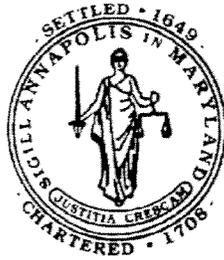


CITY OF ANNAPOLIS, MARYLAND



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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PREPARED BY:

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FINANCE DIRECTOR

CITY OF ANNAPOLIS, MARYLAND
COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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CITY OF ANNAPOLIS, MARYLAND
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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City of



Annapolis

FINANCE OFFICE
MUNICIPAL BUILDING
160 DUKE OF GLOUCESTER STREET
ANNAPOLIS, MARYLAND 21401

BRUCE T. MILLER
FINANCE DIRECTOR

March 31, 2012

The Honorable Mayor, Aldermen, and Citizens of Annapolis:

Maryland state law requires that all general-purpose local governments publish each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) in the United States of America and audited by a licensed certified public accounting firm. Pursuant to that requirement and in compliance with Section 6.04.020 of the City of Annapolis Charter, I am pleased to submit to you the Comprehensive Annual Financial Report of the City for the fiscal year ending June, 30, 2011.

This report consists of management's representations concerning the finances of the City of Annapolis. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's basic financial statements have been audited by Clifton Larson Allen, LLP, a licensed certified public accounting firm. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City of Annapolis as of, and for, the fiscal year ending June 30, 2011, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded based upon the audit, that there was reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ending June 30, 2012 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of Federal awards. These reports are available in the City's separately issued Single Audit 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 the MD&A and should be read in conjunction with it. The City of Annapolis' MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Annapolis, incorporated in 1708, is located on the western shore of the Chesapeake Bay, at the mouth of the Severn River, centrally located east of Washington D.C. and south of the Baltimore City. Due to this location, as well as its historic character, Annapolis has grown steadily during the past years through annexation, development and re-development.

The City of Annapolis is empowered to levy a real and personal property tax located within its boundaries. The City of Annapolis operates under a mayor-council form of government. Legislative authority is vested in an elected city council consisting of eight members elected by ward plus the Mayor elected at large. The city council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and confirming the hiring of department head nominees submitted by the mayor. The mayor is responsible for carrying out the policies and ordinances of the city council, for overseeing the day-to-day operations of the City, for drafting the budget and submitting it to the city council for approval, and for appointing department heads. The mayor and the eight city council members are elected every four years with a term limit for the mayor of two terms.

The City has independent jurisdiction over police services, fire suppression and emergency services, licenses and permits, streets and street lighting, stormwater management, parks and recreation, dock and harbor services, planning and zoning, water production and distribution, sewage collection, parking and public transportation, and refuse collections. Education is provided by the Board of Education of Anne Arundel County. The City is authorized to issue debt, subject to certain indebtedness limitations, for the purpose of financing its capital projects.

The annual budget serves as the foundation for the City of Annapolis' financial planning and control. All City departments are required to submit budget requests to the Mayor subsequently appropriated by the city council. The mayor uses these requests as the starting point for developing the proposed budget. The mayor then presents his proposed budget to the city council for review. The city council is required to hold public hearings on the proposed budget and to appropriate a final budget no later than June 30th. The appropriated budget is prepared by fund and department. Subsequently, department heads may request transfers within a department, however, transfers between departments or between funds and additional expenditures must be approved by the city council. For those funds having appropriations, budget-to-actual comparisons are provided in the subsequent exhibits. For the general fund, this information is presented in exhibit 5 as part of the basic financial statements whereas for individual funds with appropriated budget, this comparison is presented in the combining and individual fund subsection 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 with which the City of Annapolis operates.

Local economy

As compared to the U.S. or even regional economies, the City of Annapolis enjoys a rather stable economic environment and local indicators point to this condition. The City's tourism industry has evolved as the most important component of the area's economy. As home to the U.S. Naval Academy, the Anne Arundel County seat, the State capital, a registered National Historic District, and 17 miles of water front, Annapolis attracts an estimated five million visitors a year. While the tourism industry provides a valuable economic benefit, the City must continually manage the growing demand for services, as well as provide a desirable place to live for its residents. The economic condition of the area during the past year lagged prior years, but importantly, began show signs of recovery in certain areas such as an increase in building permits issued. The outlook remains positive, but guarded. The area's unemployment rate is currently 6.0% which is lower than the national rate of 9.1% and the statewide rate of 7.2%. The region's growth and economic diversity are expected to be the basis for continued health of the local economy in coming years.

