

Annual Comprehensive Financial Report

City of Aberdeen, Maryland



For the Fiscal Year Ended June 30, 2021

CITY OF ABERDEEN, MARYLAND

Annual Comprehensive Financial Report For the Fiscal Year Ended June 30, 2021



Prepared by:

Finance Department
City of Aberdeen

Opiribo Jack, CPA
Director of Finance

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Introductory Section





November 4, 2021

To the Honorable Mayor, City Council
and Citizens of the City of Aberdeen:

The City of Aberdeen's Annual Comprehensive Financial Report for the year ended June 30, 2021, 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 S B and Company, LLC, 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, 2021 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the financial statements for City of Aberdeen for the fiscal year

ended June 30, 2021 are fairly presented in conformity with GAAP. The auditor's report is presented as the first component of the financial section of this report.

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

PROFILE OF THE GOVERNMENT

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

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

Pursuant to City Charter, the City Manager, Mayor and Finance Director develop and present the capital and operating budgets to 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 88 through 93 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 in 1917 and is the U.S. Army's oldest active testing and evaluation facility, and home to one of the nation's largest defense technology platforms. APG is center for Army material and electronic testing, laboratory research and military training; the post is a key element in the nation's defense. Home to thousands of

military, civilian and contract team members, APG has a long and illustrious reputation as one of the Department of Defense's finest installations. With the completion of the 2005 Base Realignment and Closure process, APG's mission changed from ordinance development, testing and training to high tech electronic and intelligence research and development. As a result, the number of jobs on APG grew significantly to include contractors in "high tech" defense related industries. These new personnel have higher educational attainment, skill levels and incomes than those replaced. This has led to increased wages and salaries having a positive impact on the local economy.

The City has a diversified employment base with a robust and growing blend of commercial, industrial, financial, governmental, educational, and non-profit institutional employers. Notable employers include Frito-Lay with nearly one thousand employees, AMI Fabrication, and a UPS hub site. The City is also on the Amtrac and MARC rail system, and between 2015 and 2019, the entire portion of State Route 22 and its supporting infrastructure, the principal arterial highway serving I-95, downtown Aberdeen and APG, was completely redone using Base Realignment and Closure (BRAC) funding. In 2020, Amazon selected Aberdeen as a home for a new Distribution Center that is projected to employ several hundred individuals. Aberdeen has also recently been selected as site of the National Additive Manufacturing Center, which will serve as a focal point for 3D research. In 2019, Aberdeen was selected as the home for a free-standing medical center owned and operated by Upper Chesapeake Health Care System. The University of Maryland Upper Chesapeake Medical Center has obtained several parcels of land for this purpose. The construction of the free-standing medical facility is expected to be completed in the Spring of 2023. The City is also home to the Aberdeen Ironbirds, a minor league team under the ownership of baseball's renowned Mr. Cal Ripken. The City is experiencing growth in both residential and commercial construction, with over 1,300 residential units planned, which will impact the real estate tax base.

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

While overall the City has a robust and well-maintained infrastructure, we continue to focus on replacing and improving the underground infrastructure, especially in the older sections of the city.

AWARDS

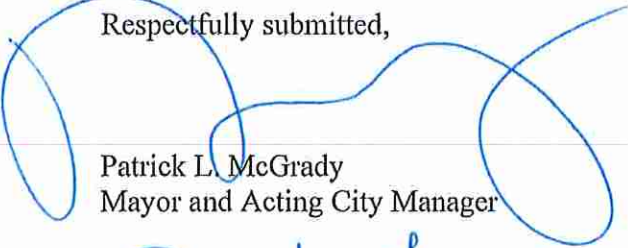
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to City of Aberdeen for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2020. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting. To be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized annual comprehensive 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 annual comprehensive 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 professional dedication and competency of the City's Finance Department, and we extend our sincere appreciation to each member for his or her contribution and support. Thanks go to the City's elected leaders for their vision and encouragement to provide a prudent and practical legislative agenda that has enabled the City to make significant progress.

Respectfully submitted,



Patrick L. McGrady
Mayor and Acting 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**

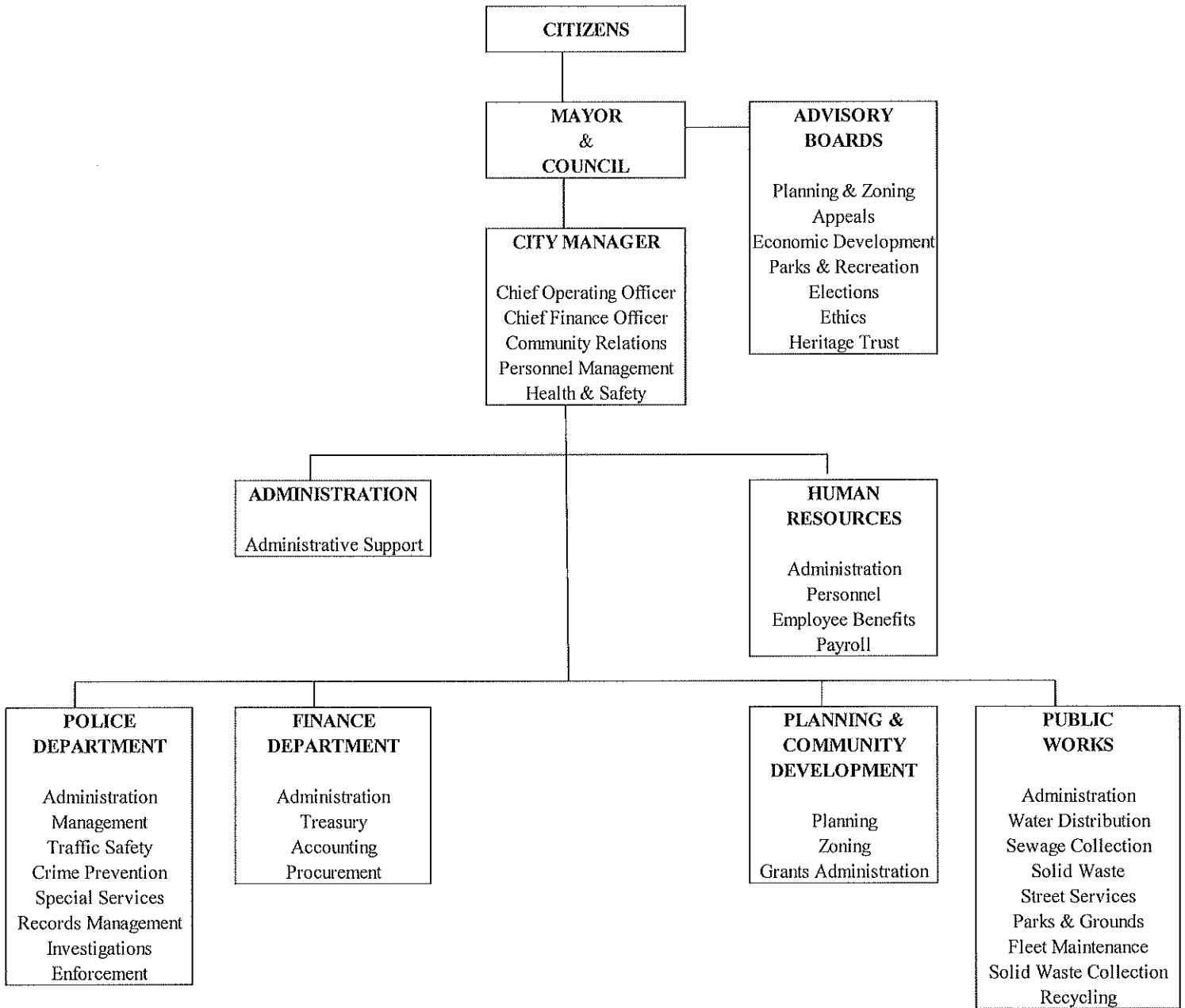
For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morrill

Executive Director/CEO

CITY OF ABERDEEN - ORGANIZATIONAL CHART



CITY OF ABERDEEN
HARFORD COUNTY, MARYLAND
GOVERNMENT ORGANIZATION

ELECTED AND APPOINTED OFFICIALS

AS OF JUNE 30, 2021

ELECTED OFFICIALS

City Mayor	Mr. Patrick L. McGrady
City Council Members	Mrs. Sandra J. Landbeck Mr. Timothy W. Lindecamp Mr. Adam Hiob Mr. Jason Kolligs

APPOINTED OFFICIALS

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

Financial Section





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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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 (the City) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The City's 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 controls 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 basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the basic 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 controls. 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 basic 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, as of June 30, 2021, and the respective changes in its financial position and, where applicable, cash flows thereof and the respective budget and actual for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America



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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of changes in the City's Net Pension (Asset) Liability and Related Ratios – Defined Benefit Pension Plan and Police Department Pension Plan, schedule of City Contributions – Pension, schedule of changes in Net OPEB Liability and Related Ratios, schedule of City Contributions – OPEB, and schedules of Investment Returns – Pension and OPEB. 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'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 were 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 29, 2021 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Owings Mills, Maryland
October 29, 2021

SB & Company, LLC

CITY OF ABERDEEN, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2021

Introduction

As management of the City of Aberdeen, Maryland (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2021. The Management's Discussion and Analysis (MD&A) is best understood if read in conjunction with the City's basic financial statements.

Financial Highlights

1. The City's assets plus deferred outflows exceeded its liabilities plus deferred inflows at the close of the most recent fiscal year by \$98.4 million (net position). Of this amount, \$22.9 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 \$9.5 million. Most of this increase is attributable to increased charges for services, state grants, and miscellaneous revenues, along with savings in expenses.
3. The City's total long-term liabilities decreased by \$3.8 million during the current fiscal year from \$19.3 million to \$15.4 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 \$16.1 million. This represents an increase of \$1.6 million over the prior year. Approximately 91% (\$14.7 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 \$14.7 million or 90% 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) Governmentwide 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, 2021

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

The government-wide financial statements include only the City because the City has no component unit relationships with any other agency. The government-wide financial statements can be found on pages 13 and 14 of this report.

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

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

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

The City maintains two individual governmental funds - the General and Capital Projects 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 the various governmental funds.

The City adopts an annual appropriated budget for its individual governmental funds. 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 15 to 18 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 20 to 22 of this report.

Fiduciary funds. The City maintains three separate fiduciary funds, which are used to report assets held in a trust or agency capacity for others and which therefore cannot be used to support the City's own programs. The City uses fiduciary funds to account for the City of Aberdeen Defined Benefit Pension Plan, the City of Aberdeen Police Department Pension Plan, and the City of Aberdeen OPEB Trust Fund. The basic fiduciary fund financial statements can be found on pages 23 and 24 of this report.

CITY OF ABERDEEN, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2021

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 25 to 72 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension and other post-employment (OPEB) benefits to its employees. Required supplementary information can be found on pages 74 to 81 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's overall financial condition and position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$98.4 million at the close of the most recent fiscal year. The City of Aberdeen net position is divided into three categories - net investment in capital assets, restricted, and unrestricted net position.

The largest portion of the City's net position (77%) reflects its investment in capital assets net of depreciation (e.g., land and improvements, buildings, machinery, equipment, vehicles, infrastructure, and improvements); less any un-matured debt used to acquire these assets. The debt used to acquire these assets must be repaid using other financial resources because the assets themselves cannot be used for repayment.

Restricted net position of \$185 thousand (0.2% of total net position) represents the City's net pension asset.

Unrestricted net position of the government-wide financial statements has a balance of \$22.8 million (23% 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 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 10.7% increase. Most of this increase is attributable to increased charges for services, state shared/other local taxes, and miscellaneous revenues, along with savings in expenses.

CITY OF ABERDEEN, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2021

The following table summarizes the net position for governmental and business-type activities as of June 30, 2021 and 2020:

	Governmental Activities (000's)		Business-type Activities (000's)		Total (000's)	
	2021	2020	2021	2020	2021	2020
Assets						
Current and other assets	\$ 18,446	\$ 16,618	\$ 9,765	\$ 5,479	\$ 28,211	\$ 22,097
Capital assets	30,065	30,435	56,970	56,183	87,035	86,618
Total assets	48,511	47,053	66,735	61,662	115,246	108,715
Deferred outflows of resources	2,497	2,808	152	187	2,649	2,995
Liabilities						
Other liabilities	905	947	1,320	864	2,225	1,811
Long-term liabilities	5,972	6,559	9,492	12,751	15,464	19,310
Total liabilities	6,877	7,506	10,812	13,615	17,689	21,121
Deferred inflows of resources	1,642	1,529	129	140	1,771	1,669
Net Position						
Net investment in capital assets	27,574	27,330	47,881	43,899	75,455	71,229
Restricted	185	63	-	-	185	63
Unrestricted	14,731	13,433	8,045	4,174	22,776	17,607
Total net position	\$ 42,490	\$ 40,826	\$ 55,926	\$ 48,073	\$ 98,416	\$ 88,899

CITY OF ABERDEEN, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021

The following table indicates the changes in net position for governmental and business-type activities for the years ended June 30, 2021 and 2020:

	Governmental Activities (000's)		Business-type Activities (000's)		Total (000's)	
	2021	2020	2021	2020	2021	2020
Revenues						
Program revenues:						
Charges for services	\$ 2,986	\$ 3,073	\$ 10,821	\$ 7,386	\$ 13,807	\$ 10,459
Operating grants/ contributions	2,715	2,593	120	120	2,835	2,713
Capital grants/ contributions	755	917	1,935	477	2,690	1,394
General revenues:						
Property taxes	11,304	11,041	-	-	11,304	11,041
Shared taxes	2,055	1,844	44	114	2,099	1,958
Miscellaneous	288	470	139	114	427	584
Debt forgiveness	-	-	1,500	-	1,500	-
Total revenues	20,103	19,938	14,559	8,211	34,662	28,149
Expenses						
General government	4,768	4,429	-	-	4,768	4,429
Public safety	6,858	7,295	-	-	6,858	7,295
Public works	5,447	5,194	-	-	5,447	5,194
Recreation and culture	153	161	-	-	153	161
Interest on long-term debt	96	115	-	-	96	115
Utilities and other enterprise funds	-	-	7,823	7,835	7,823	7,835
Total expenses	17,322	17,194	7,823	7,835	25,145	25,029
Change in net position	2,781	2,744	6,736	376	9,517	3,120
Transfers	(1,117)	(948)	1,117	948	-	-
Increase in net position	1,664	1,796	7,853	1,324	9,517	3,120
Net Position, Beginning	40,826	39,030	48,073	46,749	88,899	85,779
Net Position, Ending	\$ 42,490	\$ 40,826	\$ 55,926	\$ 48,073	\$ 98,416	\$ 88,899

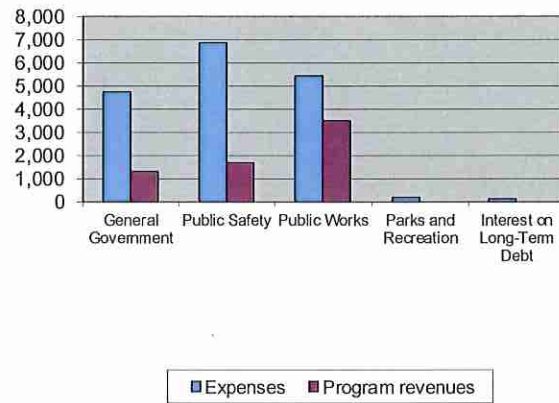
Governmental activities: The increase in net position for governmental activities was \$1.7 million, which is \$0.1 million lower when compared to the 2020 increase of \$1.8 million. Property taxes increased by \$429 thousand, but were offset by decreases in other areas. There were no other significant fluctuations compared to 2020.

CITY OF ABERDEEN, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021

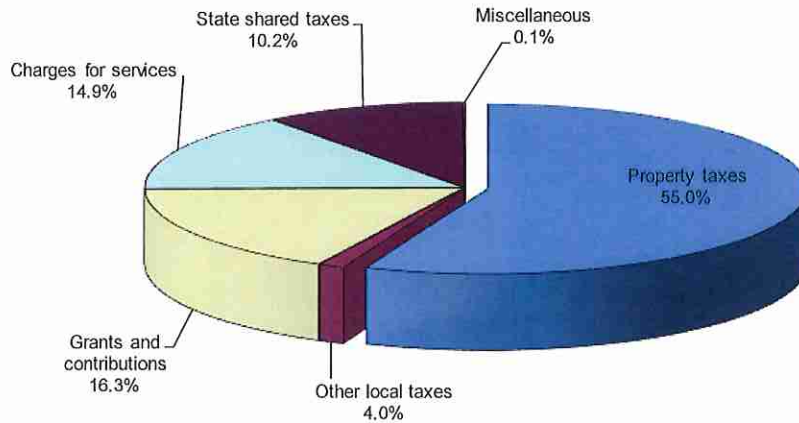
The following chart compares the Expenses and Program Revenues of the City's Governmental Activities:

Expenses and Program Revenues - Governmental Activities (000)



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

Revenues by Source Governmental Activities



CITY OF ABERDEEN, MARYLAND

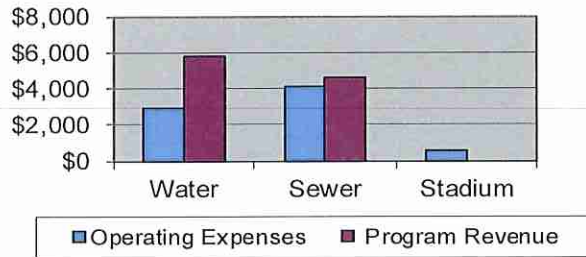
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021

Business-type activities: Business-type activities increased the City's net position by \$7.8 million, which is \$6.4 million more than the increase from 2019 to 2020. Key elements of this increase are as follows:

- Charges for services increased \$3.4 million, primarily due to a \$3 million increase in revenue from capital connection charges and \$584 thousand in usage charges during 2021.
- Business-type expenses decreased by \$13 thousand primarily due to decreases in costs of services provided to customers.
- Transfers from Governmental Activities increased \$169 thousand compared to 2020.

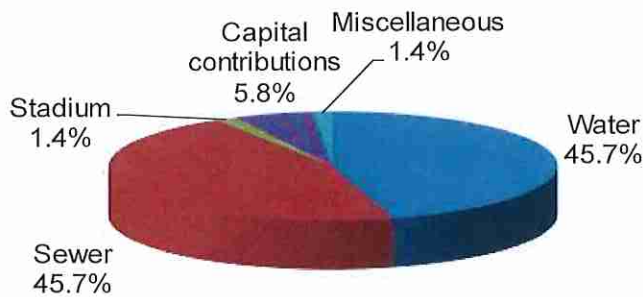
The following chart compares the Expenses and Program Revenues of the City's Business-Type Activities:

**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 - Fund Level



CITY OF ABERDEEN, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2021

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending balances of \$16.1 million, an increase of \$1.6 million in comparison with the prior year. Approximately 91% of this total amount (\$14.7 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 (\$45 thousand) and 2) assigned balances for general government, public safety, public works, storm water management and capital projects (\$1.5 million).

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$14.7 million, which represents 98% of total general 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 90% of total General Fund expenditures, while total fund balance represents 93% of that same amount. The General Fund balance increased by \$1.8 million during the current fiscal year. The key elements are:

- Total revenues were higher than total expenditures by \$3.6 million.
- Property taxes were \$527 thousand higher than 2020 due to higher growth and higher property values.
- Income taxes were \$326 thousand higher than 2020 due to tax deferrals in the previous year due to the pandemic.
- Total expenditures were \$88 thousand higher than 2020.
- Transfers out were \$1.8 million, which were made largely for the funding of capital projects in other funds. Transfers out were \$1.1 million lower than 2020.

Financial resources of the Capital Project Fund are used in the acquisition or construction of major capital projects not financed by the proprietary funds. At the end of the current fiscal year, fund balance of \$108 thousand was assigned to storm water management, and the remaining fund balance of \$988 thousand was assigned to capital projects for a total fund balance of \$1.0 million. The fund balance decreased by \$148 thousand during the current fiscal year. The key elements are:

- Revenue was \$149 thousand less than 2020 due to a decrease in grant revenue.
- Expenditures were \$2.2 million less than 2020 due to fewer public works projects.
- Total transfers in were \$690 thousand from the general fund for capital projects funding, a decrease of \$1.2 million compared to 2020.

Proprietary funds. The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the three funds at the end of the year amounted to \$5.8 million for the Water Fund, \$1.6 million for the Sewer Fund, and \$693 thousand for the Stadium Fund. The total net position increased by \$7.9 million. Other factors concerning these funds' finances have been addressed in the discussion of the City's business-type activities.

CITY OF ABERDEEN, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2021

General Fund Budgetary Highlights

The final budget for the General Fund expenditures was increased \$694 thousand (4%) over the original budget to adjust for situations arising during the year. The most significant increases were \$347 thousand increase in general government and a \$227 thousand increase in public works.

Property taxes were \$582 thousand higher than budgeted due to higher growth and property values than initially assessed. Income taxes were \$795 thousand higher than budgeted due to higher than expected receipts of shared tax income from the state.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2021, amounts to \$87.0 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, vehicles, infrastructure (including park facilities, roads, highways and bridges) and construction in progress. The total net increase in the City's capital assets for the current fiscal year was \$421 thousand or 0.5% (a 1.2% decrease for governmental activities and a 1.4% increase for business-type activities). The major capital asset activities in the current year included street resurfacing of approximately \$740 thousand, and improvements in the Ripken Stadium lighting and turf field for \$1.5 million.

