12,130,782	7,522,290	19,653,072	24,985,387	N/A	1,670
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
2007	5,561,500	1,263,732	6,825,232	6,560,900	2,229,186	8,790,086	15,615,318	N/A	1,092
2006	5,738,600	1,271,042	7,009,642	6,878,400	2,495,371	9,373,771	16,383,413	N/A	1,179
2005	5,910,500	1,423,763	7,334,263	7,189,600	2,756,358	9,945,958	17,280,221	N/A	1,243

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)	Debt Payable From Enterprise Revenue	Net Bonded Debt (3)	Ratio of Net Bonded Debt To Actual Assessed Value	Net Bonded Debt Per Capita
2014	15,120	\$ 1,403,991,333	\$ 24,526,669	\$ 19,857,763	\$ 4,668,906	0.33%	\$ 309
2013	14,959	1,407,317,557	26,133,124	21,127,732	5,005,392	0.36%	335
2012	14,959	1,452,852,329	24,985,387	19,653,072	5,332,315	0.37%	356
2011	14,959	1,370,244,996	20,896,732	15,428,250	5,468,482	0.40%	366
2010	14,099	1,289,682,720	15,370,194	9,604,024	5,766,170	0.45%	409
2009	14,100	1,224,975,139	16,475,807	10,389,097	6,086,710	0.50%	432
2008	14,000	1,109,510,661	17,605,474	11,144,655	6,460,819	0.58%	461
2007	14,300	993,091,669	15,615,318	8,790,086	6,825,232	0.69%	477
2006	13,900	842,482,525	16,383,413	9,373,771	7,009,642	0.83%	504
2005	13,900	762,620,140	17,280,221	9,945,958	7,334,263	0.96%	528

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

(2) Table 7

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

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

Source: City financial records.

**Debt Computations
June 30, 2014**

Table 13

COMPUTATION OF LEGAL DEBT MARGIN

TOTAL ASSESSED VALUE OF PROPERTY	\$ 1,403,991,333
Debt limit 15%	210,598,700
Amount of debt applicable to debt limit	4,668,906
LEGAL DEBT MARGIN	\$ 205,929,794

COMPUTATION OF DIRECT AND OVERLAPPING DEBT

	Net Debt Outstanding	Percentage Applicable to the Town	Share of Debt Outstanding
DIRECT DEBT OF THE CITY	\$ 4,668,906	100.00%	\$ 4,668,906
Indirect debt:			
Harford County	538,885,655 ²	6.31% ¹	34,003,685
TOTAL DIRECT AND OVERLAPPING DEBT	\$ 543,554,561		\$ 38,672,591

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

	\$ 1,403,991,333
	\$22,261,396,406

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

Source: City financial records.

**Legal Debt Margin Information
Last Ten Years**

Table 14

	Fiscal Year									
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Debt Limit	\$ 210,598,700	\$ 211,097,634	\$ 217,927,849	\$ 205,536,749	\$ 193,452,408	\$ 183,746,271	\$ 166,426,599	\$ 148,963,750	\$ 126,372,379	\$ 114,393,021
Total net debt applicable to limit	<u>4,668,906</u>	<u>5,005,392</u>	<u>5,332,315</u>	<u>5,468,482</u>	<u>5,766,170</u>	<u>6,086,710</u>	<u>6,460,819</u>	<u>6,825,232</u>	<u>7,009,642</u>	<u>7,334,263</u>
Legal debt margin	<u>\$ 205,929,794</u>	<u>\$ 206,092,242</u>	<u>\$ 212,595,534</u>	<u>\$ 200,068,267</u>	<u>\$ 187,686,238</u>	<u>\$ 177,659,561</u>	<u>\$ 159,965,780</u>	<u>\$ 142,138,518</u>	<u>\$ 119,362,737</u>	<u>\$ 107,058,758</u>
Total net debt applicable to the limit as a percentage of debt limit	2.22%	2.37%	2.45%	2.66%	2.98%	3.31%	3.88%	4.58%	5.55%	6.41%

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
2014	15,120	N/A	N/A	N/A	37,842	6.0%
2013	14,959	N/A	N/A	39.5	37,868	7.4%
2012	14,959	52,351	13,015,507	39.2	38,224	7.4%
2011	14,959	49,329	12,159,148	38.3	38,394	7.3%
2010	14,099	46,871	11,492,284	38.1	38,637	7.3%
2009	14,100	45,893	11,129,722	38.1	38,610	7.7%
2008	14,000	45,091	10,884,557	37.8	39,175	4.1%
2007	14,300	43,106	10,319,796	37.7	39,582	3.8%
2006	13,900	40,609	9,728,548	37.5	40,212	3.7%
2005	13,900	38,595	9,218,447	37.2	40,313	4.1%

(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, 2014. Income and Median Age information were not available.