Long-term financial planning

Looking forward over the forthcoming years, the City remains optimistic relative to its real property tax base, for example; the City continues to see new-growth, as well as the potential of annexation, favorable commercial activity along the West-Street corridor, and the City continues to review plans for new development within the City boundaries. Although the City expects that property values will decline as the consequence of the tri-annual real property valuation, the City does not expect that this will negatively impact the ability to maintain, or even grow, the City's tax levy.

The City is introducing new capital planning procedures which will improve its long-term capital planning abilities related to infrastructure, road, utility and equipment replacement and debt service analysis.

Cash management policies and procedures

Excess working capital, idle cash, for governmental and business type activities is invested with the State of Maryland's Local Government Investment Pool. Excess working capital for the Police and Fire pension trust is invested in short term U.S. Treasury obligations, and money market funds.

Risk management

The City is self insured for automobile, property, and workers' compensation. Excess insurance is also carried with the Local Government Insurance Trust and has deductibles that vary with the cause of the loss. Additional information on the City's risk management activity can be found in Note 15 of the notes to the financial statements.

Pension and other post-employment benefits

Generally, all regular City employees, except policemen and firemen, participate in the Employees Retirement and Pension Systems. These systems are cost sharing multiple-employer defined benefit plans

sponsored and administered by the State Retirement and Pension System of Maryland. Police and Fire personnel participate in a single employer defined benefit pension and disability plan, which is administered by the City. In addition, the City established an eight-member police and fire retirement plan commission to review funding and make investing decisions. The City Council has the authority to establish and amend benefit and contribution provisions. The Systems were created by the Maryland General Assembly and the Police and Fire System was established by City legislation.

The City of Annapolis also provides post-retirement health care benefits for retirees and their dependents, all of which are financed on an actuarial basis. GAAP did not require governments to report a liability in the financial statements in connection with the employer's obligation to provide these benefits. However, subsequently, the Governmental Accounting Standards Board issued Statements No. 45, "Accounting and Financial Reporting by Employers for Post employment Benefits Other Than Pensions," which became effective July 1, 2009 for the City. Additional information on the City of Annapolis' pension arrangements and post-employment benefits can be found in Notes 8 and 9 to the financial statements. The Governmental Accounting Standards Board also issued Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions," which became effective July 1, 2010 and Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies," which became effective July 1, 2009. The City has adopted the aforementioned statements and they are reflective in the accompanying financial statements.

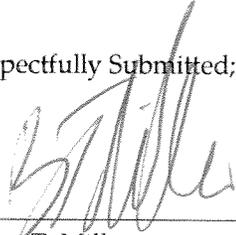
Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement of Excellence in Financial Reporting to the City of Annapolis for its comprehensive annual financial report (CAFR) for the Fiscal year ended June 30, 2010. This was the twenty-third consecutive year that the City of Annapolis has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report must satisfy both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we will continue to submit for its eligibility in future years.

In addition, the City also received the GFOA's Award for Distinguished Budget Presentation for its annual budget for the fiscal year beginning July 1, 2010. In order to qualify for this award the City's budget document was judged to be proficient in several categories including being a policy document, a financial plan, an operations guide, and a communications device.

Preparation of this report would not have been possible with the dedicated and efficient service of the entire finance department staff. I express my appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit must also be given to the Mayor and City Council for their support for maintaining the highest standards of professionalism in the City's finances.