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

	Governmental Activities (000's)		Business-type Activities (000's)		Total (000's)	
	2021	2020	2021	2020	2021	2020
Land	\$ 6,771	\$ 6,686	\$ 1,963	\$ 1,963	\$ 8,734	\$ 8,649
Buildings	3,996	4,184	11,949	12,488	15,945	16,672
Improvements other than buildings	316	330	2,870	1,245	3,186	1,575
Machinery and equipment	1,801	1,968	1,833	2,031	3,634	3,999
Vehicles	926	1,042	-	-	926	1,042
Recreational facilities	221	269	-	-	221	269
Infrastructure	15,705	15,433	-	-	15,705	15,433
Capital lease assets	326	523	7	11	333	534
Water and sewer systems	-	-	37,426	37,231	37,426	37,231
Construction in progress	3	-	922	1,214	925	1,214
Total	\$ 30,065	\$ 30,435	\$ 56,970	\$ 56,183	\$ 87,035	\$ 86,618

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

Long-term liabilities. At the end of the current fiscal year, the City had total long-term liabilities outstanding of \$15.5 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, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2021

City of Aberdeen's Outstanding Long-term Liabilities

	Governmental Activities (000's)		Business-type Activities (000's)		Total (000's)	
	2021	2020	2021	2020	2021	2020
General obligation bonds	\$ 2,122	\$ 2,520	\$ 3,790	\$ 5,108	\$ 5,912	\$ 7,628
Notes payable	-	-	4,934	7,142	4,934	7,142
Capital leases	362	577	8	11	370	588
Compensated absences	855	867	209	212	1,064	1,079
Net pension liability	2,055	1,199	-	-	2,055	1,199
Net OPEB liability	571	1,389	130	256	701	1,645
Premiums	7	9	421	23	428	32
Total	\$ 5,972	\$ 6,561	\$ 9,492	\$ 12,752	\$ 15,464	\$ 19,313

During the current fiscal year, the City's total long-term liabilities decreased by \$3.8 million or 19.9%. The City has strictly adhered to its debt repayment amortization schedules.

The amount of general obligation debt the City may issue is not limited by State statute or local ordinance. However, the City adheres to a fiscal policy adopted by its elected officials that prohibits general obligation debt from exceeding 15% of the assessed value of taxable property. The City was in compliance as of June 30, 2021. Additional information on the City's long-term liabilities can be found in Note 8 of this report.

Economic Factors and Next Year's Budgets and Rates

- Regional employment that also impacts the City has been impacted due to the pandemic. The Harford County unemployment rate is 4.9% which is lower than the Maryland unemployment rate of 5.8% as of July 2021. The County unemployment rate is lower than the National rate of 5.2% as of August 2021.
- Aberdeen Proving Ground (APG) is home to a workforce of 21,000± employees. APG's mission is primarily RDT&E (Research, Development, Communication, Cybersecurity, Test and Evaluation) and features a large civilian based employment population working in highly skilled disciplines with advanced degrees. The installation continues to be postured for additional mission and job growth as APG expands its global presence in salient and relevant world issues.
- The City is experiencing growth in both residential and commercial construction, with over 1,300 residential units planned, which will impact the real estate tax base.
- The real estate tax rate remains unchanged at \$0.6400 per \$100 of assessed value for the fiscal year 2022 budget.
- The water base rate was increased to \$21.70, and the sewer base rate was increased to \$26.07, for the fiscal year 2022 budget.

The above factors were considered in preparing the City of Aberdeen's budget for fiscal year 2022.

Requests for Information

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

CITY OF ABERDEEN, MARYLAND

**Statement of Net Position
June 30, 2021**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 13,875,196	\$ 7,342,379	\$ 21,217,575
Investments	2,116,816	-	2,116,816
Receivables, current	2,224,280	2,137,528	4,361,808
Prepays	44,655	2,038	46,693
Inventory	-	149,748	149,748
Receivables, noncurrent	-	133,974	133,974
Capital Assets			
Nondepreciable assets	6,773,979	2,885,081	9,659,060
Net of accumulated depreciation	23,290,823	54,084,704	77,375,527
Net pension asset	185,387	-	185,387
	<u>48,511,136</u>	<u>66,735,452</u>	<u>115,246,588</u>
DEFERRED OUTFLOWS OF RESOURCES			
Loss on refunding	-	65,069	65,069
Pension related items	1,555,271	-	1,555,271
OPEB related items	941,919	87,428	1,029,347
Total deferred outflows of resources	<u>2,497,190</u>	<u>152,497</u>	<u>2,649,687</u>
LIABILITIES			
Accounts payable	425,084	1,157,546	1,582,630
Accrued liabilities	270,230	162,889	433,119
Other liabilities	209,838	-	209,838
Non-current liabilities:			
Due within one year	1,055,056	1,251,520	2,306,576
Due in more than one year	4,916,829	8,240,007	13,156,836
Total liabilities	<u>6,877,037</u>	<u>10,811,962</u>	<u>17,688,999</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related items	253,578	-	253,578
OPEB related items	1,388,048	128,840	1,516,888
Total deferred inflows of resources	<u>1,641,626</u>	<u>128,840</u>	<u>1,770,466</u>
NET POSITION			
Net investment in capital assets	27,573,602	47,881,373	75,454,975
Restricted - pension	185,387	-	185,387
Unrestricted	14,730,674	8,045,290	22,775,964
TOTAL NET POSITION	<u>\$ 42,489,663</u>	<u>\$ 55,926,663</u>	<u>\$ 98,416,326</u>

The accompanying notes are an integral part of this financial statement.

CITY OF ABERDEEN, MARYLAND

Statement of Activities
Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT							
Governmental activities:							
General government	\$ 4,768,267	\$ 210,032	\$ 1,042,350	\$ 48,433	\$ (3,467,452)	\$ -	\$ (3,467,452)
Public safety	6,858,164	7,895	1,672,742	31	(5,177,496)	-	(5,177,496)
Public works	5,446,825	2,768,003	-	706,292	(1,972,530)	-	(1,972,530)
Parks and recreation	153,199	-	-	-	(153,199)	-	(153,199)
Interest on long-term debt	95,817	-	-	-	(95,817)	-	(95,817)
Total governmental activities	<u>17,322,272</u>	<u>2,985,930</u>	<u>2,715,093</u>	<u>754,756</u>	<u>(10,866,494)</u>	<u>-</u>	<u>(10,866,494)</u>
Business-type activities							
Water	3,069,311	6,036,124	-	-	-	2,966,813	2,966,813
Sewer	4,167,441	4,784,493	120,000	489,432	-	1,226,484	1,226,484
Stadium	585,220	-	-	1,445,125	-	859,905	859,905
Total business-type activities	<u>7,821,972</u>	<u>10,820,617</u>	<u>120,000</u>	<u>1,934,557</u>	<u>-</u>	<u>5,053,202</u>	<u>5,053,202</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 25,144,244</u>	<u>\$ 13,806,547</u>	<u>\$ 2,835,093</u>	<u>\$ 2,689,313</u>	<u>(10,866,494)</u>	<u>5,053,202</u>	<u>(5,813,292)</u>
GENERAL REVENUES							
Property tax					11,304,025	-	11,304,025
Income tax-shared					2,055,091	-	2,055,091
Admission and amusements tax-shared					-	43,792	43,792
Other local tax					267,774	-	267,774
Interest earnings					11,892	114,361	126,253
Gain on disposal of capital assets					8,441	25,222	33,663
Debt forgiveness					-	1,500,000	1,500,000
Transfers					(1,116,820)	1,116,820	-
Total general revenues and transfers					<u>12,530,403</u>	<u>2,800,195</u>	<u>15,330,598</u>
CHANGE IN NET POSITION					<u>1,663,909</u>	<u>7,853,397</u>	<u>9,517,306</u>
NET POSITION, BEGINNING					<u>40,825,754</u>	<u>48,073,266</u>	<u>85,779,092</u>
NET POSITION, ENDING					<u>\$ 42,489,663</u>	<u>\$ 55,926,663</u>	<u>\$ 95,296,398</u>

The accompanying notes are an integral part of this financial statement.

CITY OF ABERDEEN, MARYLAND

**Governmental Funds Balance Sheet
June 30, 2021**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 12,773,012	\$ 1,102,184	\$ 13,875,196
Investments	2,116,816	-	2,116,816
Receivables (net of allowance for uncollectible)	2,219,224	5,056	2,224,280
Prepays	44,655	-	44,655
TOTAL ASSETS	<u>\$ 17,153,707</u>	<u>\$ 1,107,240</u>	<u>\$ 18,260,947</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 415,650	\$ 9,434	\$ 425,084
Accrued liabilities	270,230	-	270,230
Other liabilities	209,838	-	209,838
Total liabilities	<u>895,718</u>	<u>9,434</u>	<u>905,152</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	826,085	1,308	827,393
Unavailable revenue - other	392,646	-	392,646
	<u>1,218,731</u>	<u>1,308</u>	<u>1,220,039</u>
FUND BALANCES			
Nonspendable			
Prepays	44,665	-	44,665
Assigned			
General government	89,299	-	89,299
Stormwater management	250,750	108,155	358,905
Capital Projects	-	988,343	988,343
Unassigned	14,654,544	-	14,654,544
Total fund balances	<u>15,039,258</u>	<u>1,096,498</u>	<u>16,135,756</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 17,153,707</u>	<u>\$ 1,107,240</u>	<u>\$ 18,260,947</u>

The accompanying notes are an integral part of this financial statement.

CITY OF ABERDEEN, MARYLAND

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2021**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS		\$ 16,135,756
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 as assets in governmental funds.		
Cost of capital assets	56,261,841	
Accumulated depreciation	<u>(26,197,039)</u>	30,064,802
Net pension asset in governmental activities is not a financial resource and therefore not reported in the funds		
		185,387
Long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds		
		1,220,039
Deferred outflows not included in the government funds:		
Pension related items	1,555,271	
OPEB related items	<u>941,919</u>	2,497,190
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds payable	(2,122,700)	
Capital leases	(361,901)	
Net pension liability	(2,055,332)	
Net OPEB liability	(570,824)	
Compensated absences	(854,529)	
Bond premiums	<u>(6,599)</u>	(5,971,885)
Deferred inflows not included in the governmental funds:		
Pension related items	(253,578)	
OPEB related items	<u>(1,388,048)</u>	(1,641,626)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		<u>\$ 42,489,663</u>

The accompanying notes are an integral part of this financial statement.

CITY OF ABERDEEN, MARYLAND

**Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2021**

	General Fund	Capital Projects Fund	Total Governmental Funds
REVENUES			
Taxes	\$ 13,683,068	\$ -	\$ 13,683,068
Licenses and permits	161,274	-	161,274
Intergovernmental	3,187,999	81,781	3,269,780
APG management fees	2,655,561	-	2,655,561
Miscellaneous	183,701	-	183,701
Total revenues	<u>19,871,603</u>	<u>81,781</u>	<u>19,953,384</u>
EXPENDITURES			
Current:			
General government	2,614,685	-	2,614,685
Public safety	4,514,807	-	4,514,807
Public works	4,557,487	-	4,557,487
Recreation and parks	89,965	-	89,965
Miscellaneous	3,542,241	-	3,542,241
Capital outlay	272,585	919,710	1,192,295
Debt service:			
Principal	612,226	-	612,226
Interest and fees	98,046	-	98,046
Total expenditures	<u>16,302,042</u>	<u>919,710</u>	<u>17,221,752</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>3,569,561</u>	<u>(837,929)</u>	<u>2,731,632</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	-	690,000	690,000
Transfers out	(1,806,820)	-	(1,806,820)
Proceeds from sale of capital assets	8,441	-	8,441
Total other financing sources	<u>(1,798,379)</u>	<u>690,000</u>	<u>(1,108,379)</u>
Net Change in Fund Balances	1,771,182	(147,929)	1,623,253
FUND BALANCES, BEGINNING OF YEAR	<u>13,268,076</u>	<u>1,244,427</u>	<u>14,512,503</u>
FUND BALANCES, END OF YEAR	<u>\$ 15,039,258</u>	<u>\$ 1,096,498</u>	<u>\$ 16,135,756</u>

The accompanying notes are an integral part of this financial statement.

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, 2021**

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUND \$ 1,623,253

Amounts reported for governmental activities in the Statement of Activities are different because:

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

Capital outlays	1,169,761
Depreciation expense	(1,539,113)

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

Compensated absences	12,730
Pension expense, including related deferrals	(667,123)
OPEB expense, including related deferrals	326,883

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

Principal repayments	611,442
Amortization of premiums	2,229

Some revenues will not be collected for several months after the fiscal year ends. As such, these resources are not considered available revenues and are deferred in the governmental funds. Unavailable revenue increased this year.

123,847

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 1,663,909

CITY OF ABERDEEN, MARYLAND

**Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund
Year Ended June 30, 2021**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>Budgetary</u> <u>Basis</u>	<u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
REVENUE				
Taxes	\$ 12,301,460	\$ 12,301,460	\$ 13,683,068	\$ 1,381,608
Licenses and permits	109,250	109,250	161,274	52,024
Intergovernmental	2,876,433	3,475,851	3,187,939	(287,912)
APG management fees	750,000	750,000	899,437	149,437
Miscellaneous	336,000	347,067	183,761	(163,306)
Total revenues	<u>16,373,143</u>	<u>16,983,628</u>	<u>18,115,479</u>	<u>1,131,851</u>
EXPENDITURES				
Current:				
General government	2,677,216	3,068,782	2,688,067	380,715
Public safety	4,963,661	4,988,728	4,557,295	431,433
Public works	2,844,533	3,121,585	2,972,402	149,183
Parks and recreation	136,300	136,300	96,205	40,095
Miscellaneous	3,889,918	3,889,918	3,527,221	362,697
Debt service				
Principal	621,690	621,690	612,226	9,464
Interest	102,313	102,313	98,046	4,267
Total expenditures	<u>15,235,631</u>	<u>15,929,316</u>	<u>14,551,462</u>	<u>1,377,854</u>
OTHER FINANCING SOURCES				
Transfers out	(1,806,820)	(1,806,820)	(1,806,820)	-
Appropriation of fund balances	669,308	752,508	-	752,508
Total other financing sources	<u>(1,137,512)</u>	<u>(1,054,312)</u>	<u>(1,806,820)</u>	<u>(752,508)</u>
Net change in fund balance-budgetary basis	<u>\$ -</u>	<u>\$ -</u>	<u>1,757,197</u>	<u>\$ 1,757,197</u>
Adjustments to conform with Generally Accepted Accounting Principles (GAAP)			13,985	
Net Change in Fund Balance - GAAP Basis			1,771,182	
FUND BALANCE - BEGINNING OF YEAR			<u>13,268,076</u>	
FUND BALANCE - END OF YEAR			<u>\$ 15,039,258</u>	

The accompanying notes are an integral part of this financial statement.

CITY OF ABERDEEN, MARYLAND

Statement of Net Position – Proprietary Funds (Enterprise Funds)
June 30, 2021

	Business-Type Activities - Enterprise Funds			
	Water Utility	Sewer Utility	Stadium	Total
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 5,557,691	\$ 1,609,631	\$ 175,057	\$ 7,342,379
Receivables, current	675,305	927,553	534,670	2,137,528
Prepays	1,019	1,019	-	2,038
Inventory	75,428	74,320	-	149,748
Total current assets	6,309,443	2,612,523	709,727	9,631,693
Noncurrent Assets				
Receivables, noncurrent	-	133,974	-	133,974
Capital assets, net	10,167,285	32,667,736	14,134,764	56,969,785
Total noncurrent assets	10,167,285	32,801,710	14,134,764	57,103,759
Total assets	16,476,728	35,414,233	14,844,491	66,735,452
Deferred Outflows of Resources				
Deferred outflows for OPEB	14,565	72,863	-	87,428
Deferred charge on refunding	65,069	-	-	65,069
	79,634	72,863	-	152,497
LIABILITIES				
Current Liabilities				
Accounts payable	416,584	726,497	14,465	1,157,546
Accrued liabilities	64,447	96,249	2,193	162,889
Unearned revenue	-	20,484	-	20,484
Notes payable	-	643,590	-	643,590
Bonds payable	420,477	-	75,842	496,319
Capital lease	920	2,599	-	3,519
Compensated absences	25,502	82,590	-	108,092
Total current liabilities	927,930	1,572,009	92,500	2,592,439
Noncurrent Liabilities				
Notes payable	-	4,290,575	-	4,290,575
Bonds payable	3,714,900	-	-	3,714,900
Capital lease	1,379	3,199	-	4,578
Compensated absences	26,082	74,358	-	100,440
OPEB liabilities	2,120	127,394	-	129,514
Total noncurrent liabilities	3,744,481	4,495,526	-	8,240,007
Total liabilities	4,672,411	6,067,535	92,500	10,832,446
Deferred Inflows of Resources				
Deferred inflows for OPEB	21,464	107,376	-	128,840
	21,464	107,376	-	128,840
NET POSITION				
Net investment in capital assets	6,094,678	27,727,773	14,058,922	47,881,373
Unrestricted	5,767,809	1,584,412	693,069	8,045,290
TOTAL NET POSITION	\$ 11,862,487	\$ 29,312,185	\$ 14,751,991	\$ 55,926,663

The accompanying notes are an integral part of this financial statement.

CITY OF ABERDEEN, MARYLAND

**Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds (Enterprise Funds)
Year Ended June 30, 2021**

	Business-Type Activities - Enterprise Funds			
	Water Utility	Sewer Utility	Stadium	Total
OPERATING REVENUES				
Charges for services	\$ 5,801,988	\$ 4,601,470	\$ -	\$ 10,403,458
Other operating revenues	233,951	279,882	43,792	557,625
Miscellaneous	185	23,141	-	23,326
Total operating revenues	6,036,124	4,904,493	43,792	10,984,409
OPERATING EXPENSES				
Cost of service	2,077,281	2,458,419	67,003	4,602,703
Other operating expense	269,203	361,505	-	630,708
Depreciation	575,061	1,272,682	512,917	2,360,660
Total operating expenses	2,921,545	4,092,606	579,920	7,594,071
Operating income	3,114,579	811,887	(536,128)	3,390,338
Non-Operating Revenue (Expenses)				
Investment interest	389	473	199	1,061
Interest income on notes receivable	-	-	113,300	113,300
Gain (loss) on sale of property	36,056	(10,834)	-	25,222
Interest expense	(147,766)	(74,835)	(5,300)	(227,901)
Debt forgiveness	-	1,500,000	-	1,500,000
Net non-operating expenses	(111,321)	1,414,804	108,199	1,411,682
Gain before transfers and capital grants and contributions	3,003,258	2,226,691	(427,929)	4,802,020
Transfer in	-	-	1,116,820	1,116,820
Capital grants and contributions	-	489,432	1,445,125	1,934,557
CHANGE IN NET POSITION	3,003,258	2,716,123	2,134,016	7,853,397
NET POSITION, BEGINNING OF PERIOD	8,859,229	26,596,062	12,617,975	48,073,266
NET POSITION, END OF PERIOD	\$ 11,862,487	\$ 29,312,185	\$ 14,751,991	\$ 55,926,663

The accompanying notes are an integral part of this financial statement.

CITY OF ABERDEEN, MARYLAND

**Statement of Cash Flows - Proprietary Funds (Enterprise Funds)
Year Ended June 30, 2021**

	Business-Type Activities - Enterprise Funds			
	Water Utility	Sewer Utility	Stadium	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 5,679,720	\$ 4,441,237	\$ -	\$ 10,120,957
Receipts from other sources	234,136	303,023	(489,633)	47,526
Receipts from other funds	180,000	-	-	180,000
Payments to employees	(679,155)	(1,280,064)	-	(1,959,219)
Payments to suppliers	(1,836,233)	(973,658)	(56,386)	(2,866,277)
Payments to other funds	-	(180,000)	-	(180,000)
Net cash provided by operating activities	<u>3,578,468</u>	<u>2,310,538</u>	<u>(546,019)</u>	<u>5,342,987</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers in	-	-	1,116,820	1,116,820
Net cash provided by non-capital financing activities	<u>-</u>	<u>-</u>	<u>1,116,820</u>	<u>1,116,820</u>
CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES				
Principal payments on capital leases	(730)	(2,472)	-	(3,202)
Principal payments on notes payable	-	(707,426)	-	(707,426)
Proceeds from bonds payable	3,045,719	-	-	3,045,719
Principal payments on bonds payable	(3,376,600)	-	(588,583)	(3,965,183)
Interest paid	(163,665)	(74,835)	(5,300)	(243,800)
Capital grants and contributions	-	484,376	1,445,647	1,930,023
Proceeds from the sale of capital assets	36,056	-	-	36,056
Purchase of capital assets	(821,201)	(631,106)	(1,696,202)	(3,148,509)
Net cash used in capital and related financing activities	<u>(1,280,421)</u>	<u>(931,463)</u>	<u>(844,438)</u>	<u>(3,056,322)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment earnings	389	473	199	1,061
Interest received on notes receivable	-	-	113,300	113,300
Net cash provided by investing activities	<u>389</u>	<u>473</u>	<u>113,499</u>	<u>114,361</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>2,298,436</u>	<u>1,379,548</u>	<u>(160,138)</u>	<u>3,517,846</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>3,259,255</u>	<u>230,083</u>	<u>335,195</u>	<u>3,824,533</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 5,557,691</u>	<u>\$ 1,609,631</u>	<u>\$ 175,057</u>	<u>\$ 7,342,379</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income	\$ 3,114,579	\$ 811,887	\$ (536,128)	\$ 3,390,338
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities:				
Depreciation	575,061	1,272,682	512,917	2,360,660
Net OPEB expense adjustment for changes in net OPEB liability and other OPEB related deferred outflows and deferred inflows	(39,677)	(31,240)	-	(70,917)
Changes in assets and liabilities:				
Receivables	(122,268)	(159,391)	(533,425)	(815,084)
Due from/to other funds	180,000	(180,000)	-	-
Prepays	5,284	17,552	-	22,836
Inventory	(10,513)	6,209	-	(4,304)
Accounts payable	(138,336)	545,802	11,141	418,607
Accrued liabilities	22,623	16,417	(524)	38,516
Unearned revenue	-	(842)	-	(842)
Compensated absences	(8,285)	11,462	-	3,177
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 3,578,468</u>	<u>\$ 2,310,538</u>	<u>\$ (546,019)</u>	<u>\$ 5,342,987</u>
SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Debt forgiveness	<u>\$ -</u>	<u>\$ 1,500,000</u>	<u>\$ -</u>	<u>\$ 1,500,000</u>

The accompanying notes are an integral part of this financial statement.