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

Table 16

2014			
Company	Number Employed	Percentage of Total County Employment	Product/ Service
U.S. Army Aberdeen Proving Ground	16,221	19.00%	Government
Harford County Public Schools	5,256	6.16%	Government
Upper Chesapeake Health	3,129	3.66%	Healthcare
Harford County Government	1,605	1.88%	Government
Rite Aid Mid-Atlantic Customer Dist. Ctr.	1,167	1.37%	Retailer
Harford Community College	1,029	1.21%	Education
Kohl's Distribution Center	905	1.06%	Warehouse
Jacobs Technology	865	1.01%	Technology
Kleins Shoprite	800	0.94%	Groceries
Wegmans Food Market	499	0.58%	Groceries
TOTAL	31,476	36.87%	
Total Employees in Harford County (Data available for county only)	85,379		

2005			
Company	Number Employed	Percentage of Total County Employment	Product/ Service
U.S. Army Aberdeen Proving Ground	12,090	15.01%	Government
Harford County Public Schools	4,764	5.92%	Government
Upper Chesapeake Health	1,940	2.41%	Healthcare
Harford County Government	1,423	1.77%	Government
Harford Community College	945	1.17%	Government
Rite Aid Mid-Atlantic Customer Dist. Ctr.	923	1.15%	Retailer
Sverdrup Technology, Inc.	500	0.62%	Technology
Saks Fifth Avenue	450	0.56%	Retailer
Bechtel National, Inc.	450	0.56%	Engineering and Construction
SAIC	420	0.52%	Technology
TOTAL	23,905	29.69%	
Total Employees in Harford County (Data available for county only)	80,527		

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									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General Government										
Mayor and Council	5	5	5	5	5	5	5	5	5	5
Administration	7	4	4	5	5	5	4	4	5	3
Finance	6	6	6	6	6	6	7	7	6	6
Planning	3	3	3	4	4	4	4	4	3	3
Human Resources	1	1	1	1	1	1	1	1	1	1
Building Custodian	1	1	1	1	1	1	1	1	-	-
Public Safety										
Police										
Officers	40	40	40	40	45	46	46	45	41	39
Civilians	14	14	14	14	14	14	14	14	14	12
Building (Construction) Inspection	1	1	1	1	1	1	1	1	1	1
Public Works	81	81	81	78	78	78	74	73	69	54
Sanitation	7	7	7	8	8	8	8	7	7	7
Parks and Recreation	-	-	-	-	-	-	-	-	-	-
Total	166	163	163	163	168	169	165	161	152	131

Source: City Fiscal Year Budgets

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

Table 18

Function	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General Government										
Construction Permits Issued	42	157	301	305	305	306	460	588	626	215
Estimated Value of Construction	\$ 21,979,857	\$ 29,577,709	\$ 32,911,735	\$ 26,720,274	\$ 72,730,957	\$ 32,886,480	\$ 17,348,304	\$ 45,420,588	\$ 29,979,342	\$ 60,960,339
Public Safety										
Traffic Contacts	7,072	8,123	7,193	2,465	3,998	5,741	4,180	3,504	3,478	2,995
Calls for Service	27,095	30,065	35,580	36,505	38,341	49,969	52,550	46,729	46,029	42,721
Public Works										
Street Resurfacing (miles)	5.07	0.65	0.89	0.34	0.98	2.05	2.22	1.22	1.40	1.46
Sidewalk Replacement/Repair (miles)	1.00	0.01	0.14	0.14	0.04	0.08	0.03	0.03	0.02	-
Stormwater Ponds Managed	14	14	2	2	10	10	10	2	3	2
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	87	22	152	13	11	19	25	134	38	47
Water Main/Lateral Breaks	36.0	39.0	38.0	66.0	44.0	54.0	26.0	145.0	-	-
Average Daily Consumption (millions of gallons)	1.351	1.325	1.442	1.404	1.333	1.410	1.502	1.531	1.540	1.473
Sewer										
Sewer Main/Lateral Breaks	37.0	80.0	6.0	9.0	14.0	10.0	6.0	5.0	-	-
Average Daily Sewage Treatment (millions of gallons)	2.17	1.62	1.73	1.52	1.97	1.69	1.76	1.90	2.02	1.82

Source: Various City departments

Capital Asset Statistics By Function Last Ten years

Table 19

<u>Function</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Public Safety - Police										
Stations	1	1	1	1	1	1	1	1	1	1
Vehicles	52	54	56	56	54	53	52	48	47	40
Highways and Streets										
Streets (miles)	72.92	72.92	72.92	72.92	72.92	72.67	72.67	72.55	71.47	68.76
Storm Sewers (miles)	20.10	15.00	15.00	15.00	15.00	15.00	15.00	14.25	13.24	12.76
Catch Basins	1,913	1,013	1,013	1,013	1,013	1,013	1,013	1,009	942	906
Street Lights	1,753	1,753	1,753	1,753	1,753	1,753	1,748	1,717	-	-
Culture and Recreation										
Number of Parks/Playgrounds	8	8	8	8	8	8	8	8	8	8
Park Acreage	36.67	36.67	36.67	36.98	36.98	36.98	34.06	34.06	34.06	34.06
Tennis Courts	1	1	1	1	1	1	2	2	2	2
Water										
Treatment Plants	1	1	1	1	1	1	1	1	1	1
Wells	14	14	16	16	16	16	16	17	13	13
Reservoirs	-	-	-	-	-	-	-	-	-	-
Water Towers	4	4	4	4	4	4	4	4	4	4
Pumping Stations	4	5	5	4	4	4	4	4	4	4
Maximum Daily Capacity (million gallons)	2.40	2.40	2.40	2.10	2.00	2.50	2.50	2.50	2.37	2.21
Number of Customer Accounts	4,986	4,974	4,923	4,765	4,759	4,963	4,773	4,758	4,720	4,727
Water Mains (miles)	82.92	66.93	66.93	66.93	66.73	66.23	66.23	65.30	64.32	61.88
Fire Hydrants	552	517	517	517	517	502	502	483	470	453
Wastewater										
Treatment Plants	1	1	1	12	1	1	1	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	4.21	4.01
Pumping Stations	11	10	10	10	10	10	10	10	10	9
Sanitary Sewers (miles)	75.06	68.79	68.79	68.79	68.79	68.54	68.54	68.10	67.54	64.97

Source: Various city departments