Respectfully Submitted;



Bruce T. Miller
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Annapolis
Maryland

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

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



Linda C. Davison

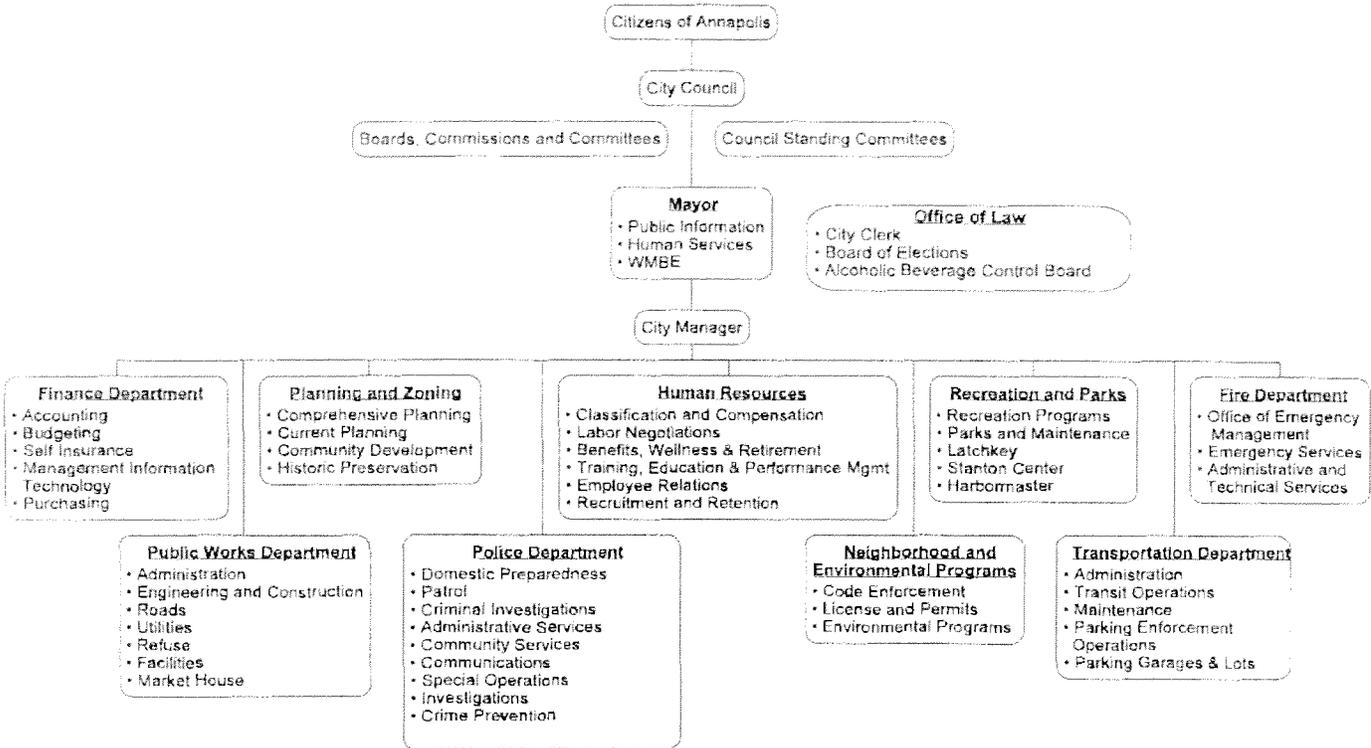
President

Jeffrey R. Emer

Executive Director

ANNAPOLIS CITY GOVERNMENT

ORGANIZATIONAL CHART



CITY OF ANNAPOLIS, MARYLAND

LIST OF PRINCIPAL OFFICIALS
June 30, 2011

TITLE	NAME
Mayor	Joshua J. Cohen
Alderman - Ward 1	Richard E. Israel
Alderman - Ward 2	Frederick M. Paone
Alderman - Ward 3	Classie G. Hoyle
Alderman - Ward 4	Sheila M. Finlayson
Alderman - Ward 5	Mathew Silverman
Alderman - Ward 6	Kenneth A. Kirby
Alderman - Ward 7	Ian Pfeiffer
Alderman - Ward 8	Ross H. Arnett, III
City Manager	Michael D. Mallinoff
Central Services Director	Vacant
City Attorney	Karen M. Hardwick
Finance Director	Bruce T. Miller
Planning & Zoning Director	Jon L. Arason
Director of Human Resources	Paul Rensted
Public Works Director	David Jerrell
Transportation Director	Richard Newell
Recreation & Parks Director	Richard Callahan, Acting
Fire Chief	David L. Stokes, Sr.
Police Chief	Michael A. Pristoop
Director of Neighborhood & Environmental Programs	Maria Broadbent