CITY OF ABERDEEN, MARYLAND

**Statement of Fiduciary Net Position
June 30, 2021**

	Pension and Other Post Employment Benefits Trusts
ASSETS	
Investments at fair-value:	
Pooled separate accounts	\$ 20,994,708
Insurance contract, at amortized cost	<u>1,085,382</u>
Total assets	<u>22,080,090</u>
NET POSITION	
Restricted for pension	18,187,899
Restricted for other post-employment benefits	<u>3,892,191</u>
Total net position	<u>\$ 22,080,090</u>

The accompanying notes are an integral part of this financial statement.

CITY OF ABERDEEN, MARYLAND

**Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2021**

	<u>Pension and Other Post Employment Benefits Trusts</u>
ADDITIONS	
Contributions:	
Employer contributions	\$ 1,218,687
Plan member contributions	<u>183,417</u>
Total contributions	<u>1,402,104</u>
Investment income	<u>3,997,256</u>
TOTAL ADDITIONS	<u>5,399,360</u>
DEDUCTIONS	
Benefit payments	884,978
Administrative expenses and other	<u>49,356</u>
TOTAL DEDUCTIONS	<u>934,334</u>
CHANGES IN NET POSITION	4,465,026
NET POSITION - BEGINNING OF YEAR	<u>17,615,064</u>
NET POSITION - END OF YEAR	<u>\$ 22,080,090</u>

The accompanying notes are an integral part of this financial statement.

CITY OF ABERDEEN, MARYLAND

Notes to Basic Financial Statements June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

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

Government-wide and Fund Financial Statements

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

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

CITY OF ABERDEEN, MARYLAND

Notes to Basic Financial Statements June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-wide and Fund Financial Statements (continued)

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.

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 revises 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.

Fund Accounting

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

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

The City has two major governmental funds: the General 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 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 Capital Project Fund does not meet the criteria for a major fund set forth by the Codification, the City has elected to present this fund as a major fund due to public interest.

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

CITY OF ABERDEEN, MARYLAND

Notes to Basic Financial Statements June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Accounting (continued)

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

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

CITY OF ABERDEEN, MARYLAND

Notes to Basic Financial Statements June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

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

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

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

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.

Budgetary Data

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

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

CITY OF ABERDEEN, MARYLAND

**Notes to Basic Financial Statements
June 30, 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Data (continued)

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

The policy established by the Mayor and City Council with respect to the City Budget (budgetary basis) does not conform to GAAP basis in certain respects. The primary differences between budgetary and GAAP basis are that under the budgetary basis encumbrances are recorded as the equivalent of expenditures and salary and fringe costs, and the associated revenue, reimbursed under the APG contract are not budgeted for by the City. Budgeted amounts are originally adopted, and as amended by the Mayor and the City Council. Unencumbered appropriations of the operating budget lapse at the end of each fiscal year. Appropriations in the capital budget continue as authority for subsequent period expenditures, and lapse in the year of completion of the capital project. Appropriations for General Fund expenditures were increased by a total of \$693,685 through various budget amendments during the year.

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:

	<u>Revenues</u>	<u>Expenditures and Encumbrances</u>	<u>Other Financing Sources (Uses)</u>	<u>Current Year Effect on Fund Balance</u>
General Fund				
Budgetary basis	\$ 18,115,479	\$ 14,551,462	\$ (1,806,820)	\$ 1,757,197
Reimbursable salaries, including OPEB, under APG contract	1,756,124	1,756,124	-	-
Increase in prepaid expenses	-	12,622	-	(12,622)
Proceeds from sale of capital assets	-	-	8,441	8,441
Decrease in allowance for uncollectible receivables	-	(8,863)	-	8,863
Prior year encumbrances	-	26,233	-	(26,233)
Current year encumbrances	-	(35,536)	-	35,536
Other items	-	-	-	-
Modified accrual basis	<u>\$ 19,871,603</u>	<u>\$ 16,302,042</u>	<u>\$ (1,798,379)</u>	<u>\$ 1,771,182</u>
Capital Projects Fund				
Budgetary basis	\$ 81,781	\$ 946,511	\$ 838,077	\$ (26,653)
Prior year encumbrances	-	13,036	-	(13,036)
Current year encumbrances	-	(39,837)	-	39,837
Appropriation of fund balances	-	-	(148,077)	(148,077)
Modified accrual basis	<u>\$ 81,781</u>	<u>\$ 919,710</u>	<u>\$ 690,000</u>	<u>\$ (147,929)</u>

CITY OF ABERDEEN, MARYLAND

Notes to Basic Financial Statements June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash, Cash Equivalents, and Investments

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

Investments valued using the net asset value (NAV) per share (or its equivalent) generally do not have readily determinable market values. The City values these investments based on audited financial statements. If June 30 statements are not available, those values used preferentially. However, if June 30 valuations are not available, the value is progressed from the most recently available valuation taking into account subsequent calls and distributions.

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

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

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, 2021, management has provided an allowance for uncollectible delinquent personal property taxes in the amount of \$147,032. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received.

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

CITY OF ABERDEEN, MARYLAND

Notes to Basic Financial Statements June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Note Receivable

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2021, 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.

Inventory

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

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 one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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.

CITY OF ABERDEEN, MARYLAND

**Notes to Basic Financial Statements
June 30, 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets (continued)

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

<u>Category</u>	<u>Years</u>
Machinery, equipment, and vehicles	1 – 15
Recreational facilities	5 – 10
Improvements other than buildings	5 – 15
Infrastructure	20 – 50
Buildings	40 – 50
Water and sewer systems	40 – 50

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

Deferred Outflows of Resources

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

Unearned Revenue

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

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."

CITY OF ABERDEEN, MARYLAND

Notes to Basic Financial Statements June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inter-Fund Transactions (continued)

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.

Long-Term Obligations

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

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

Pensions

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

Other Post-Employment Benefits (OPEB)

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

CITY OF ABERDEEN, MARYLAND

Notes to Basic Financial Statements June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences

It is the City's policy to permit employees to be paid for accumulated earned, but unused vacation leaves 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.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. One item which qualifies for reporting in this category, which arises only under the modified accrual basis of accounting, is unavailable revenue. Accordingly, it is only reported in the governmental funds balance sheet. The City reports unavailable revenues from property taxes, grants and other revenue. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City also reports deferred inflows for rebates from vendors when such rebates are not considered available. These rebates are recognized in the period that the amounts become available. Deferred inflows of resources also include items relating to pensions and OPEB, as described in Notes 9 and 11, respectively. Pension related deferred inflows are amortized into pension expense over a period of approximately five years, and OPEB related deferrals are amortized into OPEB expense over a period of 5 to 11 years.

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

CITY OF ABERDEEN, MARYLAND

Notes to Basic Financial Statements June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balance (continued)

As of June 30, 2021, unassigned fund balance is 73% of general fund revenue. Unassigned fund balance is the residual classification for the General Fund.

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

Net Position

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

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

The City invests primarily in the MLGIP. The MLGIP was established in 1982 under Article 95 Section 22G of the Code and is under the administrative control of the State Treasurer. The MLGIP seeks to maintain a constant unit value of \$1.00 per unit. Unit value is computed using the amortized cost method. In addition, the net asset value (NAV) of the pool, marked to market, is calculated and maintained on a weekly basis to ensure an amortized cost pursuant to Rule 2(a)-7 under the Investment Company Act of 1940. The City also holds investments in U.S. Treasury and U.S. Agency Securities, which mature between August 2020 and August 2023 with interest rates ranging from 1.375% to 5.250%. Additionally, the City holds money market mutual funds, which are valued at NAV. Similar to the MLGIP, the funds seek to maintain a constant unit value of \$1.00 per unit.

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

CITY OF ABERDEEN, MARYLAND

**Notes to Basic Financial Statements
June 30, 2021**

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS (continued)

As of June 30, 2021, the City had the following:

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Cash	\$ 11,612,852	\$ -
Maryland Local Government Investment Pool	9,604,723	-
Money market mutual funds	-	1,429,121
U.S. Treasury and U.S. Agency Securities	-	687,695
Pension Trust - Pooled separate accounts	-	17,102,517
OPEB Trust - Pooled separate accounts	-	3,892,191
Pension Trust - Insurance contract, at cost	-	1,085,382
	<u>\$ 21,217,575</u>	<u>\$ 24,196,906</u>

Interest rate risk. In accordance with its investment policy for its operating funds, the City manages its exposure to declines in fair value due to rising interest rates by limiting the maturity of securities to no more than five years from the date of purchase, unless it is matched to a specific cash flow requirement. There is no limit on the maturity dates for the pension and OPEB trust funds. The City's investments in U.S. Treasury and U.S. Agency Securities are scheduled to mature as follows:

Investment Type	Fair Value June 30, 2021	Investment Maturities as of June 30, 2021			
		Less than 6 Months	7 Months - 1 Year	1 - 3 Years	More than 3 Years
United States Treasuries	\$ 372,928	\$ 96,922	\$ 41,682	\$ 234,324	\$ -
United States Agencies	314,767	151,540	64,394	98,833	-
Total investments	<u>\$ 687,695</u>	<u>\$ 248,462</u>	<u>\$ 106,076</u>	<u>\$ 333,157</u>	<u>\$ -</u>

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

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

CITY OF ABERDEEN, MARYLAND

Notes to Basic Financial Statements June 30, 2021

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS (continued)

Custodial credit risk. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy states that collateralization is required on two types of investments, certificates of deposit and repurchase agreements, with a collateralization level of 102%. As of June 30, 2021, all of the City's deposits were either covered by federal depository insurance or were covered by collateral held by the bank's agent in the City's name and the City was in compliance with the collateralization level required by its investment policy.

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

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

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

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

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

CITY OF ABERDEEN, MARYLAND

**Notes to Basic Financial Statements
June 30, 2021**

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS (continued)

As of June 30, 2021, the City had the following:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
U.S. Treasury and Agency Securities	\$ 687,695	\$ 687,695	\$ -	\$ -
Investments Measured at NAV				
Money market mutual funds	1,429,121			
OPEB Trust - Pooled Separate Accounts	3,892,191			
Pension Trust - Pooled Separate Accounts	17,102,517			
Investment Carried at Amortized Cost				
Pension Trust - Insurance contract	1,085,382			
Total Investments	<u>\$ 24,196,906</u>			

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

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

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Money market mutual funds	\$ 1,429,121	\$ -	Daily	None
Fixed income - OPEB Trust	3,892,191	-	Daily	5 days
Domestic equity - Pension Trust	6,199,218	-	Daily	None
International equity - Pension Trust	3,105,668	-	Daily	None
Fixed income - Pension Trust	6,898,802	-	Daily	None
Real estate - Pension Trust	898,829	-	Daily	None
Total investments measured at NAV	<u>\$ 22,423,829</u>	<u>\$ -</u>		

3. NOTE RECEIVABLE

In September 2006, the City entered into a land contract with Ripken Baseball whereby the City will sell to Ripken Baseball Lot 3 within the stadium complex. This contract supersedes two ground leases previously entered into by the City and Ripken Baseball, but leaves the repayment terms of the original lease unchanged. Under the contract, Ripken Baseball received credit for all payments made under the respective ground leases and made the effective date of the contract that of which the ground leases were entered into.

CITY OF ABERDEEN, MARYLAND

**Notes to Basic Financial Statements
June 30, 2021**

3. NOTE RECEIVABLE (continued)

Ripken Baseball exercised an option to reduce payments on Lot 3 by real estate taxes paid on the property annually. The City estimates total future real estate taxes to reduce future principal payments by approximately \$36,399.

A summary of the note receivable and corresponding deferred profit as of June 30, 2021, is as follows:

	<u>Note Receivable</u>	<u>Less Deferred Profit and Unearned Interest</u>	<u>Note Receivable, Net</u>
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 to principal and interest of \$10,977; due May 2023.	\$ 237,453	\$ (237,453)	\$ -

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

<u>Years ending June 30,</u>	<u>Note Receivable</u>
2022	\$ 120,314
2023	117,139
	<u>\$ 237,453</u>

4. RECEIVABLES AND PAYABLES

Receivables by fund as of June 30, 2021, consist of the following:

	<u>General</u>	<u>Capital Projects</u>	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Stadium</u>	<u>Total</u>
Receivables						
Taxes	\$ 225,951	\$ -	\$ -	\$ -	\$ -	\$ 225,951
Intergovernmental	1,837,651	5,056	-	-	-	1,842,707
Charges for services	-	-	419,338	545,092	534,670	1,499,100
Assessments/improvements	-	-	-	148,324	-	148,324
Other	302,654	-	255,967	368,111	-	926,732
Gross receivables	2,366,256	5,056	675,305	1,061,527	534,670	4,642,814
Allowance for uncollectibles	(147,032)	-	-	-	-	(147,032)
	<u>\$ 2,219,224</u>	<u>\$ 5,056</u>	<u>\$ 675,305</u>	<u>\$ 1,061,527</u>	<u>\$ 534,670</u>	<u>\$ 4,495,782</u>

CITY OF ABERDEEN, MARYLAND

**Notes to Basic Financial Statements
June 30, 2021**

4. RECEIVABLES AND PAYABLES (continued)

Accrued and other liabilities by fund as of June 30, 2021, consist of the following:

	<u>General</u>	<u>Capital Projects</u>	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Stadium</u>	<u>Total</u>
Accrued liabilities						
Interest	\$ -	\$ -	\$ -	\$ 35,710	\$ 297	36,007
Payroll	270,230	-	18,651	41,681	1,896	332,458
Intergovernmental	-	-	45,796	18,858	-	64,654
	<u>\$ 270,230</u>	<u>\$ -</u>	<u>\$ 64,447</u>	<u>\$ 96,249</u>	<u>\$ 2,193</u>	<u>\$ 433,119</u>
Other liabilities						
Performance bonds	122,035	\$ -	\$ -	\$ -	\$ -	122,035
Seized property	52,355	-	-	-	-	52,355
Other	35,448	-	-	-	-	35,448
	<u>\$ 209,838</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 209,838</u>

5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

As of June 30, 2021, there were no interfund receivables and payables.

Transfers from the General Fund to the Capital Projects Fund were made for capital projects and the Stadium Fund for debt service and stadium improvements. Interfund transfers for the year ended June 30, 2021, consisted of the following:

	<u>Transfers In</u>			<u>Total</u>
	<u>Capital Projects Fund</u>	<u>Stadium Fund</u>	<u>General Fund</u>	
Transfers out				
General fund	<u>\$ 690,000</u>	<u>\$ 1,116,820</u>	<u>\$ -</u>	<u>\$ 1,806,820</u>

CITY OF ABERDEEN, MARYLAND

**Notes to Basic Financial Statements
June 30, 2021**

6. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2021, is as follows:

	Balance July 1, 2020	Additions	Deletions	Transfers	Balance June 30, 2021
Governmental Activities					
Capital assets not being depreciated					
Land	\$ 6,685,801	\$ 84,979	\$ -	\$ -	\$ 6,770,780
Construction in process	-	3,199	-	-	3,199
	6,685,801	88,178	-	-	6,773,979
Capital assets being depreciated					
Buildings	11,398,619	4,957	-	-	11,403,576
Improvements and other than buildings	453,651	8,492	-	-	462,143
Machinery and equipment	6,818,214	198,934	(24,112)	-	6,993,036
Vehicles	3,097,611	98,032	(38,975)	-	3,156,668
Recreational facilities	876,857	6,240	-	-	883,097
Infrastructure	24,833,085	770,452	-	-	25,603,537
Capital lease assets	985,805	-	-	-	985,805
	48,463,842	1,087,107	(63,087)	-	49,487,862
Accumulated depreciation for					
Buildings	(7,214,862)	(192,614)	-	-	(7,407,476)
Improvements and other than buildings	(124,409)	(21,523)	-	-	(145,932)
Machinery and equipment	(4,850,091)	(360,169)	18,588	-	(5,191,672)
Vehicles	(2,055,665)	(213,936)	38,975	-	(2,230,626)
Recreational facilities	(607,640)	(54,530)	-	-	(662,170)
Infrastructure	(9,399,543)	(499,181)	-	-	(9,898,724)
Capital lease assets	(463,279)	(197,160)	-	-	(660,439)
	(24,715,489)	(1,539,113)	57,563	-	(26,197,039)
Total depreciable assets, net	23,748,353	(452,006)	(5,524)	-	23,290,823
Governmental activities capital assets, net	\$ 30,434,154	\$ (363,828)	\$ (5,524)	\$ -	\$ 30,064,802
	Balance July 1, 2020	Additions	Deletions	Transfers	Balance June 30, 2021
Business-type Activities					
Capital assets not being depreciated					
Land	\$ 1,963,416	\$ -	\$ -	\$ -	\$ 1,963,416
Construction in process	1,214,140	503,832	-	(796,307)	921,665
	3,177,556	503,832	-	(796,307)	2,885,081
Capital assets being depreciated					
Buildings	25,383,812	1,763	-	-	25,385,575
Improvements and other than buildings	1,709,903	1,774,109	-	-	3,484,012
Machinery and equipment	13,168,157	196,574	(142,854)	-	13,221,877
Water systems	16,674,621	472,226	-	796,307	17,943,154
Sewer systems	36,024,878	212,599	-	-	36,237,477
Capital lease assets	16,500	-	-	-	16,500
	92,977,871	2,657,271	(142,854)	796,307	96,288,595
Accumulated depreciation for					
Buildings	(12,895,811)	(540,864)	-	-	(13,436,675)
Improvements and other than buildings	(464,680)	(149,261)	-	-	(613,941)
Machinery and equipment	(11,137,088)	(381,433)	129,738	-	(11,388,783)
Water systems	(8,393,092)	(489,803)	-	-	(8,882,895)
Sewer systems	(7,076,248)	(795,999)	-	-	(7,872,247)
Capital lease assets	(6,050)	(3,300)	-	-	(9,350)
	(39,972,969)	(2,360,660)	129,738	-	(42,203,891)
Total depreciable assets, net	53,004,902	296,611	(13,116)	796,307	54,084,704
Business-type activities capital assets, net	\$ 56,182,458	\$ 800,443	\$ (13,116)	\$ -	\$ 56,969,785

6. CAPITAL ASSETS (continued)

CITY OF ABERDEEN, MARYLAND

**Notes to Basic Financial Statements
June 30, 2021**

Depreciation expense was charged in the statement of activities for the year ended June 30, 2021, as follows:

Governmental activities	
General government	\$ 888,875
Public safety	108,136
Public works	478,868
Recreation	63,234
	<u>\$ 1,539,113</u>
Business-type activities	
Water utility	\$ 575,061
Sewer utility	1,272,682
Stadium	512,917
	<u>\$ 2,360,660</u>

7. TAX ABATEMENTS

As of June 30, 2021, the City provides tax abatements through two programs: the Low and Moderate Income Housing Program and the Enterprise Zone Tax Credit Program.

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

The Enterprise Zone Tax Credit Program provides tax incentives to businesses and property-owners located in some economically distressed communities under Section 9-103 of the Maryland Tax-Property Code. Abatements are obtained through application by the property owners, including proof that the improvements have been made and may claim a 10-year credit against local real property taxes. The credit is 80% of the assessment increase during the first 5 years. The credit then decreases 10% annually thereafter to 30% in the tenth year. The amount of the abatement is deducted from the recipient's tax bill. The State of Maryland reimburses the City for 50% of the tax credit.

Total tax abatements related to each program for the year ended June 30, 2021, are as follows:

Tax Abatement Program	Amount of Taxes Abated During the Fiscal Year	Percentage of Taxes Abated During the Fiscal Year
Low and Moderate Income Housing Program	\$ 44,561	57.23%
Enterprise Zone Tax Credit Program (City Share)	161,001	20.14%
Harford Habitat for Humanity	1,039	100.00%
Total	<u>\$ 206,601</u>	

CITY OF ABERDEEN, MARYLAND

**Notes to Basic Financial Statements
June 30, 2021**

8. LONG-TERM LIABILITIES

Long-term liabilities activity as of and for the year ended June 30, 2021, is as follows:

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Due Within One Year
Governmental activities					
General obligation bonds payable	\$ 2,519,500	\$ -	\$ (396,800)	\$ 2,122,700	\$ 405,600
Capital leases	576,543	-	(214,642)	361,901	229,659
Other obligations					
Compensated absences	867,259	193,279	(206,009)	854,529	417,568
Net pension liability	1,198,528	856,804	-	2,055,332	-
Net OPEB liability	1,388,727	-	(817,903)	570,824	-
Bond premiums	8,828	-	(2,229)	6,599	2,229
Total governmental activities liabilities	\$ 6,559,385	\$ 1,050,083	\$ (1,637,583)	\$ 5,971,885	\$ 1,055,056

	Balance June 30, 2020	Additions	Reductions	Balance June 30, 2021	Due Within One Year
Business-type activities					
General obligation bonds payable	\$ 5,108,100	\$ 2,578,523	\$ (3,896,586)	\$ 3,790,037	\$ 449,599
Notes payable	7,141,591	-	(2,207,426)	4,934,165	643,590
Capital lease	11,300	-	(3,203)	8,097	3,519
Other obligations					
Compensated absences	211,708	37,760	(40,936)	208,532	108,092
Net OPEB liability	256,085	-	(126,571)	129,514	-
Bond premiums	22,583	467,196	(68,597)	421,182	46,720
Total business-type activities liabilities	\$ 12,751,367	\$ 3,083,479	\$ (6,343,319)	\$ 9,491,527	\$ 1,251,520

General obligation bonds payable relating to governmental activities as of June 30, 2021, consist of the following:

Refunding Bonds of 2011; authorized amount of \$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.	\$ 1,770,000
Series A Refunding Bonds of 2016; authorized amount \$350,100; interest at a rate of 1.84%; payable in annual payments of principal ranging from \$20,900 to \$51,600 and semiannual payments of interest through November 2023.	147,800
Series B Refunding Bonds of 2016; authorized amount \$459,700; interest at a rate of 2.57%; payable in annual payments of principal ranging from \$42,000 to \$53,900 and semiannual payments of interest through November 2024.	204,900
	\$ 2,122,700

CITY OF ABERDEEN, MARYLAND

**Notes to Basic Financial Statements
June 30, 2021**

8. LONG-TERM LIABILITIES (continued)

A schedule of maturities of the general obligation bonds payable relating to governmental activities as of June 30, 2021, is as follows:

<u>Years ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 405,600	\$ 56,520	\$ 462,120
2023	259,100	47,061	306,161
2024	272,600	40,832	313,432
2025	225,400	34,804	260,204
2026	180,000	29,563	209,563
2027-2030	780,000	62,350	842,350
	<u>\$ 2,122,700</u>	<u>\$ 271,130</u>	<u>\$ 2,393,830</u>

During the year ended June 30, 2020, the City has entered into a capital lease obligation for the acquisition of computer servers with an interest rate of 7.47%. The obligation requires monthly payments of principal and interest totaling \$3,720 to be paid over a period of 3 years. As of June 30, 2021, borrowings outstanding under this obligation totaled \$61,539.

The City has capital lease obligations for the acquisition of new copiers, with an interest rate of 7.36%. The obligations require monthly payments of principal and interest totaling \$1,388 to be paid over a period of 5 years. As of June 30, 2021, borrowings outstanding under these obligations totaled \$35,254.

Additionally, the City has capital lease obligations outstanding for the acquisition of police vehicles, with interest rates ranging from 6.54% to 6.813%. The obligations require monthly payments of principal and interest totaling \$15,478. As of June 30, 2021, borrowings outstanding under these obligations totaled \$264,324. The obligations provide for early termination fees totaling \$15,570.

A schedule of maturities of capital lease obligations relating to governmental activities as of June 30, 2021, is as follows:

<u>Years ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 229,659	\$ 17,374	\$ 247,033
2023	127,262	3,088	130,350
2024	4,980	25	5,005
	<u>\$ 361,901</u>	<u>\$ 20,487</u>	<u>\$ 382,388</u>

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

The amount of general obligation debt the City may issue is not limited by State statute or local ordinances. 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 compliance as of June 30, 2021.

CITY OF ABERDEEN, MARYLAND

**Notes to Basic Financial Statements
June 30, 2021**

8. LONG-TERM LIABILITIES (continued)

General obligation bonds payable relating to business-type activities as of June 30, 2021, consist of the following:

Series A Refunding Bonds of 2016; authorized amount \$350,100; interest at a rate of 1.84%; payable in annual payments of principal ranging from \$20,900 to \$51,600 and semiannual payments of interest through November 2023.	\$ 75,000
Series B Refunding Bonds of 2016; authorized amount \$459,700; interest at a rate of 2.57%; payable in annual payments of principal ranging from \$42,000 to \$53,900 and semiannual payments of interest through November 2024.	1,303,537
Series A Refunding Bonds of 2020; authorized amount \$2,578,523; interest at a rate of 0.96%; payable in annual payments of principal ranging from \$167,000 to \$313,500 and semiannual payments of interest through April 2031.	2,411,500
	<u>\$ 3,790,037</u>

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

A schedule of maturities of the general obligation bonds payable relating to the business-type activities as of June 30, 2021, is as follows:

<u>Years ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 496,319	\$ 125,055	\$ 621,374
2023	446,700	110,021	556,721
2024	460,400	96,288	556,688
2025	475,900	82,075	557,975
2026	490,600	67,340	557,940
2027-2030	1,420,118	130,875	1,550,993
	<u>\$ 3,790,037</u>	<u>\$ 611,654</u>	<u>\$ 4,401,691</u>

Current Refunding

During fiscal year 2021, the City refunded \$2,946,000 of general obligation bonds, Series A Infrastructure Bonds of 2010 by issuing \$2,578,524 of general obligation bonds, Series 2020A. This refunding was undertaken to reduce total debt service payments and resulted in a reduced cash flow of \$473,445. This savings discounted at a rate of 0.96% resulted in an economic gain of \$454,399.

CITY OF ABERDEEN, MARYLAND

**Notes to Basic Financial Statements
June 30, 2021**

8. LONG-TERM LIABILITIES (continued)

Notes payable relating to business-type activities as of June 30, 2021, consists of the following:

Loan payable, Maryland Water Quality Financial 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.	\$ 4,497,533
Loan payable, Maryland Water Quality Financial Administration, unsecured, accruing interest at a rate of 1.00%; payable in annual principal payments at varying amounts and semiannual payments of interest; due 2030.	217,920
Loan payable, Manufacturers and Traders Trust Company, unsecured, accruing interest at 2.12%; payable in quarterly payments of \$73,769 at varying amounts of principal and interest through March 2022.	218,712
	<u>\$ 4,934,165</u>

The City's notes to Maryland Water Quality Financing Administration each contain provisions that in an event of default, the lender has the right to declare outstanding amounts immediately due and payable.

A schedule of maturities of the notes payable relating to the business-type activities as of June 30, 2021, is as follows:

<u>Years ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 643,590	\$ 45,016	\$ 688,606
2023	428,598	38,800	467,398
2024	432,489	34,909	467,398
2025	436,416	30,982	467,398
2026	440,379	27,019	467,398
2027-2031	2,125,265	71,380	2,196,645
2032	427,428	2,212	429,640
	<u>\$ 4,934,165</u>	<u>\$ 250,318</u>	<u>\$ 5,184,483</u>

The City has capital lease obligations for the acquisition of new copiers, with interest rates ranging from 4.95% to 23.29%. The obligations require monthly payments of principal and interest totaling \$349 to be paid over a period of 5 years. As of June 30, 2021, borrowings outstanding under these obligations totaled \$8,096.

CITY OF ABERDEEN, MARYLAND

**Notes to Basic Financial Statements
June 30, 2021**

8. LONG-TERM LIABILITIES (continued)

A schedule of maturities of capital lease obligations relating to business-type activities as of June 30, 2021, is as follows:

<u>Years ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 3,519	\$ 670	\$ 4,189
2023	3,889	300	4,189
2024	689	9	698
	<u>\$ 8,097</u>	<u>\$ 979</u>	<u>\$ 9,076</u>

9. PENSION PLANS - CITY REPORTING

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

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

Separate, audited GAAP basis pension trust reports are not available for the plans. Therefore, pension plan reporting in accordance with GASB 67, *Financial Reporting for Pension Plans*, has been included in Note 10. Condensed financials as of and for the year ended June 30, 2021, are as follows:

	<u>Police Department Plan</u>	<u>Defined Benefit Plan</u>
ASSETS		
Investments and contracts	\$ 17,102,517	\$ 1,085,382
NET POSITION		
Restricted for pension benefits	<u>\$ 17,102,517</u>	<u>\$ 1,085,382</u>
ADDITIONS		
Contributions	\$ 820,911	\$ -
Net investment income	3,129,276	41,371
	<u>3,950,187</u>	<u>41,371</u>
DEDUCTIONS		
Benefit payments	596,062	92,723
Administrative expenses and other	40,105	11,497
	<u>636,167</u>	<u>104,220</u>
CHANGE IN NET POSITION	3,314,020	(62,849)
BEGINNING NET POSITION	<u>13,788,497</u>	<u>1,148,231</u>
ENDING NET POSITION	<u>\$ 17,102,517</u>	<u>\$ 1,085,382</u>

CITY OF ABERDEEN, MARYLAND

**Notes to Basic Financial Statements
June 30, 2021**

9. PENSION PLANS - CITY REPORTING (continued)

The net pension asset and liability for the City's year ended June 30, 2021, was measured as of June 30, 2020, using the total pension liabilities that were determined by actuarial valuation as of June 30, 2020. For the ended June 30, 2021, the City recognized an aggregate pension expense of \$667,023.

Defined Benefit Pension Plan

Plan Description and Provisions:

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

The City's DB Plan provides retirement, termination, and death benefits. Normal retirement benefits for all plan members are calculated as 1% of average compensation multiplied by accrual service (accrued benefit) and in the form of a monthly annuity payable for life. General plan members age 65 and older and public safety plan members age 60 and older are eligible for normal retirement. Early retirement benefits for all plan members are calculated as the accrued benefit, as defined above, reduced by 6¼% for each year up to 5, 3½% for each of the next 5 years, and 2.5% for each additional year that the Early Retirement Date precedes Normal Retirement Date and in the form of a monthly annuity payable for life. General plan members age 55 and older and public safety plan members age 50 and older are eligible for early retirement. Termination benefits for all plan members are vested at 100% after eight years of vesting service. Death benefits for all plan members require that the participant completed 25 years of service payable in a monthly annuity to spouse. The amount of the benefit equates to the amount that would have been received had the participant elected a joint and 50% survivorship benefits option and early retired the day before death.

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

The DB Plan's membership consisted of the following as of June 30, 2020, the measurement date:

Inactive plan members or beneficiaries currently receiving benefits	11
Inactive plan members entitled to but not yet receiving benefits	<u>0</u>
	<u>11</u>

Contribution Information and Funding Policy:

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

CITY OF ABERDEEN, MARYLAND

**Notes to Basic Financial Statements
June 30, 2021**

9. PENSION PLANS - CITY REPORTING (continued)

Defined Benefit Pension Plan (continued)

Contribution Information and Funding Policy: (continued)

The contribution requirements of the City are established and may be amended by the City legislature. The City is required to contribute at an actuarially determined rate. The actuarially required contribution rate and the amount paid into the DB Plan during the year ended June 30, 2021, was \$0. The DB Plan does not provide for a maximum employer contribution. No contributions are required of employees. Administrative costs are financed through investment earnings.

Assumptions:

The total pension liability as of June 30, 2021, measured June 30, 2020, was determined by an actuarial valuation using the following assumptions:

Inflation	2.25%
Salary increases	Ranging from 5.77% to 7.3% based on age, plus 2.2%
Investment rate of return	3.75%, net of investment expense and including inflation

Mortality rates during the benefit payment period were based on PubG-2010 total dataset mortality, considering MP-2018 mortality improvement with generational mortality improvement, annuitant, for Males and Females. Mortality rates before the benefit payment period were based on PubG-2010 total dataset mortality, considering MP-2018 mortality improvement with generational mortality improvement, non-annuitant, for Males and Females. Disability rates were based on the 1987 Commissioner's Group Disability Table, six-month elimination period, for Males and Females. A withdrawal assumption was not utilized due to the size of the plan and limited experience.

The total pension liability as of June 30, 2021, was calculated based on the Entry Age Normal actuarial cost method. Under this method, the present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the earnings between entry age and assumed exit age(s). The portion of the present value allocated to a year is the service costs. Projected benefits are based on project salary and projected service.

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

Asset Class	<u>Target allocation</u>	<u>Expected Real Rate of Return</u>
Fixed income	100%	3.25%

CITY OF ABERDEEN, MARYLAND

**Notes to Basic Financial Statements
June 30, 2021**

9. PENSION PLANS - CITY REPORTING (continued)

Defined Benefit Pension Plan (continued)

Assumptions: (continued)

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

The interest rates before and during benefit payment period have decreased from 3.25% to 2.75%. There were no other significant changes to assumptions when compared to the prior actuarial valuation.

Based on those assumptions, the pension plan's fiduciary net position and benefit payments were projected to determine if the plan's fiduciary net position was greater than or equal to the expected benefit payments for each period from 2021 to 2069. Benefit payments after 2069 are projected to be \$0. The long-term rate of return of 2.75% is used to calculate the actuarial present value of the projected payments for each future period when the projected fiduciary net position is greater than the projected expected benefit payments. Otherwise, a municipal bond rate of 3.09% is used. The municipal bond rate is from Barclays Municipal GO Long Term (17+Y) Index, which includes 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher securities, as of the June 30, 2020, measurement date. The discount rate is a single rate that incorporates the long-term rate of return and the municipal bond rate as described. The discount rate used to determine the beginning and end of period total pension liability is 3.25%.

Investments:

The DB Plan does not have a formal investment policy.

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

The money-weighted rate of return is calculated as a rate of return on pension plan investments incorporating the actual timing and amount of cash flows. This return is calculated net of investment expense. The annual money-weighted rate of return on plan investments for the measurement period of July 1, 2020 to June 30, 2020, for the City's year ended June 30, 2021, was 3.49%.

Net Pension Asset of the City:

The components of the net pension asset of the City at June 30, 2021, using a measurement date of June 30, 2020, were as follows:

Total pension liability	\$	962,844
Plan fiduciary net position		1,148,231
City's net pension asset	\$	<u>(185,387)</u>
Plan fiduciary net position as a percentage of total pension liability		119.25%

CITY OF ABERDEEN, MARYLAND

**Notes to Basic Financial Statements
June 30, 2021**

9. PENSION PLANS - CITY REPORTING (continued)

Defined Benefit Pension Plan (continued)

Net Pension Asset of the City: (continued)

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

The following presents the net pension asset of the City, calculated using the discount rate of 3.25%, as well as what the City's net pension asset would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	<u>1% Decrease</u> <u>2.25%</u>	<u>Discount Rate</u> <u>3.25%</u>	<u>1% Increase</u> <u>4.25%</u>
City's net pension asset	\$ (103,436)	\$ (185,387)	\$ (256,415)

Changes in the net pension asset were as follows:

Total pension liability, July 1, 2020 (measured June 30, 2019)	\$ 1,123,667
Interest	40,688
Differences between expected and actual experience	(152,759)
Changes in assumptions	31,671
Benefit payments	(80,423)
Total pension liability, June 30, 2021 (measured June 30, 2020)	<u>\$ 962,844</u>
Plan fiduciary net position, beginning measurement period (June 30, 2019)	\$ 1,187,113
Contributions - employer	19,194
Net investment income	40,318
Benefit payments	(80,423)
Administrative expenses	(17,971)
Plan fiduciary net position, ending measurement period (June 30, 2020)	<u>\$ 1,148,231</u>
Net pension asset, July 1, 2020 (measured June 30, 2019)	<u>\$ (63,446)</u>
Net pension asset, June 30, 2021 (measured June 30, 2020)	<u>\$ (185,387)</u>

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

Deferred outflows of resources and deferred inflows of resources:

For the ended June 30, 2021, the City recognized pension benefit of \$100,584. The City recognized deferred outflows of resources and deferred inflows of resources as of the year ended June 30, 2021, as follows:

CITY OF ABERDEEN, MARYLAND

**Notes to Basic Financial Statements
June 30, 2021**

9. PENSION PLANS - CITY REPORTING (continued)

Defined Benefit Pension Plan (continued)

Deferred outflows of resources and deferred inflows of resources: (continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and net investment income	\$ 8,750	\$ -

Amounts reported as deferred outflows and inflows of resources related to pension will be recognized in the pension expense as follows:

<u>Years ending June 30,</u>	<u>Total</u>
2022	\$ 3,924
2023	3,304
2024	933
2025	589
	<u>\$ 8,750</u>

Police Department Pension Plan

Plan Description and Provision:

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

The City's PD Pension Plan provides retirement, termination, disability, and death benefits. Normal retirement benefits for all plan members are calculated as 2% of average compensation times service (maximum 25 years), plus any additional years of service credited for unused sick leave and military service. General plan members age 62 with five years of eligibility service or the date on which the participant has completed 25 years of eligibility services. Termination benefits are equal to the sum of the amount of retirement annuity which could be provided on normal retirement date by the participant's contribution account and vesting percentage times the excess of the accrued benefit as of the termination date over the preceding amount. Termination benefits for all plan members are vested at 100% after five years of vesting service. Disability benefits for all plan members are payable as monthly income until normal retirement, death, or recovery and a deferred annuity payable at the normal retirement date. Ordinary disability (with five years of service) amounts to the accrued benefit on the date of disability. Line of duty disability (catastrophic disability) provides 66½% of compensation, but not less than the plan member contribution benefit or the ordinary disability benefit. Line of duty disability (non-catastrophic disability) provides 33½% of compensation, but not less than the plan member contribution benefit or the ordinary disability benefit. Lump-sum death benefits are calculated as the sum of the plan member contribution benefit and the annual compensation as of the date of death.

CITY OF ABERDEEN, MARYLAND

**Notes to Basic Financial Statements
June 30, 2021**

9. PENSION PLANS - CITY REPORTING (continued)

Police Department Pension Plan (continued)

Plan Description and Provision: (continued)

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

The PD Pension Plan's membership consisted of the following as of June 30, 2020, the measurement date:

Active plan members	39
Inactive plan members entitled to but not yet receiving benefits	14
Disabled plan members entitled to and receiving benefits	1
Retired plan members or beneficiaries currently receiving benefits	<u>14</u>
	<u>68</u>

Contribution Information and Funding Policy:

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

The contribution requirements of the City are established and may be amended by the City legislature. The City is required to contribute at an actuarially determined rate; the current rate is 36.0% 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, 2021, was \$637,494. 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 \$183,417 for the year ended June 30, 2021.

Assumptions:

The total pension liability as of June 30, 2021, measured June 30, 2020, was determined by an actuarial valuation using the following assumptions:

Inflation	2.25%
Salary increases	Ranging from 4.38% to 6.68% based on age, plus 2.5%
Investment rate of return	5.75%, net of investment expense and including inflation

CITY OF ABERDEEN, MARYLAND

**Notes to Basic Financial Statements
June 30, 2021**

9. PENSION PLANS - CITY REPORTING (continued)

Police Department Pension Plan (continued)

Assumptions: (continued)

Mortality rates during the benefit payment period were based on PubS-2010 total dataset mortality, considering MP-2019 mortality improvement with generational mortality improvement, annuitant, for Males and Females. Mortality rates before the benefit payment period were based on PubS-2010 total dataset mortality, considering MP-2019 mortality improvement with generational mortality improvement, non-annuitant, for Males and Females. Disability rates were based on the 1987 Commissioner's Group Disability Table, six-month elimination period, for Males and Females. A withdrawal assumption was based on the 2003 Society of Actuaries Small Plan Age Table, based on age, multiplied by 0.35.

The total pension liability as of June 30, 2021, was calculated based on the Entry Age actuarial cost method. Under this method, the present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the earnings between entry age and assumed exit age(s). The portion of the present value allocated to a year is the service costs. Projected benefits are based on project salary and projected service.

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

Asset Class	<u>Target allocation</u>	<u>Expected Real Rate of Return</u>
Domestic equity	37.06%	6.20%
International equity	17.05%	6.20%
Fixed income	39.43%	2.45%
Real estate	6.46%	5.00%
Total	<u>100.00%</u>	

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

There were no changes to assumptions when compared to the prior actuarial valuation.

CITY OF ABERDEEN, MARYLAND

**Notes to Basic Financial Statements
June 30, 2021**

9. PENSION PLANS - CITY REPORTING (continued)

Police Department Pension Plan (continued)

Assumptions: (continued)

Based on those assumptions, the pension plan's fiduciary net position and benefit payments were projected to determine if the plan's fiduciary net position was greater than or equal to the expected benefit payments for each period from 2021 to 2114. Benefit payments after 2114 are projected to be \$0. The long-term rate of return of 5.75% is used to calculate the actuarial present value of the projected payments for each future period when the projected fiduciary net position is greater than the projected expected benefit payments. Otherwise, a municipal bond rate of 3.09% is used. The municipal bond rate is from Bloomberg Barclays Municipal GO Long Term (17+ Y) Index, which includes 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher securities, as of the June 30, 2021 measurement date. The discount rate is a single rate that incorporates the long-term rate of return and the municipal bond rate as described. The discount rate used to determine the beginning and end of period total pension liability is 5.75%.

Investments:

The PD Pension Plan's investment policy has been established by and may be amended by the plan committee, on behalf of the plan sponsor, the City of Aberdeen. The plan committee is required to utilize investment options offering the appropriate risk and return characteristics normally found in the portfolios of defined benefit plans. The options are intended to control the degree of risk to which the plan assets are subject and to create a portfolio which aggregate risk and return characteristics considered to be normally appropriate for a defined benefit plan and minimize overall risk through diversification. The policy does not define specific benchmarks to clearly identify when an *over* concentration may occur. There were no significant policy changes during the year ended June 30, 2021.

Investments are valued as of the measurement date at fair value. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period. The unfunded actuarial accrued liability (UAAL) is amortized as a level dollar of projected payroll on an open basis. The remaining amortization period as of June 30, 2021, was two years, which is re-established each year. As of the measurement date, all of the plan's investments were held in one organization, Principal Financial Group.

The money-weighted rate of return is calculated as a rate of return on pension plan investments incorporating the actual timing and amount of cash flows. This return is calculated net of investment expense. The annual money-weighted rate of return on plan investments for the measurement period of July 1, 2020 to June 30, 2020, was 3.85%.