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor, Aldermen, and Citizens of
The City of Annapolis, Maryland

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Annapolis, Maryland (the City) as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. The 2010 summarized comparative information has been derived from the City's financial statements as of and for the year ended June 30, 2010, after restatement, of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information. The financial statements as of and for the year ended June 30, 2010, which were audited by other auditors and, in their report dated December 23, 2010, they expressed an unqualified opinion on those financial statements prior to the restatement as described in Note 16.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General fund for the year then ended for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2012 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not

to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The financial statements include summarized comparative information as of and for the year ended June 30, 2010. The summarized financial statements as of and for the year ended June 30, 2010 do not include sufficient detail to constitute a complete presentation of the 2010 financial statements in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the City's financial statements as of and for the year ended June 30, 2010, and Note 16 from which the summarized information was derived.

The management's discussion and analysis and required supplemental schedules of funding progress for the pension and other post employment benefit plans as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

CliftonLarsonAllen LLP

Baltimore, Maryland
March 31, 2012

Management's Discussion and Analysis

As management of the City of Annapolis (the City), we offer readers of the City's basic financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our letter of transmittal, which can be found on pages 1-4 of this report.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$25,599,779 (*net assets*).
- The City's total net assets decreased by \$7,778,661. This decrease is attributable to escalating costs of services, and the City's unfunded annual required contribution for other post employment benefits and net pension obligation. Governmental activities saw a decrease by \$4,673,899 and business-type activities saw a decrease of \$3,104,762 net pension obligation.
- As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$16,231,706 an increase of \$7,574,599 in comparison with the prior year.
- The City's total net debt increased by \$1,616,861 through new debt issues and restructuring with a net of \$3,232,219, and normal principal payments to a year end balance of \$86,848,401, which is below the City's legal debt limit.

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 comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

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, community services, and community development. The business-type activities of the City include the water and sewer utilities, parking facilities, dock, market house, transportation, stormwater management, and refuse collection services.

The government-wide financial statements include only the City of Annapolis. The City does not have any *component units* to report. The government-wide financial statements can be found on pages 19-21 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* is 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 *governmental 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 City's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains three individual governmental funds. 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 general fund, capital projects fund, and special revenue fund, all of which are considered to be major funds.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

The governmental fund financial statements can be found on pages 22-24 of this report.

Proprietary funds. The City maintains eight different types of proprietary funds. *Enterprise funds* 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 and sewer utilities, parking facilities, dock, market house, transportation, stormwater management, and refuse collection services. *Internal service funds* are an accounting device used to accumulate and allocate costs internally for the City's self insurance activities. Because these services predominately benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for five of eight enterprise funds, which are considered to be major funds of the City and the remaining three funds are combined into a single, aggregated presentation. Individual fund data for the enterprise funds is provided in the form of *combining statements* elsewhere in this report. The internal service fund is presented in the proprietary fund financial statements. The proprietary fund financial statements can be found on pages 26-31 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City uses a fiduciary fund to account for the police and fire pension plan. The fiduciary fund financial statements can be found on pages 32-33 of this report.

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 to the financial statements can be found on pages 35-61 of this report.

Other information. In addition to the basic financial statements and the accompanying notes, this report also presents certain *required supplementary information*, concerning the City's progress in funding its obligation to provide pension benefits to its police and fire employees. Required supplementary information can be found on page 62 of this report.

The combining statements referred to earlier in connection with non-major enterprise funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 63-94 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$25,599,779 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses those capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The amounts for FY 2010 are presented as restated.