CITY OF ABERDEEN, MARYLAND

**Notes to Basic Financial Statements
June 30, 2021**

9. PENSION PLANS - CITY REPORTING (continued)

Police Department Pension Plan (continued)

Net Pension Liability of the City:

The components of the net pension liability of the City as of June 30, 2021, using a measurement date of June 30, 2020, were as follows:

Total pension liability	\$ 15,843,829
Plan fiduciary net position	<u>13,788,497</u>
City's net pension liability	<u>\$ 2,055,332</u>
Plan fiduciary net position as a percentage of total pension liability	87.03%

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 5.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	1% Decrease 4.75%	Discount Rate 5.75%	1% Increase 6.75%
City's net pension liability	\$ 4,261,405	\$ 2,055,232	\$ 250,899

Changes in the net pension liability, were as follows:

Total pension liability, July 1, 2020 (measured June 30, 2019)	\$ 14,103,622
Service Cost	381,397
Interest	885,788
Differences between expected and actual experience	113,721
Changes in assumptions	924,554
Benefit payments	<u>(565,253)</u>
Total pension liability, June 30, 2021 (measured June 30, 2020)	<u>\$ 15,843,829</u>
Plan fiduciary net position, beginning measurement period (June 30, 2019)	\$ 12,905,094
Contributions - employer	778,936
Contributions - plan members	179,967
Net investment income	510,385
Benefit payments	<u>(565,253)</u>
Administrative expenses	<u>(20,632)</u>
Plan fiduciary net position, ending measurement period (June 30, 2020)	<u>\$ 13,788,497</u>
Net pension liability, July 1, 2020 (measured June 30, 2019)	<u>\$ 1,198,258</u>
Net pension liability, June 30, 2021 (measured June 30, 2020)	<u>\$ 2,055,332</u>

CITY OF ABERDEEN, MARYLAND

**Notes to Basic Financial Statements
June 30, 2021**

9. PENSION PLANS - CITY REPORTING (continued)

Police Department Pension Plan (continued)

Net Pension Liability of the City: (continued)

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

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

For the ended June 30, 2021, the City recognized pension expense of \$767,607. The City recognized deferred outflows of resources and deferred inflows of resources related to pensions as of and for the year ended June 30, 2021, as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 177,901	\$ 100,070
Net difference between expected and net investment income	129,234	-
Assumption changes	1,239,386	153,508
	<u>\$ 1,546,521</u>	<u>\$ 253,578</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<u>Years ending June 30,</u>	<u>Total</u>
2022	\$ 328,491
2023	269,396
2024	326,662
2025	257,149
2026	111,245
	<u>\$ 1,292,943</u>

Defined Contribution Pension Plan

Plan Description:

The City's Defined Contribution Pension Plan was established by the City to provide benefits at retirement to employees of the City who are not participants in the DB Plan or the PD Pension Plan. The City has delegated the authority to manage plan assets to ICMA Retirement Corporation. On June 30, 2021, there were 119 plan members. Defined Contribution Pension Plan participants are required to contribute 2% of annual base pay. The City is required to contribute 7% of annual base pay. Defined Contribution Pension Plan provisions and contribution requirements are established and may be amended by the City Council. Participants' and the City's actual contributions were \$142,066 and \$497,253, respectively.

CITY OF ABERDEEN, MARYLAND

**Notes to Basic Financial Statements
June 30, 2021**

10. PENSION PLANS – PLAN REPORTING

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

A measurement date of June 30, 2021 is being used for the pension plans' June 30, 2021, financial reporting (Plan Reporting) and will be used for the City's future June 30, 2022, financial reporting (City Reporting - Note 9).

Defined Benefit Pension Plan

Plan Description and Provision:

There were no changes in the DB Plan descriptions and provisions between the June 30, 2020 and 2021, measurement dates.

The DB Plan's membership consisted of the following as of June 30, 2021, the plan's measurement date:

Inactive plan members or beneficiaries currently receiving benefits	11
Inactive plan members entitled to but not yet receiving benefits	0
	<u>11</u>

Contribution Information and Funding Policy:

There were no changes in the plan contribution information and funding policy between the June 30, 2020 and 2021, measurement dates.

Assumptions:

The plan's net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021. The following assumptions were used:

Inflation	2.25%
Salary increases	Ranging from 5.77% to 7.3% based on age, plus 2.2%
Investment rate of return	3.75%, net of investment expense and including inflation

Mortality rates during the benefit payment period were based on PubG-2010 General base rate mortality table projected to future years with historical and assumed mortality improvement (MI) rates using the MP-2019 mortality improvement scale. Mortality rates before the benefit payment period were based on PubG-2010 Employee, for Males and Females. Mortality rates for retirees, contingent survivors and disabled retirees were based on PubG-2010 Healthy Retiree base table, for Male and Females. Disability rates were based on the 1987 Commissioner's Group Disability Table, six-month elimination period, for Males and Females. A withdrawal assumption was not utilized due to the size of the plan and limited experience.

CITY OF ABERDEEN, MARYLAND

**Notes to Basic Financial Statements
June 30, 2021**

10. PENSION PLANS – PLAN REPORTING (continued)

Defined Benefit Pension Plan (continued)

Assumptions: (continued)

The total pension liability, as measured on June 30, 2021, was calculated based on the Entry Age actuarial cost method. Under this method, the present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the earnings between entry age and assumed exit age(s). The portion of the present value allocated to a year is the service costs. Projected benefits are based on project salary and projected service.

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

Asset Class	<u>Target allocation</u>	<u>Expected Real Rate of Return</u>
Fixed income	100%	2.75%

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

The interest rates before and during benefit payment period decreased from 3.25% to 2.75%. There were no other significant changes to assumptions when compared to the prior actuarial valuation.

Based on those assumptions, the pension plan's fiduciary net position and benefit payments were projected to determine if the plan's fiduciary net position was greater than or equal to the expected benefit payments for each period from 2020 to 2070. Benefit payments after 2070 are projected to be \$0. The long-term rate of return of 3.25% is used to calculate the actuarial present value of the projected payments for each future period when the projected fiduciary net position is greater than the projected expected benefit payments. Otherwise, a municipal bond rate of 3.30% is used. The municipal bond rate is from Barclays Municipal GO Long Term (17+Y) Index, which includes 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher securities, as of the June 30, 2020, measurement date. The discount rate is a single rate that incorporates the long-term rate of return and the municipal bond rate as described. The discount rate used to measure the total pension liability was 3.25%.

Investments:

There were no changes to the investment contract utilized between the June 30, 2020, and June 30, 2021, measurement dates. Additionally, all of the Plan's investments continue to be held in one organization, Principal Financial Group.

CITY OF ABERDEEN, MARYLAND

**Notes to Basic Financial Statements
June 30, 2021**

10. PENSION PLANS – PLAN REPORTING (continued)

Defined Benefit Pension Plan (continued)

Investments: (continued)

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, 2021 is 3.78%.

Net Pension Asset of the City:

The components of the net pension asset of the City, using a measurement date of June 30, 2021, were as follows:

Total pension liability	\$	952,557
Plan fiduciary net position		<u>1,085,382</u>
City's net pension asset	\$	<u>(132,825)</u>
Plan fiduciary net position as a percentage of total pension liability		113.94%

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

The following presents the net pension asset of the City, calculated using the discount rate of 2.75%, as well as what the City's net pension (asset) liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	<u>1% Decrease</u> <u>1.75%</u>	<u>Discount Rate</u> <u>2.75%</u>	<u>1% Increase</u> <u>3.75%</u>
City's net pension asset	\$ (53,187)	\$ (132,825)	\$ (202,056)

Police Department Pension Plan

Plan Description and Provision:

There were no changes in the PD Pension Plan descriptions and provisions between the June 30, 2020, and 2021, measurement dates.

The PD Pension Plan's membership consisted of the following as of June 30, 2021, the plan's measurement date:

Active plan members	36
Inactive plan members entitled to but not yet receiving benefits	20
Disabled plan members entitled to and receiving benefits	1
Retired plan members or beneficiaries currently receiving benefits	<u>16</u>
	<u>73</u>

CITY OF ABERDEEN, MARYLAND

**Notes to Basic Financial Statements
June 30, 2021**

10. PENSION PLANS – PLAN REPORTING (continued)

Police Department Pension Plan (continued)

Contribution Information and Funding Policy:

There were no changes in the plan contribution information and funding policy between the June 30, 2020 and June 30, 2021, measurement dates.

Assumptions:

The plan's net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021. The following assumptions were used:

Inflation	2.25%
Salary increases	Ranging from 4.38% to 6.68% based on age, plus 2.5%
Investment rate of return	5.75%, net of investment expense and including inflation

Mortality rates during the benefit payment period were based on PubS-2010 Safety base rate mortality table projected to future years with historical and assumed mortality improvement (MI) rates using the MP-2019 mortality improvement scale. Mortality rates before the benefit payment period were based on PubS-2010 Employee, for Males and Females. Mortality rates for retirees, contingent survivors and disabled retirees were based on PubS-2010 Healthy Retiree base table, for Male and Females. Disability rates were based on the 1987 Commissioner's Group Disability Table, six-month elimination period, for Males and Females. A withdrawal assumption was based on the 2003 Society of Actuaries Small Plan Age Table, based on age, multiplied by 0.35.

The total pension liability, as measured at June 30, 2021, was calculated based on the Entry Age actuarial cost method. Under this method, the present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the earnings between entry age and assumed exit age(s). The portion of the present value allocated to a year is the service costs. Projected benefits are based on project salary and projected service.

The long-term interest rate assumption was developed as a weighted average rate based on the target asset allocation of the plan and the long-term capital market assumptions. The overall return for each asset class was developed by combining a long-term inflation component and the associated expected real rates. The development of the capital market assumptions utilized a variety of methodologies, including, but not limited to, historical analysis, stock valuation models such as dividend discount models and earning yields' models, expected economic growth outlook, and market yields analysis.

CITY OF ABERDEEN, MARYLAND

**Notes to Basic Financial Statements
June 30, 2021**

10. PENSION PLANS – PLAN REPORTING (continued)

Police Department Pension Plan (continued)

Assumptions: (continued)

Best estimates of real rates of return (geometric means) for each major asset class included in the pension plan's target asset allocation as of the measurement date, are summarized in the following table:

Asset Class	<u>Target allocation</u>	<u>Expected Real Rate of Return</u>
Domestic equity	36.50%	6.20%
International equity	19.12%	6.20%
Fixed income	39.02%	2.55%
Real estate	5.36%	5.00%
Total	<u>100.00%</u>	

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

There were no changes to assumptions when compared to the prior actuarial valuation.

Based on those assumptions, the pension plan's fiduciary net position and benefit payments were projected to determine if the plan's fiduciary net position was greater than or equal to the expected benefit payments for each period from 2020 to 2114. Benefit payments after 2114 are projected to be \$0. The long-term rate of return of 5.75% is used to calculate the actuarial present value of the projected payments for each future period when the projected fiduciary net position is greater than the projected expected benefit payments. otherwise, a municipal bond rate of 3.30% is used. The municipal bond rate is from Bloomberg Barclays Municipal GO Long Term {17+ Y) Index, which includes 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher securities, as of the June 30, 2021 measurement date. The discount rate is a single rate that incorporates the long-term rate of return and the municipal bond rate as described. The discount rate used to determine the total pension liability is 5.75%.

Investments:

There were no changes in the investment policy between the June 30, 2021 and 2020, measurement dates. Additionally, all of the plan's investments continue to be held in one organization, Principal Financial Group.

The money-weighted rate of return is calculated as a rate of return on pension plan investments incorporating the timing and amount of cash flows. This return is calculated net of investment expenses. The annual money-weighted rate of return on plan investments for the measurement period ended June 30, 2021, is 22.33%.

CITY OF ABERDEEN, MARYLAND

**Notes to Basic Financial Statements
June 30, 2021**

10. PENSION PLANS – PLAN REPORTING (continued)

Police Department Pension Plan (continued)

Net Pension Liability of the City:

The components of the net pension liability of the City, using a measurement date of June 30, 2021, were as follows:

Total pension liability	\$	16,360,663
Plan fiduciary net position		17,102,517
City's net pension liability	\$	<u>(741,854)</u>
Plan fiduciary net position as a percentage of total pension liability		104.53%

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 5.75%, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1 % lower or 1% higher than the current rate:

	<u>1% Decrease</u> 4.75%	<u>Discount Rate</u> 5.75%	<u>1% Increase</u> 6.75%
City's net pension liability	\$ 1,520,329	\$ (741,854)	\$ (2,591,658)

11. POST EMPLOYMENT HEALTH CARE BENEFITS, CITY AND PLAN REPORTING

Plan Description:

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

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

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

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

CITY OF ABERDEEN, MARYLAND

**Notes to Basic Financial Statements
June 30, 2021**

11. POST EMPLOYMENT HEALTH CARE BENEFITS, CITY AND PLAN REPORTING
(continued)

Benefits provided:

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

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

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

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

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

Employees covered by benefit terms:

As of June 30, 2019, the date of the most recent valuation, the following employees were covered by the benefit terms:

	<u>Medical/Drug</u>	<u>Life</u>
Active employees	124	146
Inactive employees entitled to but not yet receiving benefits	0	0
Inactive plan employees entitled to and receiving benefits	21	18
	<u>145</u>	<u>164</u>

Contributions:

The City's charter grants the authority to establish and amend the contribution requirements of the City and employees to the City legislature. The City legislature establishes rates based on an actuarially determined rate. For the year ended June 30, 2021, the City's average contribution rate was 6.9% of covered-employee payroll.

CITY OF ABERDEEN, MARYLAND

Notes to Basic Financial Statements

June 30, 2021

11. POST EMPLOYMENT HEALTH CARE BENEFITS, CITY AND PLAN REPORTING

(continued)

Investments:

The OPEB Plan does not have a formal investment policy.

Investments are valued as of the measurement date at fair value. The actuarial value of assets was determined using techniques to control volatility in annual cash contributions. The UAAL is amortized over a closed period of 30 years. The remaining amortization period as of June 30, 2021, was 25 years. As of the measurement date, all of the plan's investments were held in one organization, ICMA Retirement Corporation, and were invested in two funds: VantageTrust II Model Portfolio Moderate Fund (50.7% of the Plan's net position) of and VantageTrust II Model Portfolio Aggressive Fund (49.3% of the Plan's net position).

For the year ended June 30, 2021, the annual money-weighted rate of return on investments, net of investment expense, was 29.40%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. Update procedures were used to roll forward the total OPEB liability to the measurement date.

Actuarial Assumptions:

The total OPEB liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Investment rate of return	6.50%, net of investment expenses and including inflation
Healthcare trend	5.75% initially, grading down to 4.25%, ultimate 4.50%
Vision trend	3.25% for all years
Dental trend	4.25% for all years
Inflation	2.50%
Salary increase	6.50% per year for safety employees and 5.0% per year for general employees
Mortality	PUB 2010G Headcount generational improvement scale SSA for general employees and PUB 2010S Headcount generational improvement with scale SSA for safety employees

CITY OF ABERDEEN, MARYLAND

**Notes to Basic Financial Statements
June 30, 2021**

11. POST EMPLOYMENT HEALTH CARE BENEFITS, CITY AND PLAN REPORTING
(continued)

Actuarial Assumptions: (continued)

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

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

The unfunded liability was amortized over a period of 30 years as a level percentage of pay, on a closed basis with 25 years remaining.

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

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

Medical and prescription drug cost trend assumptions:

<u>Years ending December 31,</u>	<u>Annual Rate of Increase</u>
2021	0.00%
2022	5.50%
2023	5.25%
2024	5.00%
2025	4.75%
2026	4.50%
2027 and Later	4.25/4.50%

CITY OF ABERDEEN, MARYLAND

**Notes to Basic Financial Statements
June 30, 2021**

11. POST EMPLOYMENT HEALTH CARE BENEFITS, CITY AND PLAN REPORTING
(continued)

Actuarial Assumptions: (continued)

Retirement rate assumptions:

General:

	Age					
	45	50	55	60	65	70
First year eligibility:						
Male	0.150	0.150	0.250	0.250	0.250	1.000
Female	0.150	0.150	0.250	0.300	0.300	1.000
Subsequent years:						
Male	0.050	0.050	0.070	0.120	0.250	1.000
Female	0.050	0.050	0.070	0.100	0.250	1.000

Police: 25 years of service - 50%; 26 - 34 years of service - 25%; 35+ years of service - 100%.

Termination rate assumptions:

General:

Years of Service	Rate of Termination
0	0.200
1	0.180
2	0.162
3	0.146
4	0.131
5	0.118
6	0.106
7	0.096
8	0.086
9	0.077
10	0.070
11	0.063
12	0.056
13	0.051
14	0.046
15	0.041
16	0.037
17	0.033
18	0.030
19	0.027
20	0.000

CITY OF ABERDEEN, MARYLAND

**Notes to Basic Financial Statements
June 30, 2021**

11. POST EMPLOYMENT HEALTH CARE BENEFITS, CITY AND PLAN REPORTING
(continued)

Actuarial Assumptions: (continued)

Police:

<u>Age</u>	<u>Rate of Termination</u>
20	0.0608
25	0.0488
30	0.0388
35	0.0303
40	0.0235
45	0.0183
50	0.0140
55	0.0105

Disability:

<u>Age</u>	<u>Police</u>		<u>General</u>	
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
25	0.00085	0.00109	0.0015	0.0011
30	0.00099	0.00140	0.0015	0.0011
35	0.00124	0.00201	0.0025	0.0018
40	0.00176	0.00276	0.0046	0.0031
45	0.00294	0.00400	0.0056	0.0045
50	0.00540	0.00622	0.0065	0.0062
55	0.00977	0.00932	0.0086	0.0085

A formal actuarial experience study has been performed covering 2011 through 2019.

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

CITY OF ABERDEEN, MARYLAND

**Notes to Basic Financial Statements
June 30, 2021**

11. POST EMPLOYMENT HEALTH CARE BENEFITS, CITY AND PLAN REPORTING
(continued)

Actuarial Assumptions: (continued)

The target allocation and best estimates of real rates of return (geometric means) for each major asset class are summarized in the following table:

Asset Class	<u>Target allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	65.00%	6.10%
U.S. Fixed income - investment	35.00%	1.35%
Total	<u>100.00%</u>	

Discount rate: The discount rate used to measure the total OPEB liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made equal to the actuarially determined contribution each year. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the expected rates of return on the OPEB plan's investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the Net OPEB Liability

	<u>Total OPEB Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net OPEB Liability (a) - (b)</u>
Balances at 6/30/2020	\$ 4,323,049	\$ 2,678,237	\$ 1,644,812
Changes for the year:			
Service cost	179,298	-	179,298
Interest	286,377	-	286,377
Difference between expected and actual experience	-	-	-
Changes in assumptions	-	-	-
Contributions - employer	-	581,193	(581,193)
Net investment income	-	831,966	(831,966)
Benefit payments	(196,193)	(196,193)	-
Administrative expenses	-	(3,011)	3,011
Net change	<u>269,482</u>	<u>1,213,955</u>	<u>(944,473)</u>
Balances at 6/30/2021	<u>\$ 4,592,531</u>	<u>\$ 3,892,192</u>	<u>\$ 700,339</u>

The OPEB Plan's fiduciary net position as a percentage of the total OPEB liability was 84.8% as of June 30, 2021.

Significant changes to assumptions when compared to the prior actuarial measurement of the net OPEB liability are described above.

CITY OF ABERDEEN, MARYLAND

**Notes to Basic Financial Statements
June 30, 2021**

11. POST EMPLOYMENT HEALTH CARE BENEFITS, CITY AND PLAN REPORTING
(continued)

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

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

	<u>1% Decrease (5.50%)</u>	<u>Current Discount Rate (6.50%)</u>	<u>1% Increase (7.50%)</u>
Net OPEB Liability	\$ 1,079,413	\$ 700,339	\$ 367,288

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

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

	<u>1% Decrease (3.25%)</u>	<u>Current Trend Rate (4.25%)</u>	<u>1% Increase (5.25%)</u>
Net OPEB Liability	\$ 244,970	\$ 700,339	\$ 1,246,375

OPEB Plan Fiduciary Net Position

Separate, audited GAAP basis OPEB plan reports are not available for the plan. Condensed financials as of and for the year ended June 30, 2021, are as follows:

ASSETS	
Investments	\$ 3,892,192
NET POSITION	
Restricted for OPEB benefits	<u>\$ 3,892,192</u>
ADDITIONS	
Contributions	\$ 581,193
Net investment income	831,966
	<u>1,413,159</u>
DEDUCTIONS	
Benefit payments	196,193
Administrative expenses and other	3,011
	<u>199,204</u>
CHANGE IN NET POSITION	1,213,955
BEGINNING NET POSITION	<u>2,678,237</u>
ENDING NET POSITION	<u>\$ 3,892,192</u>

CITY OF ABERDEEN, MARYLAND

**Notes to Basic Financial Statements
June 30, 2021**

11. POST EMPLOYMENT HEALTH CARE BENEFITS, CITY AND PLAN REPORTING
(continued)

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

For the ended June 30, 2021, the City recognized pension OPEB of \$175,107. The City recognized deferred outflows of resources, and deferred inflows of resources related to OPEB from the following sources as of the year ended June 30, 2021, as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 889,445	\$ 846,455
Changes in actuarial assumptions	139,902	218,228
Net difference between projected and actual earnings in OPEB plan investments	-	452,205
	<u>\$ 1,029,347</u>	<u>\$ 1,516,888</u>

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

Years ending June 30,	Amount
2022	\$ 108,821
2023	112,505
2024	114,684
2025	133,858
2026	4,416
Thereafter	13,257
	<u>\$ 487,541</u>

12. OTHER INFORMATION

Risk management

The City is exposed to various risks of loss related to torts; damages to, and destruction of assets; errors and omissions; employee's health and accident and natural disasters. The City purchases commercial insurance to protect its interest in its property and equipment, insurance against employee dishonesty and liability protection. Settled claims have not exceeded these coverage amounts during the years ended June 30, 2021, 2020, and 2019.

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

Commitments and contingencies

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

CITY OF ABERDEEN, MARYLAND

Notes to Basic Financial Statements June 30, 2021

12. OTHER INFORMATION (continued)

Commitments and contingencies (continued)

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

The City has been invoiced \$270,466 by the Maryland State Highway Administration (SHA) for certain infrastructure improvements completed by SHA for which they are representing are the responsibility of the City. As of June 30, 2021, the City has accrued an estimated liability of \$270,466. The City paid this amount in full subsequent to year-end.

Encumbrances recorded in the General Fund and Capital Projects Fund as of June 30, 2021, were \$35,536 and \$39,837, respectively.