City of Annapolis Net Assets

	Governmental Activities		Business-type Activities		Total	
	FY2011	FY2010	FY2011	FY2010	FY2011	FY2010
Current assets	\$38,351,670	\$22,641,337	(\$13,277,558)	(\$12,945,969)	\$25,074,112	\$9,695,368
Noncurrent assets:						
Restricted water and sewer capital facility assessments	-	-	9,115,660	9,614,835	9,115,660	9,614,835
Net capital assets	79,853,227	80,741,973	60,779,123	62,783,834	140,632,350	143,525,807
Total noncurrent assets	79,853,227	80,741,973	69,894,783	72,398,669	149,748,010	153,140,642
Total assets	118,204,897	103,383,310	56,617,225	59,452,700	174,822,122	162,836,010
Current liabilities	25,222,929	19,364,351	4,277,552	5,607,791	29,500,481	24,972,142
Noncurrent liabilities	80,928,007	67,291,099	38,793,855	37,194,329	119,721,862	104,485,428
Total liabilities	106,150,936	86,655,450	43,071,407	42,802,120	149,222,343	129,457,570
Net assets:						
Invested in capital assets, net of related debt	22,408,170	29,665,999	35,243,832	37,003,541	57,652,002	66,669,540
Restricted	4,190,198	4,882,031	3,610,180	3,493,242	7,800,378	8,375,273
Unrestricted	(14,544,407)	(17,820,170)	(25,308,194)	(23,846,203)	(39,852,601)	(41,666,373)
Total net assets	\$12,053,961	\$16,727,860	\$13,545,818	\$16,650,580	\$25,599,779	\$33,378,440

The balance of *unrestricted net assets* normally may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report a positive total net assets balance for the government as a whole as well as for its separate governmental activities and business-type activities. For its governmental activities and business-type activities, the unrestricted portion of net assets has a negative balance in the current year due to escalating costs and under funding of net pension obligation (NPO) and other post employment benefits (OPEB). The City is evaluating different ways to offset these decreases going forward.

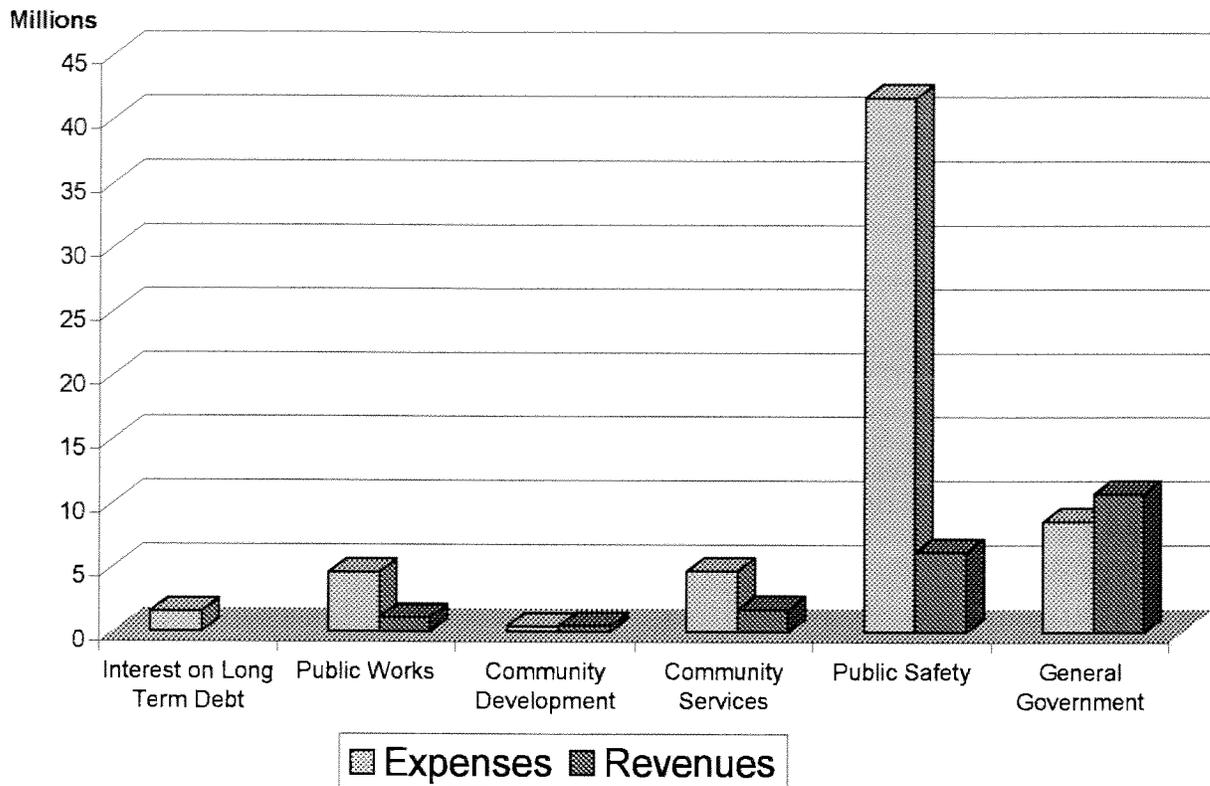
**City of Annapolis
Changes in Net Assets**