13. NEW GASB STANDARDS

The GASB issued Statement No. 84, *Fiduciary Activities*; Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*; and Implementation Guide No. 2019-2, *Fiduciary Activities*; which all took effect during FY 2021. These statements have an immaterial effect on the City's financial statements.

The GASB has issued Statement No. 87, *Leases*; Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*; Statement No. 91, *Conduit Debt Obligations*; Statement No. 92, *Omnibus 2020*; Statement No. 93, *Replacement of Interbank Offered Rates*; Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*; Statement No. 96, *Subscription-Based Information Technology Arrangements*; Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*; Implementation Guide No. 2019-1, *Implementation Guidance Update—2019*; and Implementation Guide No. 2019-3, *Leases*; which will require adoption in the future, if applicable. Some of these statements and implementation guides will have a material effect on the Town's financial statements once implemented. The City will be analyzing the effects of these pronouncements and plans to adopt them, as applicable, by their effective dates.

Required Supplementary Information



CITY OF ABERDEEN, MARYLAND

Schedule of Changes in the City's Net Pension (Asset) Liability and Related Ratios – Defined Benefit Pension Plan
June 30, 2021

	2021	2020	2019	2018	2017	2016	2015
Total pension liability, beginning	\$ 1,123,667	\$ 1,145,855	\$ 1,425,169	\$ 1,537,783	\$ 1,586,831	\$ 1,573,653	\$ 1,661,697
Interest	40,688	40,772	57,524	61,849	67,615	78,181	82,568
Difference between expected and actual experience	(152,759)	19,528	(303,045)	(26,801)	9,873	5,043	(9,240)
Changes in assumptions	31,671	27,043	93,259	3,637	31,340	88,239	3,713
Benefit payments	(80,423)	(109,531)	(127,052)	(151,299)	(157,876)	(158,285)	(165,085)
Total pension liability, ending (a)	\$ 962,844	\$ 1,123,667	\$ 1,145,855	\$ 1,425,169	\$ 1,537,783	\$ 1,586,831	\$ 1,573,653
Plan fiduciary net position, beginning	\$ 1,187,113	\$ 1,252,327	\$ 1,288,612	\$ 1,339,137	\$ 1,399,552	\$ 1,449,945	\$ 1,501,553
Contributions - employer	19,194	19,194	67,369	67,835	57,934	62,665	65,314
Net investment income	40,318	43,193	41,547	51,157	53,869	59,641	64,166
Benefit payments	(80,423)	(109,531)	(127,052)	(151,299)	(157,876)	(158,285)	(165,085)
Administrative expenses	(17,971)	(18,070)	(18,149)	(18,238)	(14,342)	(14,414)	(16,003)
Plan fiduciary net position, ending (b)	\$ 1,148,231	\$ 1,187,113	\$ 1,252,327	\$ 1,288,612	\$ 1,339,137	\$ 1,399,552	\$ 1,449,945
Net pension liability, beginning	\$ (63,446)	\$ (106,472)	\$ 136,557	\$ 198,646	\$ 187,279	\$ 123,708	\$ 160,144
Net pension (asset) liability, ending (a) - (b)	\$ (185,387)	\$ (63,446)	\$ (106,472)	\$ 136,557	\$ 198,646	\$ 187,279	\$ 123,708
Plan fiduciary net position as a percentage of total pension liability	119.3%	105.6%	109.3%	90.4%	87.1%	88.2%	92.1%
Covered payroll							
City's net pension liability as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes to schedule:

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

CITY OF ABERDEEN, MARYLAND

Schedule of Changes in the City's Net Pension (Asset) Liability and Related Ratios – Police Department Pension Plan
June 30, 2021

	2021	2020	2019	2018	2017	2016	2015
Total pension liability, beginning	\$ 14,103,622	\$ 13,422,609	\$ 12,132,176	\$ 11,930,689	\$ 10,257,086	\$ 9,455,418	\$ 8,947,650
Service costs	381,397	409,708	397,134	383,990	306,236	323,625	298,295
Interest	885,788	843,763	796,486	760,928	720,047	697,737	656,293
Difference between expected and actual experience	113,721	(93,011)	157,723	(103,878)	42,306	(87,169)	(117,048)
Changes in assumptions	924,554	181,192	458,685	(399,120)	946,333	160,404	-
Changes in benefit terms	-	-	-	-	142,070	-	-
Benefit payments	(565,253)	(660,639)	(519,595)	(440,433)	(483,389)	(292,929)	(329,772)
Total pension liability, ending (a)	\$ 15,843,829	\$ 14,103,622	\$ 13,422,609	\$ 12,132,176	\$ 11,930,689	\$ 10,257,086	\$ 9,455,418
Plan fiduciary net position, beginning	\$ 12,905,094	\$ 11,881,392	\$ 10,781,507	\$ 9,454,665	\$ 9,231,544	\$ 8,734,063	\$ 7,266,437
Contributions - employer	778,936	795,497	665,662	545,099	521,120	424,102	506,000
Contributions - plan members	179,967	162,936	165,710	171,518	213,041	161,734	162,876
Net investment income (loss)	510,385	757,868	826,478	1,079,768	(2,904)	234,745	1,162,779
Benefit payments	(565,253)	(660,639)	(519,595)	(440,433)	(483,389)	(292,929)	(329,772)
Administrative expenses	(20,632)	(31,960)	(38,370)	(29,110)	(24,747)	(30,171)	(34,257)
Plan fiduciary net position, ending (b)	\$ 13,788,497	\$ 12,905,094	\$ 11,881,392	\$ 10,781,507	\$ 9,454,665	\$ 9,231,544	\$ 8,734,063
Net pension liability, beginning	\$ 1,541,217	\$ 1,541,217	\$ 1,350,669	\$ 2,476,024	\$ 1,025,542	\$ 721,355	\$ 1,681,213
Net pension (asset) liability, ending (a) - (b)	\$ 2,055,332	\$ 1,198,528	\$ 1,541,217	\$ 1,350,669	\$ 2,476,024	\$ 1,025,542	\$ 721,355
Plan fiduciary net position as a percentage of total pension liability	87.0%	91.5%	88.5%	88.9%	79.2%	90.0%	92.4%
Covered payroll	\$ 2,442,325	\$ 2,210,685	\$ 2,350,824	\$ 2,331,171	\$ 2,303,500	\$ 2,175,531	\$ 2,269,920
City's net pension liability as a percentage of covered payroll	84.2%	54.2%	65.6%	57.9%	107.5%	47.1%	31.8%

Notes to schedule:

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

CITY OF ABERDEEN, MARYLAND

Schedule of City Contributions – Pension
Last Ten Fiscal Years – City Reporting
June 30, 2021

Defined Benefit Pension Plan

Years Ended June 30,	Actuarially determined contribution	Contribution	Contributions deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2021	\$ -	\$ -	\$ -	\$ -	100%
2020	19,194	19,194	-	-	100%
2019	19,194	19,194	-	-	100%
2018	67,369	67,369	-	-	100%
2017	67,855	67,855	-	-	100%
2016	57,934	57,934	-	-	100%
2015	62,665	62,665	-	-	100%
2014	65,314	65,314	-	-	100%
2013	70,452	70,452	-	-	100%
2012	40,133	40,133	-	-	100%

Police Department Pension Plan

Years Ended June 30,	Actuarially determined contribution	Contribution	Contributions deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2021	\$ 637,494	\$ 637,494	\$ -	\$ 2,238,159	28.5%
2020	778,936	778,936	-	2,442,325	31.9%
2019	795,497	795,497	-	2,210,685	36.0%
2018	665,662	665,662	-	2,350,824	28.3%
2017	545,099	545,099	-	2,331,171	23.4%
2016	521,120	521,120	-	2,303,500	22.6%
2015	424,102	424,102	-	2,175,531	19.5%
2014	462,805	506,000	(43,195)	2,269,920	22.3%
2013	505,772	517,000	(11,228)	1,905,358	27.1%
2012	516,888	516,888	-	1,765,006	29.3%

CITY OF ABERDEEN, MARYLAND

**Schedule of Changes in Net OPEB Liability and Related Ratios
June 30, 2021**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB liability, beginning	\$ 4,323,048	\$ 4,904,813	\$ 3,737,833	\$ 3,514,785	\$ 3,295,297
Service costs	179,298	133,780	129,885	126,102	122,429
Interest	286,377	346,547	265,531	249,609	230,644
Difference between expected and actual experience ¹	-	(1,058,068)	1,222,988	-	-
Changes in assumptions	-	174,878	(300,062)	-	-
total pension liability, ending (a)	<u>(196,193)</u>	<u>(178,902)</u>	<u>(151,362)</u>	<u>(152,663)</u>	<u>(133,585)</u>
Total pension liability, ending (a)	<u>\$ 4,592,530</u>	<u>\$ 4,323,048</u>	<u>\$ 4,904,813</u>	<u>\$ 3,737,833</u>	<u>\$ 3,514,785</u>
Plan fiduciary net position, beginning	\$ 2,678,236	\$ 2,235,446	\$ 1,737,627	\$ 1,267,652	\$ 764,790
Contributions - employer	581,193	563,902	536,362	540,663	518,585
Net investment income	831,966	60,116	114,331	81,975	117,928
Benefit payments ²	(196,193)	(178,902)	(151,362)	(152,663)	(133,585)
Administrative expenses	(3,011)	(2,326)	(1,512)	-	(66)
Plan fiduciary net position, ending (b)	<u>\$ 3,892,191</u>	<u>\$ 2,678,236</u>	<u>\$ 2,235,446</u>	<u>\$ 1,737,627</u>	<u>\$ 1,267,652</u>
Net OPEB liability, beginning	<u>\$ 1,644,812</u>	<u>\$ 2,669,367</u>	<u>\$ 2,000,206</u>	<u>\$ 2,530,507</u>	<u>\$ 2,530,507</u>
Net OPEB (asset) liability, ending (a) - (b)	<u>\$ 700,339</u>	<u>\$ 1,644,812</u>	<u>\$ 2,669,367</u>	<u>\$ 2,000,206</u>	<u>\$ 2,247,133</u>
Plan fiduciary net position as a percentage of total OPEB liability	84.8%	62.0%	45.6%	46.5%	36.1%
Covered payroll	\$ 8,420,431	\$ 8,406,425	\$ 8,529,840	\$ 8,670,057	\$ 8,417,532
City's net OPEB liability as a percentage of covered payroll	8.3%	19.6%	31.3%	23.1%	26.7%

Notes to schedule:

¹ At the June 30, 2021 measurement date, medical cost annual rate of increases were updated to reflect increased premium costs.

² Benefit payments are currently not being made from the OPEB Trust Fund. The reporting above shows the payments made by the City outside the trust as both employer contributions and benefit payments.

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

CITY OF ABERDEEN, MARYLAND

Schedule of City Contributions - OPEB
June 30, 2021

Years Ended June 30,	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contributions deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2021	\$ 314,556	\$ 581,193	\$ (266,637)	\$ 8,420,431	6.9%
2020	304,602	563,902	(259,300)	8,406,425	6.7%
2019	248,910	536,362	(287,452)	8,529,840	6.3%
2018	310,133	540,663	(230,530)	8,670,057	6.2%
2017	306,203	518,585	(212,382)	8,417,532	6.2%
2016	404,108	564,588	(160,480)	7,679,576	7.4%
2015	412,327	517,002	(104,675)	7,903,392	6.5%
2014	284,836	107,595	177,241	7,451,184	1.4%
2013	351,581	135,840	215,741	Unavailable	
2012	527,550	84,624	442,926	6,467,790	1.3%

City amounts above include implicit subsidies.

CITY OF ABERDEEN, MARYLAND

**Schedule of Investment Returns – Pension and OPEB
June 30, 2021**

	<u>Year Ended</u>							
	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Defined Benefit Pension Plan								
Annual money weighted rate of return, net of investment expense	3.78%	3.49%	3.61%	3.31%	4.01%	4.05%	4.26%	4.44%
Police Department Pension Plan								
Annual money weighted rate of return, net of investment expense	22.33%	3.85%	6.24%	7.48%	11.32%	-0.03%	2.63%	15.73%
OPEB Plan								
Annual money weighted rate of return, net of investment expense	29.40%	2.50%	5.90%	5.70%	13.04%	0.36%	-1.79%	N/A

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

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

CITY OF ABERDEEN, MARYLAND

Notes to Required Supplementary Information Year Ended June 30, 2021

Pension Trend Information

The Schedule of City Contributions - Pension provides historical context for the amounts of contributions in the current period. The actuarially determined contributions are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported. Significant methods and assumptions used to determine the contributions for Pension plans include:

Defined Benefit Plan

Valuation date	June 30, 2021
Actuarial cost method	Entry age normal
Amortization method	Straight line
Amortization period	5 years
Asset valuation method	Market value of assets held in separate accounts and contract value of assets held
Investment rate of return	3.25%, net of investment expense and including inflation
Inflation	2.25%
Salary increase	5.77% to 7.3% based on age, plus 2.2%
Mortality	PubG-2010 General base rate mortality table projected to future years with historical and assumed mortality improvement (MI) rates using the MP-2019 mortality improvement scale. Mortality rates before the benefit payment period were based on PubG-2010 Employee, for Males and Females. Mortality rates for retirees, contingent survivors and disabled retirees were based on PubG-2010 Healthy Retiree base table, for Male and Females.
Disability	1987 Commissioner's Group Disability Table, six-month elimination period, for Males and Females

Police Department Pension Plan

Valuation date	June 30, 2021
Actuarial cost method	Entry age normal
Amortization method	Straight line
Amortization period	Initial funded actuarial accrued liability 5 years; experience gains/losses, amendments, assumption changes 10 years
Asset valuation method	Market value of assets
Investment rate of return	5.75%, net of investment expense and including inflation
Inflation	2.25%
Salary increase	4.38% to 6.68% based on age, plus 2.5%

CITY OF ABERDEEN, MARYLAND

Notes to Required Supplementary Information Year Ended June 30, 2021

Police Department Pension Plan (continued)

Mortality	PubS-2010 Safety base rate mortality table projected to future years with historical and assumed mortality improvement (MI) rates using the MP-2019 mortality improvement scale. Mortality rates before the benefit payment period were based on PubS-2010 Employee, for Males and Females. Mortality rates for retirees, contingent survivors and disabled retirees were based on PubS-2010 Healthy Retiree base table, for Male and Females.
Disability	1987 Commissioner's Group Disability Table, six-month elimination period, for Males and Females.

OPEB Trend Information

The Schedule of City Contributions - OPEB provides historical context for the amount of contributions in the current period. The actuarially determined contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported. Significant methods and assumptions used to determine the contributions for OPEB plan include:

Valuation date	June 30, 2019
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, on a closed basis with 25 years remaining
Amortization period	30 years
Asset valuation method	Smoothed value of assets
Investment rate of return	6.50%, net of investment expenses and including inflation
Inflation	2.50%
Salary increase	6.5% per year for safety employees and 5.0% per year for general employees
Mortality	PUB 2010G Headcount generational improvement scale SSA for general employees and PUB 2010S Headcount generational improvement with scale SSA for safety employees

Other Supplementary Information



CITY OF ABERDEEN, MARYLAND

**Schedule of Revenues and Other Financing Sources-Budget and Actual-General Fund
Year Ended June 30, 2021**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Budget Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
TAXES				
Property taxes:				
Real estate taxes	\$ 9,231,481	\$ 9,231,481	\$ 9,679,165	\$ 447,684
Corporation personal property taxes	1,284,582	1,284,582	1,384,321	99,739
Utilities personal property tax	533,163	533,163	528,237	(4,926)
Penalties and interest	23,000	23,000	40,838	17,838
Additions and abatements	(8,000)	(8,000)	(479)	7,521
Discount on taxes	(73,159)	(73,159)	(67,895)	5,264
Tax credit - firemen exemptions	(11,520)	(11,520)	(10,944)	576
Tax credit - no water or sewer	(7,085)	(7,085)	(5,508)	1,577
Enterprise Zone Tax Credits	(84,298)	(84,298)	(77,877)	6,421
	<u>10,888,164</u>	<u>10,888,164</u>	<u>11,469,858</u>	<u>581,694</u>
Local taxes:				
Franchise tax	166,506	166,506	162,016	(4,490)
Mobile home excise tax	29,360	29,360	37,800	8,440
Utilities pole tax	67,430	67,430	67,958	528
	<u>263,296</u>	<u>263,296</u>	<u>267,774</u>	<u>4,478</u>
State shared taxes:				
Income tax	1,150,000	1,150,000	1,945,436	795,436
	<u>1,150,000</u>	<u>1,150,000</u>	<u>1,945,436</u>	<u>795,436</u>
Total taxes	<u>12,301,460</u>	<u>12,301,460</u>	<u>13,683,068</u>	<u>1,381,608</u>
Licenses and Permits				
Traders' licenses	25,000	25,000	42,667	17,667
Grading permits	15,000	15,000	17,975	2,975
Building permits	35,000	35,000	49,727	14,727
Site plan review	14,000	14,000	43,575	29,575
Mobile Home Park Licenses	600	600	600	-
Peddlers Permits	150	150	100	(50)
Public works agreement revenue	15,000	15,000	-	(15,000)
Deed Stamps and Tax Certificates	4,500	4,500	6,630	2,130
Total licenses and permits	<u>109,250</u>	<u>109,250</u>	<u>161,274</u>	<u>52,024</u>

CITY OF ABERDEEN, MARYLAND

Schedule of Revenues and Other Financing Sources-Budget and Actual-General Fund
Year Ended June 30, 2021

	Budget Amounts		Actual Amounts	Budget Variance Positive (Negative)
	Original	Final		
Intergovernmental				
Grants from federal government:				
Law enforcement grant	-	-	11,067	11,067
Grants from state government:				
Police state aid	280,149	280,149	288,688	8,539
Highway user	640,000	640,000	668,985	28,985
Other	-	372,366	164,032	(208,334)
	<u>920,149</u>	<u>1,292,515</u>	<u>1,121,705</u>	<u>(170,810)</u>
Grants from county government:				
In lieu of financial corporation	7,142	7,142	7,142	-
Tax differential - Harford County	1,310,402	1,310,402	1,310,402	-
Hotel and motel	500,000	500,000	372,782	(127,218)
Senior Center reimbursement	52,740	52,740	52,740	-
Other	-	227,052	241,738	14,686
	<u>1,870,284</u>	<u>2,097,336</u>	<u>1,984,804</u>	<u>(112,532)</u>
Grants from local government:				
Residential special patrol	86,000	86,000	70,363	(15,637)
Total intergovernmental	<u>2,876,433</u>	<u>3,475,851</u>	<u>3,187,939</u>	<u>(287,912)</u>
APG Management Fees	<u>750,000</u>	<u>750,000</u>	<u>899,437</u>	<u>149,437</u>
Miscellaneous Revenues				
Trash collection stickers fees	-	-	2,193	2,193
Police seized assets	-	11,067	31	(11,036)
Police miscellaneous income	12,000	12,000	7,895	(4,105)
Antenna leases	73,000	73,000	73,694	694
Stormwater management fees	35,000	35,000	-	(35,000)
Fines	15,000	15,000	4,119	(10,881)
DPW miscellaneous income	10,000	10,000	39,290	29,290
Interest	150,000	150,000	11,892	(138,108)
Other rents	6,000	6,000	7,524	1,524
Other	35,000	35,000	37,123	2,123
Total miscellaneous revenues	<u>336,000</u>	<u>347,067</u>	<u>183,761</u>	<u>(163,306)</u>
Total revenues	<u>16,373,143</u>	<u>16,983,628</u>	<u>18,115,479</u>	<u>1,131,851</u>
Other Financing Sources				
Loan proceeds	-	-	-	-
Transfers in	-	-	-	-
Appropriation of fund balance	669,308	752,508	-	(752,508)
Total other financing sources	<u>669,308</u>	<u>752,508</u>	<u>-</u>	<u>(752,508)</u>
Total revenues and other financing sources	<u>\$ 17,042,451</u>	<u>\$ 17,736,136</u>	<u>\$ 18,115,479</u>	<u>\$ 379,343</u>

CITY OF ABERDEEN, MARYLAND

**Schedule of Expenditures and Other Financing Uses-Budget and Actual-General Fund
Year Ended June 30, 2021**

	Budget Amounts		Actual Amounts	Budget Variance Positive (Negative)
	Original	Final		
General Government				
Legislative:				
Elected officials	\$ 59,941	\$ 59,941	\$ 59,829	\$ 112
Operating expenditures	24,902	24,902	22,409	2,493
Maryland Municipal League	18,872	18,872	17,783	1,089
Capital expenditures	-	-	-	-
	<u>103,715</u>	<u>103,715</u>	<u>100,021</u>	<u>3,694</u>
Executive:				
Salaries	550,792	550,792	538,613	12,179
Operating expenditures	47,055	66,255	35,229	31,026
Capital expenditures	5,500	5,500	3,466	2,034
	<u>603,347</u>	<u>622,547</u>	<u>577,308</u>	<u>45,239</u>
Elections:				
Operating expenditures	-	-	-	-
Finance:				
Salaries	525,381	525,381	522,386	2,995
Operating expenditures	54,100	54,100	29,584	24,516
Capital expenditures	1,000	1,000	500	500
	<u>580,481</u>	<u>580,481</u>	<u>552,470</u>	<u>28,011</u>
Legal:				
Codification	5,000	5,000	3,985	1,015
Counsel	80,000	80,000	113,319	(33,319)
	<u>85,000</u>	<u>85,000</u>	<u>117,304</u>	<u>(32,304)</u>
Planning and community development:				
Salaries	283,093	283,093	283,194	(101)
Operating expenditures	44,980	413,323	150,165	263,158
Capital expenditures	1,000	1,000	910	90
	<u>329,073</u>	<u>697,416</u>	<u>434,269</u>	<u>263,147</u>
Government buildings:				
Salaries	-	-	-	-
Operating expenditures	846,600	846,600	818,846	27,754
Capital expenditures	25,000	25,000	-	25,000
	<u>871,600</u>	<u>871,600</u>	<u>818,846</u>	<u>52,754</u>
General government:				
Operating expenditures	83,500	87,523	69,844	17,679
Health and safety:				
Operating expenditures	19,500	19,500	17,665	1,835
Capital expenditures	1,000	1,000	340	660
	<u>20,500</u>	<u>20,500</u>	<u>18,005</u>	<u>2,495</u>
Total general government	<u>2,677,216</u>	<u>3,068,782</u>	<u>2,688,067</u>	<u>380,715</u>

CITY OF ABERDEEN, MARYLAND

**Schedule of Revenues, Expenditures, and Other Financing Sources-Budget and Actual-General Fund
Year Ended June 30, 2021**

	Budget Amounts		Actual Amounts	Budget Variance Positive (Negative)
	Original	Final		
Public Safety				
Police Department:				
Salaries	3,967,755	3,967,755	3,669,478	298,277
Operating expenditures	660,199	685,266	551,250	134,016
Capital expenditures	42,904	42,904	43,764	(860)
	<u>4,670,858</u>	<u>4,695,925</u>	<u>4,264,492</u>	<u>431,433</u>
Volunteer fire department:				
Contribution	292,803	292,803	292,803	-
Total public safety	<u>4,963,661</u>	<u>4,988,728</u>	<u>4,557,295</u>	<u>431,433</u>
Public Works				
Public Works Administration:				
Salaries	464,149	464,149	462,070	2,079
Operating expenditures	68,000	68,000	48,008	19,992
Capital expenditures	1,000	1,000	-	1,000
	<u>533,149</u>	<u>533,149</u>	<u>510,078</u>	<u>23,071</u>
Streets:				
Salaries	700,525	700,525	684,309	16,216
Operating expenditures	426,500	476,500	430,683	45,817
Capital expenditures	1,000	1,000	-	1,000
	<u>1,128,025</u>	<u>1,178,025</u>	<u>1,114,992</u>	<u>63,033</u>
Street lighting:				
Operating expenditures	275,000	275,000	227,797	47,203
Winter operation:				
Operating expenditures	40,000	40,000	61,810	(21,810)
Solid waste:				
Salaries	367,359	367,359	396,799	(29,440)
Operating expenditures	400,000	400,000	400,855	(855)
Capital expenditures	1,000	1,000	-	1,000
	<u>768,359</u>	<u>768,359</u>	<u>797,654</u>	<u>(29,295)</u>
Municipal separate storm sewer systems:				
Operating expenditures	100,000	327,052	260,071	66,981
Total public works	<u>2,844,533</u>	<u>3,121,585</u>	<u>2,972,402</u>	<u>149,183</u>
Parks and Recreation				
Operating expenditures	136,300	136,300	96,205	40,095
Miscellaneous				
Retirement and OPEB plans	1,402,008	1,402,008	1,175,651	226,357
Payroll expenditures	2,256,737	2,256,737	2,229,734	27,003
Miscellaneous	231,173	231,173	121,836	109,337
	<u>3,889,918</u>	<u>3,889,918</u>	<u>3,527,221</u>	<u>362,697</u>

CITY OF ABERDEEN, MARYLAND

**Schedule of Revenues, Expenditures, and Other Financing Sources-Budget and Actual-General Fund
Year Ended June 30, 2021**

	Budget Amounts		Actual Amounts	Budget Variance Positive (Negative)
	Original	Final		
Debt Service				
Debt service principal	621,690	621,690	612,226	9,464
Debt service interest and fees	102,313	102,313	98,046	4,267
	<u>724,003</u>	<u>724,003</u>	<u>710,272</u>	<u>13,731</u>
Total expenditures	15,235,631	15,929,316	14,551,462	1,377,854
Other Financing Uses				
Transfers Out	1,806,820	1,806,820	1,806,820	-
Total expenditures and other financing uses	<u>\$ 17,042,451</u>	<u>\$ 17,736,136</u>	<u>\$ 16,358,282</u>	<u>\$ 1,377,854</u>

CITY OF ABERDEEN, MARYLAND

Schedule of Expenditures and Other Financing Uses-Budget and Actual-Capital Projects Fund
Year Ended June 30, 2021

	Original Budget	Final Budget	Actual Amounts	Budget Variance Positive (Negative)
Revenues				
Revenues from other agencies	\$ -	\$ 949,834	\$ 81,781	\$ (868,053)
Total revenues	<u>-</u>	<u>949,834</u>	<u>81,781</u>	<u>(868,053)</u>
Expenditures				
General government	-	949,834	93,450	856,384
Public safety	85,000	85,000	79,917	5,083
Public works	745,000	753,077	773,144	(20,067)
Total expenditures	<u>830,000</u>	<u>1,787,911</u>	<u>946,511</u>	<u>841,400</u>
Other Financial Sources				
Transfers from general fund	690,000	690,000	690,000	-
Appropriation of fund balance	140,000	148,077	148,077	-
Total other financing sources	<u>830,000</u>	<u>838,077</u>	<u>838,077</u>	<u>-</u>
Net change in fund balance (budgetary basis)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (26,653)</u>	<u>\$ (26,653)</u>
Adjustments to Conform with Generally Accepted Accounting Principles (GAAP)			<u>(121,276)</u>	
Net Change in Fund Balance (GAAP Basis)			(147,929)	
Fund Balance				
Beginning			<u>1,244,427</u>	
Ending			<u>\$ 1,096,498</u>	

CITY OF ABERDEEN, MARYLAND

Combining Statement of Fiduciary Net Position
As of June 30, 2021

	<u>Pension Trusts</u>		<u>Other Post Employment Benefits Trust</u>	<u>Total</u>
	<u>Police Department Plan</u>	<u>Defined Benefit Plan</u>		
Assets				
Investments at fair-value:				
Pooled separate accounts	\$ 17,102,517	\$ -	\$ 3,892,191	\$ 20,994,708
Insurance contract, at cost	-	1,085,382	-	1,085,382
Total assets	<u>17,102,517</u>	<u>1,085,382</u>	<u>3,892,191</u>	<u>22,080,090</u>
Net position				
Restricted for pension/other post-employment benefits	<u>\$ 17,102,517</u>	<u>\$ 1,085,382</u>	<u>\$ 3,892,191</u>	<u>\$ 22,080,090</u>

CITY OF ABERDEEN, MARYLAND

Combining Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2021

	Pension Trusts		Other Post Employment Benefits Trust	Total
	Police Department Plan	Defined Benefit Plan		
Additions				
Contributions:				
Employer contributions	\$ 637,494	\$ -	\$ 581,193	\$ 1,218,687
Plan member contributions	183,417	-	-	183,417
Total contributions	820,911	-	581,193	1,402,104
Net investment income	3,129,176	36,114	831,966	3,997,256
Total additions	3,950,087	36,114	1,413,159	5,399,360
Deductions				
Benefit payments	596,062	92,723	196,193	884,978
Administrative expenses and other	40,105	6,240	3,011	49,356
Total deductions	636,167	98,963	199,204	934,334
Change in net position	3,313,920	(62,849)	1,213,955	4,465,026
Net position - beginning	13,788,597	1,148,231	2,678,236	17,615,064
Net position - ending	\$ 17,102,517	\$ 1,085,382	\$ 3,892,191	\$ 22,080,090

Statistical Section



STATISTICAL SECTION

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

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Economic and Demographic Information

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

Operating Information

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

Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)

Table 1

	2021	2020	2019	2018	2017 (1)	2016	2015	2014 (1)	2013	2012
Governmental Activities										
Net Investment in Capital Assets	\$ 27,573,602	\$ 27,329,283	\$ 23,675,321	\$ 22,534,359	\$ 22,361,333	\$ 21,292,838	\$ 20,241,970	\$ 16,364,349	\$ 13,508,406	\$ 13,404,341
Restricted	185,387	63,446	106,472	41,888	-	429,003	441,896	485,238	492,955	508,400
Unrestricted	14,730,674	13,433,025	15,247,960	13,174,737	10,931,365	9,557,127	7,115,395	7,756,146	9,248,917	6,989,228
Total Governmental Activities Net Position	42,489,663	40,825,754	39,029,753	35,750,984	33,292,698	31,278,968	27,799,261	24,605,733	23,250,278	20,901,969
Business-Type Activities										
Net Investment in Capital Assets	47,881,373	43,898,885	42,509,743	40,970,966	40,021,208	39,873,118	39,292,242	38,919,289	36,701,093	34,440,815
Restricted	-	-	-	-	-	3,378,396	3,600,207	3,609,705	3,644,074	763,330
Unrestricted	8,045,290	4,174,381	4,239,596	5,114,484	6,564,707	883,220	1,945,341	748,189	1,051,125	2,833,689
Total Business-Type Activities Net Position	55,926,663	48,073,266	46,749,339	46,085,450	46,585,915	44,334,734	44,837,790	43,277,183	41,396,292	38,037,834
Primary Government										
Net Investment in Capital Assets	75,454,975	71,228,168	66,185,064	63,505,325	62,382,541	61,165,956	59,534,212	55,283,638	50,209,499	47,845,156
Restricted	185,387	63,446	106,472	41,888	-	4,007,399	4,042,103	4,094,943	4,137,029	1,271,730
Unrestricted	22,775,964	17,607,406	19,487,556	18,289,221	17,496,072	10,440,347	9,060,736	8,504,335	10,300,042	9,822,917
Total Primary Government Activities Net Position	\$ 98,416,326	\$ 88,899,020	\$ 85,779,092	\$ 81,836,434	\$ 79,878,613	\$ 75,613,702	\$ 72,637,051	\$ 67,882,916	\$ 64,646,570	\$ 58,939,803

(1) As restated

Source:
City financial records.

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

Table 2

	2021	2020	2019	2018	2017 (1)	2016	2015	2014 (1)	2013	2012
Expenses:										
Governmental Activities										
General Government	\$ 4,768,267	\$ 4,428,929	\$ 3,844,952	\$ 3,813,228	\$ 4,048,692	\$ 3,523,465	\$ 3,468,452	\$ 4,911,835	\$ 3,014,256	\$ 3,466,644
Public Safety	6,858,164	7,294,920	6,535,392	6,155,080	6,839,990	5,991,215	5,739,007	5,356,062	5,193,500	5,305,825
Public Works	5,446,825	5,194,298	5,050,716	5,337,873	4,549,120	4,387,453	4,135,899	4,336,712	4,587,658	3,974,061
Parks and Recreation	153,199	161,424	155,040	193,215	149,700	122,603	109,297	371,255	81,358	71,590
Interest on Long-Term Debt	95,817	115,206	129,555	100,073	92,562	142,235	123,875	132,416	139,764	255,227
Total Governmental Activities Expenses	17,322,272	17,194,777	15,715,455	15,599,469	15,680,064	14,166,971	13,576,530	15,108,280	13,016,536	13,073,347
Business-Type Activities										
Water Sewer	3,069,311	2,980,003	3,064,432	3,529,033	3,303,186	3,094,184	2,982,943	2,814,456	2,784,946	2,578,348
Stadium	4,167,441	4,246,640	4,179,053	4,092,786	4,030,851	4,017,082	3,962,657	4,052,338	3,183,672	2,982,631
Unrestricted	585,220	608,747	730,718	612,137	496,814	527,575	460,981	423,981	415,268	594,530
Total Business-Type Activities Expenses	7,821,972	7,835,390	7,974,203	8,233,956	7,830,851	7,638,841	7,406,581	7,290,775	6,383,886	6,155,509
Total Primary Government Expenses	\$ 25,144,244	\$ 25,030,167	\$ 23,689,658	\$ 23,833,425	\$ 23,510,915	\$ 21,805,812	\$ 20,983,111	\$ 22,399,055	\$ 19,400,422	\$ 19,228,856
Program Revenues										
Governmental Activities										
Charges for Services:										
General Government	\$ 210,032	\$ 203,847	\$ 232,336	\$ 317,947	\$ 361,070	\$ 368,918	\$ 328,930	\$ 358,560	\$ 340,520	\$ 348,916
Public Safety	7,895	54,890	56,662	66,254	100,448	29,916	27,659	26,945	118,427	69,048
Public Works	2,768,003	2,813,817	2,834,960	2,638,231	2,544,070	2,469,187	2,399,067	2,229,890	2,097,915	2,074,107
Operating Grants and Contributions	2,715,093	2,593,163	2,491,302	2,194,773	2,750,406	2,655,066	1,982,361	2,107,137	1,510,237	1,393,877
Capital Grants and Contributions	754,756	917,130	676,879	1,165,055	311,176	494,342	633,393	478,932	108,359	419,823
Total Governmental Activities Program Revenues	6,455,779	6,582,847	6,292,139	6,382,260	6,067,170	6,017,429	5,371,410	5,201,464	4,175,458	4,305,771
Business-Type Activities										
Charges for Services:										
Water Sewer	6,036,124	3,751,983	3,036,169	2,907,119	3,896,382	2,674,959	3,660,863	3,207,137	2,961,294	2,501,549
Stadium	4,784,493	3,630,573	3,386,368	3,275,193	3,522,854	3,169,699	3,831,922	3,553,433	3,158,243	2,861,174
Unrestricted	-	3,606	14,280	66,970	83,000	65,150	196,740	212,162	243,514	214,556
Operating Grants and Contributions	120,000	120,000	120,000	120,000	120,000	120,000	-	-	-	2,597,140
Capital Grants and Contributions	1,934,557	477,179	471,990	456,175	966,666	447,700	566,225	1,665,187	3,169,174	6,551,525
Total Business-Type Activities Program Revenues	12,875,174	7,983,341	7,028,807	6,825,457	8,588,902	6,477,508	8,255,750	8,637,959	9,532,225	14,685,944
Total Primary Government Program Revenues	\$ 19,330,953	\$ 14,566,188	\$ 13,320,946	\$ 13,207,717	\$ 14,656,072	\$ 12,494,937	\$ 13,627,160	\$ 13,839,423	\$ 13,707,683	\$ 18,991,715
Net (Expense)/Revenue										
Governmental Activities	(10,866,493)	(10,611,930)	(9,423,316)	(9,217,209)	(9,612,894)	(8,149,542)	(8,205,120)	(9,906,816)	(8,841,078)	(8,767,576)
Business-Type Activities	5,053,202	147,951	(945,396)	(1,408,499)	758,051	(1,161,333)	849,169	1,347,184	3,148,339	8,530,435
Total Primary Government Net Expense	\$ (5,813,291)	\$ (10,463,979)	\$ (10,368,712)	\$ (10,625,708)	\$ (8,854,843)	\$ (9,310,875)	\$ (7,355,951)	\$ (8,559,632)	\$ (5,692,739)	\$ (237,141)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes										
Property Taxes	\$ 11,304,025	\$ 11,040,939	\$ 10,987,022	\$ 10,985,691	\$ 10,907,789	\$ 10,053,492	\$ 10,043,124	\$ 9,936,228	\$ 10,041,666	\$ 10,145,968
Other Local Taxes	2,055,091	1,843,683	262,721	270,245	274,392	277,870	273,859	263,525	259,512	258,102
State Shared Taxes, Unrestricted	267,774	256,417	1,886,645	1,410,686	1,483,135	1,472,297	1,593,992	1,330,186	1,252,941	1,183,456
Investment Earnings	11,892	197,765	283,154	118,896	49,603	26,249	16,290	18,125	16,381	13,672
Gain (loss) on Sale of Capital Assets	8,441	16,894	523,573	(387,830)	134,166	324,547	10,189	69,598	-	-
Transfers	(1,116,820)	(947,767)	(1,243,030)	(721,722)	(1,222,461)	(523,206)	(538,806)	(355,591)	(279,841)	(387,507)
Total Governmental Activities	12,530,403	12,407,931	12,702,085	11,675,966	11,626,624	11,629,249	11,398,648	11,262,271	11,290,659	11,213,691
Business-Type Activities:										
Taxes										
Other Local Taxes	-	-	-	-	-	-	-	-	-	-
State Shared Taxes, Unrestricted	43,792	-	260,214	123,253	121,994	66,630	-	-	-	-
Investment Earnings	114,361	24,275	30,231	38,421	51,649	24,606	68,648	74,504	149,162	169,967
Gain (loss) on Sale of Capital Assets	25,222	90,197	75,810	24,928	96,735	41,836	103,984	103,812	-	-
Debt Forgiveness	1,500,000	-	-	-	-	-	-	-	-	-
Transfers	1,116,820	947,767	1,243,030	721,722	1,222,461	523,206	538,806	355,591	279,841	387,507
Total Business-Type Activities	2,800,195	1,062,239	1,609,285	908,324	1,492,839	658,278	711,438	533,707	429,003	557,474
Total Primary Government	\$ 15,330,598	\$ 13,470,170	\$ 14,311,370	\$ 12,584,290	\$ 13,119,463	\$ 12,287,527	\$ 12,110,086	\$ 11,795,978	\$ 11,719,662	\$ 11,771,165
Changes in Net Position										
Governmental Activities	\$ 1,663,910	\$ 1,796,001	\$ 3,278,769	\$ 2,458,757	\$ 2,013,730	\$ 3,479,707	\$ 3,193,528	\$ 1,355,455	\$ 2,449,581	\$ 2,446,115
Business-Type Activities	7,853,397	1,210,190	663,889	(500,175)	2,250,890	(503,055)	1,560,607	1,880,891	3,577,342	9,087,909
Total Primary Government Changes in Net Position	\$ 9,517,307	\$ 3,006,191	\$ 3,942,658	\$ 1,958,582	\$ 4,264,620	\$ 2,976,652	\$ 4,754,135	\$ 3,236,346	\$ 6,026,923	\$ 11,534,024

(1) As restated

Source:
City financial records.

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

Table 3

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Income Tax</u>	<u>Admissions Tax</u>	<u>Other Local Taxes</u>	<u>Total</u>
2021	\$ 11,304,025	\$ 2,055,091	\$ -	\$ 267,774	\$ 13,626,890
2020	11,040,939	1,843,683	-	256,417	13,141,039
2019	10,987,022	1,886,645	-	262,721	13,136,388
2018	10,985,691	1,410,686	-	270,245	12,666,622
2017	10,907,789	1,483,135	-	274,392	12,665,316
2016	10,053,492	1,405,667	66,630	277,870	11,803,659
2015	10,043,124	1,593,992	-	273,859	11,910,975
2014	9,936,228	1,330,186	-	263,525	11,529,939
2013	10,041,666	1,252,941	-	259,512	11,554,119
2012	10,145,968	1,183,456	-	258,102	11,587,526

Source: City financial records.

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

Table 4

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
General Fund										
Non-spendable	\$ 44,665	\$ 10,245	\$ 10,302	\$ 20,723	\$ 574,127	\$ 143,866	\$ 32,457	\$ 31,683	\$ 30,913	\$ 24,613
Restricted	-	-	-	-	-	-	-	-	-	-
Assigned	340,049	879,311	1,630,738	1,547,952	89,596	-	157,496	-	-	9,003
Unassigned	14,654,544	12,378,520	12,995,768	11,904,488	12,531,920	11,303,280	9,290,251	9,500,995	10,876,480	8,525,257
Total General Fund	\$ 15,039,258	\$ 13,268,076	\$ 14,636,808	\$ 13,473,163	\$ 13,195,643	\$ 11,447,146	\$ 9,480,204	\$ 9,532,678	\$ 10,907,393	\$ 8,558,873
Special Revenue Fund										
Non-spendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	41,888	-	429,003	441,896	485,238	492,955	508,400
Assigned	-	-	-	27,799	-	-	-	-	-	-
Unassigned	-	-	-	-	(89,921)	-	-	-	-	-
Total Special Revenue Fund	\$ -	\$ -	\$ -	\$ 69,687	\$ (89,921)	\$ 429,003	\$ 441,896	\$ 485,238	\$ 492,955	\$ 508,400
Capital Projects Fund										
Non-spendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	-	-	-	-
Assigned	1,096,498	1,244,427	2,175,683	1,836,008	503,594	784,827	636,903	1,793,661	534,726	407,948
Unassigned	-	-	-	-	-	-	-	-	-	-
Total Capital Projects Fund	\$ 1,096,498	\$ 1,244,427	\$ 2,175,683	\$ 1,836,008	\$ 503,594	\$ 784,827	\$ 636,903	\$ 1,793,661	\$ 534,726	\$ 407,948

Source: City financial records.

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

Table 5

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Revenues										
Taxes	\$ 13,683,068	\$ 12,819,072	\$ 13,014,782	\$ 12,597,008	\$ 12,630,135	\$ 11,814,604	\$ 12,065,927	\$ 11,959,531	\$ 11,648,825	\$ 11,834,498
Licenses and permits	161,274	118,841	461,753	168,860	114,214	110,186	141,486	106,969	75,289	101,713
Intergovernmental	3,187,999	3,184,206	3,116,937	3,235,492	2,812,183	3,217,453	2,345,414	2,152,774	1,433,591	1,587,713
APG management fees	2,655,561	2,675,796	2,244,677	2,413,303	2,473,394	2,402,144	2,297,286	2,162,376	2,058,083	2,011,145
Miscellaneous	183,701	434,628	797,253	731,616	568,642	393,440	333,174	432,271	451,977	431,152
Total Revenues	19,871,603	19,232,543	19,635,402	19,146,279	18,598,568	17,937,827	17,183,287	16,813,941	15,667,765	15,966,221
Expenditures										
Current:										
General government	2,614,685	2,784,360	2,505,377	2,639,148	2,758,287	2,849,207	3,303,913	2,558,873	1,841,877	1,695,505
Public safety	4,514,807	4,816,928	4,556,018	5,314,162	4,456,162	4,353,357	4,302,711	4,269,346	3,956,424	3,949,922
Public works	4,557,487	4,296,156	4,260,679	5,714,237	5,500,938	4,607,440	6,501,419	6,135,578	3,998,299	4,074,871
Parks and recreation	89,965	95,096	94,107	212,601	111,165	98,922	160,314	408,207	64,993	100,663
Miscellaneous	3,542,241	3,627,120	3,300,513	3,163,131	3,306,756	3,287,148	3,193,147	2,827,280	2,594,414	2,533,562
Capital Outlay	272,585	1,521,261	2,223,832	-	-	-	-	-	-	-
Debt service:										
Principal	612,226	607,438	539,701	455,997	333,834	346,128	346,054	335,985	325,921	432,251
Interest	98,046	117,435	131,585	102,302	94,791	122,823	124,376	132,917	146,143	89,300
Total Expenditures	16,302,042	17,865,794	17,551,812	17,601,578	16,561,933	15,665,025	17,931,934	16,668,186	12,928,071	12,875,474
Excess of revenues over (under) expenditures	3,569,561	1,366,749	2,083,590	1,544,701	2,036,635	2,272,802	(748,647)	145,755	2,739,694	3,090,747
Other financing sources										
Loan proceeds, net of payments to escrow agent and issuance of refunding bonds	-	122,788	69,500	839,991	-	22,844	-	-	-	5,482
Transfer in (out)	(1,806,820)	(2,875,163)	(1,243,030)	(721,722)	(1,222,461)	(525,206)	(538,806)	(355,391)	(279,841)	(387,507)
Proceeds from sale of capital assets	8,441	16,894	523,573	106,572	134,166	331,333	34,879	86,139	-	-
Total other financing sources	(1,798,379)	(2,735,481)	(649,957)	224,841	(1,088,295)	(170,829)	(503,927)	(269,252)	(279,841)	(382,025)
Net change in fund balances	\$ 1,771,182	\$ (1,368,732)	\$ 1,433,633	\$ 1,769,542	\$ 948,340	\$ 2,101,973	\$ (1,252,574)	\$ (123,497)	\$ 2,459,853	\$ 2,708,722
Debt Service (P & I) as a percentage of non-capital expenditures	4.64%	4.64%	4.38%	3.68%	2.92%	3.40%	3.51%	3.56%	3.86%	4.42%

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 (1)</u>	<u>Admission Tax</u>	<u>Other Local Taxes</u>	<u>Total</u>
2021	\$ 11,469,858	\$ 1,945,436	\$ -	\$ -	\$ 267,774	\$ 13,683,068
2020	10,943,048	1,619,607	-	-	256,417	12,819,072
2019	10,970,981	1,781,080	-	-	262,721	13,014,782
2018	11,001,139	1,325,624	-	-	270,245	12,597,008
2017	10,882,635	1,473,108	-	-	274,392	12,630,135
2016	10,050,537	1,419,567	-	66,630	277,870	11,814,604
2015	10,063,210	1,314,582	414,276	-	273,859	12,065,927
2014	9,990,337	1,309,945	390,765	-	268,504	11,959,551
2013	9,924,915	1,346,694	118,724	-	258,492	11,648,825
2012	10,146,919	1,240,865	193,082	-	253,632	11,834,498

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

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

Source: City financial records.

Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Table 7

Fiscal Year Ending June 30,	Real Property			Real 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
2021	\$1,520,418,978	\$1,520,418,978	0.6400	\$112,025,650	\$ 112,025,650	1.7000	\$ 1,632,444,628	\$ 1,632,444,628	\$ 69,473,626	4.44%
2020	1,449,074,242	1,449,074,242	0.6400	116,014,675	113,896,760	1.7000	1,565,088,917	1,562,971,002	19,670,234	1.27%
2019	1,429,404,008	1,429,404,008	0.6502	116,014,675	116,014,675	1.7000	1,545,418,683	1,545,418,683	(12,088,615)	-0.78%
2018	1,446,743,944	1,446,743,944	0.6502	110,763,354	110,763,354	1.7000	1,557,507,298	1,557,507,298	30,958,966	2.03%
2017	1,414,368,122	1,414,368,122	0.6566	112,180,210	112,180,210	1.7000	1,526,548,332	1,526,548,332	62,876,643	4.30%
2016	1,390,533,929	1,390,533,929	0.6600	73,137,760	73,137,760	1.7000	1,463,671,689	1,463,671,689	15,257,246	1.05%
2015	1,383,252,570	1,383,252,570	0.6800	65,161,873	65,161,873	1.7000	1,448,414,443	1,448,414,443	44,423,110	3.16%
2014	1,340,367,403	1,340,367,403	0.6800	63,623,930	63,623,930	1.7000	1,403,991,333	1,403,991,333	(3,326,224)	-0.24%
2013	1,333,912,757	1,333,912,757	0.6800	73,404,800	73,404,800	1.7000	1,407,317,557	1,407,317,557	(45,534,772)	-3.13%
2012	1,390,102,249	1,390,102,249	0.6800	62,750,080	62,750,080	1.7000	1,452,852,329	1,452,852,329	80,562,276	6.25%

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			
2021	\$ 0.6400	\$ 0.6400	\$ 1.042	\$ 0.112	\$ 1.794
2020	0.6400	0.6400	1.042	0.112	1.794
2019	0.6502	0.6502	1.042	0.112	1.804
2018	0.6502	0.6502	1.042	0.112	1.804
2017	0.6566	0.6566	1.042	0.112	1.811
2016	0.6800	0.6800	1.042	0.112	1.834
2015	0.6800	0.6800	1.042	0.112	1.834
2014	0.6800	0.6800	1.042	0.112	1.834
2013	0.6800	0.6800	1.042	0.112	1.834
2012	0.6800	0.6800	1.042	0.112	1.834

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			
2021	\$ 1.7000	\$ 1.7000	\$ 2.605	\$ -	\$ 4.305
2020	1.7000	1.7000	2.605	-	4.305
2019	1.7000	1.7000	2.605	-	4.305
2018	1.7000	1.7000	2.605	-	4.305
2017	1.7000	1.7000	2.605	-	4.305
2016	1.7000	1.7000	2.605	-	4.305
2015	1.7000	1.7000	2.605	-	4.305
2014	1.7000	1.7000	2.605	-	4.305
2013	1.7000	1.7000	2.605	-	4.305
2012	1.7000	1.7000	2.605	-	4.305

Source: City financial records.

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

Table 9

2021				
Taxpayer	Type of Business	Assessed Valuation	City Tax	Percentage of Total Assessment
Frito-Lay, Inc.	Manufacturing	\$ 57,809,030	\$ 689,549	3.54%
BGE	Utility	23,784,320	404,333	1.46%
Northwestern Mutual Life	Warehouse	39,204,800	250,911	2.40%
HP-A Aberdeen LLC	Real Property Managemen	30,164,200	193,051	1.85%
KRK Title Holder LP	Warehouse	23,674,000	151,514	1.45%
Aberdeen Hotels Baseball Park LLC	Hotel	21,564,880	148,962	1.32%
913 Old Philadelphia Road LLC	Distribution Warehouse	22,688,300	145,205	1.39%
Wal-Mart Real Estate	Retail	16,720,280	130,545	1.02%
Summerlin Development LLC	Apartments	18,315,900	117,222	1.12%
Comast of Harford County	Entertainment	6,052,320	102,889	0.37%
TOTAL		\$ 259,978,030	\$ 2,334,181	15.92%
Total Assessed Valuation		\$ 1,632,444,628		

2012				
Taxpayer	Type of Business	Assessed Valuation	City Tax	Percentage of Total Assessment
Inland American Aberdeen	Real Property Managemen	\$ 34,119,500	\$ 232,013	2.35%
913 Old Philadelphia Road LLC	Distribution Warehouse	26,390,400	179,455	1.82%
KRK Title Holder LP	Warehouse	25,840,200	175,713	1.78%
Wal-Mart Real Estate	Retail	17,041,000	115,879	1.17%
Frito-Lay	Manufacturing	16,700,000	113,560	1.15%
Medline Industries, Inc.	Manufacturing	12,767,600	86,820	0.88%
COPT Northgate A LLC	Real Estate Investment	12,519,200	85,131	0.86%
State of Wisconsin Investment Board	Warehouse	11,540,900	78,478	0.79%
COPT Northgate C LLC	Real Estate Investment	11,104,500	75,511	0.76%
Aberdeen Marketplace, Inc.	Shopping Center	11,047,700	75,124	0.76%
TOTAL		\$ 179,071,000	\$ 1,217,684	12.32%
Total Assessed Valuation		\$ 1,452,852,329		

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
2021	\$ 11,569,953	\$ 11,498,602	99.38%	\$ -	\$ 11,498,602	99.38%
2020	11,182,204	11,035,890	98.69%	115,700	11,151,590	99.73%
2019	11,226,139	11,138,229	99.22%	64,671	11,202,900	99.79%
2018	11,228,263	11,152,125	99.32%	58,996	11,211,122	99.85%
2017	11,163,890	11,053,787	99.01%	57,334	11,111,121	99.53%
2016	10,257,072	10,151,760	98.97%	83,228	10,234,988	99.78%
2015	10,424,604	10,354,710	99.33%	48,406	10,403,116	99.79%
2014	10,186,068	10,108,621	99.24%	69,601	10,178,222	99.92%
2013	10,238,167	10,181,487	99.45%	56,065	10,237,553	99.99%
2012	10,456,757	10,384,584	99.31%	60,289	10,444,873	99.89%

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	Capital Leases	Total Governmental Activities	General Obligation Bonds	Loans Payable	Capital Leases	Total Business- Type Activities			
2021	\$ 2,129,299	\$ -	\$ 361,901	\$ 2,491,200	\$ 4,211,219	\$ 4,934,165	\$ 8,097	\$ 9,153,481	\$ 11,644,681	N/A	\$ 716
2020	2,528,328	-	576,543	3,104,871	5,130,683	7,141,591	11,300	12,283,574	15,388,445	N/A	903
2019	2,918,657	-	673,093	3,591,750	6,150,382	7,839,291	14,234	14,003,907	17,595,657	N/A	1,096
2018	3,299,987	-	764,194	4,064,181	7,148,282	8,527,198	-	15,675,480	19,739,661	N/A	1,230
2017	3,682,416	-	-	3,682,416	7,985,881	9,251,479	-	17,237,360	20,919,776	N/A	1,340
2016	3,994,800	5,934	-	4,000,734	8,834,300	8,382,489	-	17,216,789	21,217,523	N/A	1,362
2015	3,815,000	507,062	-	4,322,062	9,584,500	8,849,271	-	18,433,771	22,755,833	N/A	1,474
2014	4,110,000	558,116	-	4,668,116	10,440,300	9,369,267	-	19,809,567	24,477,683	N/A	1,619
2013	4,395,000	609,101	-	5,004,101	11,275,200	9,799,208	-	21,074,408	26,078,509	N/A	1,743
2012	4,670,000	660,022	-	5,330,022	12,092,200	7,522,290	-	19,614,490	24,944,512	N/A	1,668

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

<u>Fiscal Year Ending June 30,</u>	<u>Population</u>	<u>Estimated Actual Assessed Value (2)</u>	<u>Governmental Gross Bonded Debt (1)</u>	<u>Business-Type Gross bonded Debt (1)</u>	<u>Total Gross Bonded Debt</u>	<u>Less Amounts to be paid with Restricted Resources (3)</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Actual Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
2021	16,254	\$ 1,632,444,628	\$ 2,129,299	\$ 9,145,384	\$ 11,274,683	\$ -	\$ 11,274,683	0.69%	\$ 694
2020	16,019	1,562,971,002	2,528,328	12,272,274	14,800,602	-	14,800,602	0.95%	924
2019	16,053	1,545,418,683	2,918,657	13,989,673	16,908,330	-	16,908,330	1.09%	1,053
2018	16,049	1,557,507,298	3,299,987	15,675,480	18,975,467	-	18,975,467	1.22%	1,182
2017	15,612	1,526,548,332	3,682,416	17,237,360	20,919,776	-	20,919,776	1.37%	1,340
2016	15,580	1,463,671,689	4,000,734	17,216,789	21,217,523	-	21,217,523	1.45%	1,362
2015	15,434	1,448,414,443	4,322,062	18,433,771	22,755,833	-	22,755,833	1.57%	1,474
2014	15,120	1,403,991,333	4,668,116	19,809,567	24,477,683	-	24,477,683	1.74%	1,619
2013	14,959	1,407,317,557	5,004,101	21,074,408	26,078,509	-	26,078,509	1.85%	1,743
2012	14,959	1,452,852,329	5,330,022	19,614,490	24,944,512	-	24,944,512	1.72%	1,668

(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.

(2) Table 7

(3) Debts paid from dedicated revenues

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

Source: City financial records.

**Debt Computations
June 30, 2021**

Table 13

TOTAL ASSESSED VALUE OF PROPERTY	\$ 1,632,444,628
Debt limit 15%	244,866,694
Amount of debt applicable to debt limit	2,491,200
LEGAL DEBT MARGIN	\$ 242,375,494

	Net Debt Outstanding	Percentage Applicable to the Town	Share of Debt Outstanding
DIRECT DEBT OF THE CITY	\$ 2,491,200	100%	\$ 2,491,200
Indirect debt:			
Harford County	57,507,979 ²	5.30% ¹	3,047,923
TOTAL DIRECT AND OVERLAPPING DEBT	\$ 59,999,179		\$ 5,539,123

¹ Rate of assessed value in the City	\$ 1,632,444,628
to total assessed value of the County	\$ 30,808,579,460

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 Fiscal Years

Table 14

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Debt Limit	\$ 244,866,694	\$ 234,445,650	\$ 231,812,803	\$ 231,626,095	\$ 228,982,250	\$ 219,550,753	\$ 217,262,166	\$ 210,598,700	\$ 211,097,634	\$ 217,927,849
Total net debt applicable to limit	<u>11,274,683</u>	<u>14,800,692</u>	<u>16,908,330</u>	<u>18,975,467</u>	<u>20,919,776</u>	<u>21,217,523</u>	<u>22,755,833</u>	<u>24,477,683</u>	<u>26,078,509</u>	<u>24,944,512</u>
Legal debt margin	<u>\$ 233,592,011</u>	<u>\$ 219,645,048</u>	<u>\$ 214,904,473</u>	<u>\$ 214,650,628</u>	<u>\$ 208,062,474</u>	<u>\$ 198,333,230</u>	<u>\$ 194,506,333</u>	<u>\$ 186,121,017</u>	<u>\$ 185,019,125</u>	<u>\$ 192,983,337</u>
Total net debt applicable to the limit as a percentage of debt limit	4.60%	6.31%	7.29%	8.12%	9.14%	9.66%	10.47%	11.62%	12.35%	11.45%

**Demographic 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
2021	16,254	\$ 64,085	\$ 16,573,766	Not Available	37,333	5.7%
2020	16,019	62,146	15,973,174	41	38,429	7.2%
2019	16,053	60,266	15,394,347	40.6	37,826	3.7%
2018	16,049	58,440	14,836,852	40.6	37,780	4.1%
2017	15,612	56,589	14,252,463	40.3	37,426	4.2%
2016	15,580	54,818	13,724,807	40.1	37,448	4.4%
2015	15,434	53,051	13,239,258	39.9	37,537	5.5%
2014	15,120	51,090	12,727,534	39.8	37,842	6.0%
2013	14,959	49,078	12,215,071	39.5	37,868	7.5%
2012	14,959	49,229	12,236,731	39.2	38,224	7.4%

(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, 2021. Income and Median Age information were not available.

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

Table 16

2021			
<u>Company</u>	<u>Number Employed</u>	<u>Percentage of Total County Employment</u>	<u>Product/Service</u>
U.S. Army Aberdeen Proving Ground	21,000	22.76%	Government
Harford County Public Schools	5,231	5.67%	Government
UM Upper Chesapeake Medical Center	3,305	3.58%	Healthcare
US Army Research Laboratory (ARL)	2,000	2.17%	Government
Harford County Government	1,541	1.67%	Government
Kleins Shop Rites of Maryland	1,200	1.30%	Groceries
Kohl's E-Fulfillment Center	1,200	1.30%	Warehouse
Harford Community College	1,011	1.10%	Education
Amazon Sorting Center MTN2	1,000	1.08%	Retailer
Rite Aid Mid-Atlantic Customer Dist. C1	900	0.98%	Retailer
	<u>38,388</u>	<u>41.61%</u>	
Total Employees in Harford County (Data available for county only)	<u>92,280</u>	100.00%	
2012			
<u>Company</u>	<u>Number Employed</u>	<u>Percentage of Total County Employment</u>	<u>Product/Service</u>
U.S. Army Aberdeen Proving Ground	15,582	22.25%	Government
Harford County Public Schools	5,440	7.77%	Government
Upper Chesapeake Health	2,720	3.88%	Healthcare
Harford County Government	1,938	2.77%	Government
Harford Community College	1,219	1.74%	Education
Rite Aid Mid-Atlantic Customer Dist. C1	1,167	1.67%	Retailer
Shop Rite	800	1.14%	Groceries
Jacobs Technology	785	1.12%	Technology
SAIC	700	1.00%	Technology
Sephora USA	700	1.00%	Cosmetics
	<u>31,051</u>	<u>44.34%</u>	
Total Employees in Harford County (Data available for county only)	<u>70,027</u>	100.00%	

Source: Harford County CAFR

Full-Time Equivalent City Government Employees by Function
Last Ten Fiscal Years

Table 17

Function	Full-time Equivalent City Government Employees by Function									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
General Government										
Mayor and Council	5	5	5	5	5	5	5	5	5	5
Administration	6	6	6	6	6	8	8	7	4	4
Finance	8	9	8	8	8	6	6	6	6	6
Planning	3	3	3	3	3	3	3	3	3	3
Human Resources	2	2	2	2	2	2	1	1	1	1
Building Custodian	-	-	-	1	1	1	1	1	1	1
Public Safety										
Police										
Officers	43	43	42	42	42	40	40	40	40	40
Civilians	19	19	17	15	15	14	14	14	14	14
Building (Construction) Inspection	1	1	1	1	1	1	1	1	1	1
Public Works	91	87	84	83	81	79	79	81	81	81
Sanitation	9	7	7	7	7	7	7	7	7	7
Parks and Recreation	-	-	-	-	-	-	-	-	-	-
Total	187	182	175	173	171	166	165	166	163	163

Source: City Fiscal Year Budgets

Operating Indicators by Function
Last Ten Fiscal Years

Table 18

Function	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
General Government										
Construction Permits Issued	366	315	260	285	56	57	94	42	157	301
Estimated Value of Construction	\$ 150,866,974	\$ 47,810,266	\$ 24,961,346	\$ 25,009,513	\$ 30,009,640	\$ 32,693,069	\$ 86,276,604	\$ 21,979,857	\$ 29,577,709	\$ 32,911,735
Public Safety										
Traffic Contacts										
Calls for Service	6,738	8,959	9,977	3,999	11,625	7,399	3,885	7,072	8,123	7,193
Public Works	56,148	47,604	32,910	24,080	30,103	31,763	33,683	27,095	30,065	35,580
Street Resurfacing (miles)										
Sidewalk Replacement/Repair (miles)										
Stormwater Ponds Managed	3.13	2.76	5.14	1.9	3.52	1.65	0.48	5.07	0.65	0.89
Recreation	0.12	0.13	0.29	2	0.25	1.9	0.5	1	0.01	0.14
Number of Activity Sessions Offered	10	10	8	9	9	15	15	14	14	2
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	337	39	6	6	52	46	166	87	22	152
Water Main/Lateral Breaks	51	29	59	63	27	29	38	36	39	38
Average Daily Consumption (millions of gallons)	1.38	1.306	1.305	1.3	1.313	1.287	1.364	1.351	1.325	1.442
Sewer										
Sewer Main/Lateral Breaks										
Average Daily Sewage Treatment (millions of gallons)	35	14	7	5	10	12	15	37	80	6
	1.79	1.65	2.12	1.9	1.6	1.71	1.97	2.17	1.62	1.73

Source: Various City departments

Capital Assets by Function
Last Ten Fiscal Years

Table 19

Function	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Public Safety - Police										
Stations	1	1	1	1	1	1	1	1	1	1
Vehicles	48	48	54	54	48	48	50	52	54	56
Highways and Streets										
Streets (miles)										
Storm Sewers (miles)	74.97	74.97	74.97	74.03	72.92	72.6	72.92	72.92	72.92	72.92
Catch Basins	59.09	51	51	50	49	39	39	20	15	15
Street Lights	1,918	1,954	1,954	1,916	1,862	1,835	1,913	1,913	1,013	1,013
Culture and Recreation	1,573	1,512	1,512	1,504	1,505	110	110	1,753	1,753	1,753
Number of Parks/Playgrounds										
Park Acreage										
Tennis Courts	13	11	11	10	10	10	11	8	8	8
Water	106.03	82.55	82.55	69.15	91.87	91.87	93.01	36.67	36.67	36.67
Treatment Plants	1	1	1	1	1	1	1	1	1	1
Wells										
Reservoirs										
Water Towers	1	1	1	1	1	1	1	1	1	1
Pumping Stations	14	14	14	14	14	14	14	14	14	16
Maximum Daily Capacity (million gallons)	4	4	4	4	4	4	4	4	4	4
Number of Customer Accounts	4	4	4	4	4	4	4	4	5	5
Water Mains (miles)	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4
Fire Hydrants										
Wastewater	5,207	5,135	5,131	5,128	5,112	5,072	4,999	4,986	4,974	4,923
Treatment Plants	92.46	89.84	89.84	88.84	87.09	86.89	82.92	82.92	66.93	66.93
Maximum Daily Treatment Capacity (million gallons)	656	610	610	601	590	587	552	552	517	517
Pumping Stations										
Sanitary Sewers (miles)	1	1	1	1	1	1	1	1	1	1
	4	4	4	4	4	4	4	4	4	4
	11	11	11	11	11	11	11	11	10	10
	75.8	76.76	76.76	76.35	74.86	74.86	75.12	75.06	68.79	68.79

Source: Various city departments