	Governmental Activities		Business-type Activities		Total	
	FY2011	FY2010	FY2011	FY2010	FY2011	FY2010 (As Restated)
Revenues:						
Program revenues:						
Charges for services	\$8,686,595	\$7,246,550	\$17,294,912	\$17,160,981	\$25,981,507	\$24,407,531
Operating grants and contributions	11,524,253	13,319,721	1,526,800	1,378,198	13,051,053	14,697,919
Capital grants and contributions	190,892	344,667	334,290	1,808,382	525,182	2,153,049
General revenues:						
Property taxes	35,335,848	34,681,916	-	-	35,335,848	34,681,916
Other	708,262	337,613	2,146,880	1,737,238	2,855,142	2,074,851
Total revenues	<u>56,445,850</u>	<u>55,930,467</u>	<u>21,302,882</u>	<u>22,084,799</u>	<u>77,748,732</u>	<u>78,015,266</u>
Expenses:						
General government	8,664,250	14,756,325	-	-	8,664,250	14,756,325
Public safety	41,748,358	40,104,232	-	-	41,748,358	40,104,232
Community services	4,720,789	2,215,107	-	-	4,720,789	2,215,107
Community development	439,922	979,789	-	-	439,922	979,789
Public works	4,638,091	9,315,202	-	-	4,638,091	9,315,202
Interest	1,572,589	2,312,840	-	1,161,665	1,572,589	3,474,505
Water	-	-	4,961,399	4,990,021	4,961,399	4,990,021
Sewer	-	-	6,696,317	6,859,636	6,696,317	6,859,636
Off street parking	-	-	2,701,164	1,962,161	2,701,164	1,962,161
Transportation	-	-	4,784,164	6,358,322	4,784,164	6,358,322
Other	-	-	4,600,350	6,045,545	4,600,350	6,045,545
Total expenses	<u>61,783,999</u>	<u>69,683,495</u>	<u>23,743,394</u>	<u>27,377,350</u>	<u>85,527,393</u>	<u>97,060,845</u>
Changes in net assets before transfers	(5,338,149)	(13,753,028)	(2,440,512)	(5,292,551)	(7,778,661)	(19,045,579)
Transfers	664,250	1,105,040	(664,250)	(1,105,040)	-	-
Change in net assets	<u>(4,673,899)</u>	<u>(12,647,988)</u>	<u>(3,104,762)</u>	<u>(6,397,591)</u>	<u>(7,778,661)</u>	<u>(19,045,579)</u>
Net assets at beginning of year	<u>16,727,860</u>	<u>29,375,848</u>	<u>16,650,580</u>	<u>23,048,171</u>	<u>33,378,440</u>	<u>52,424,019</u>
Net assets at end of year	<u>\$12,053,961</u>	<u>\$16,727,860</u>	<u>\$13,545,818</u>	<u>\$16,650,580</u>	<u>\$25,599,779</u>	<u>\$33,378,440</u>

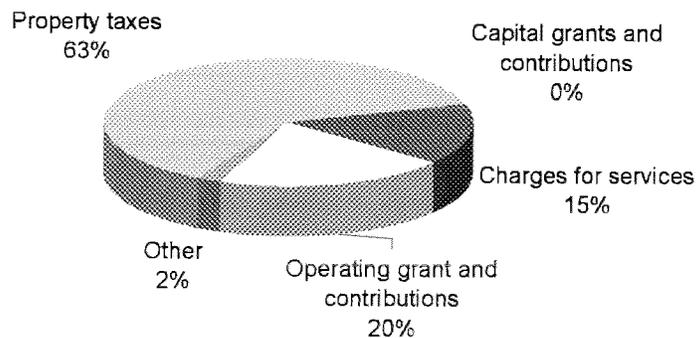
Governmental activities. Governmental activities decreased the City's net assets by \$4,673,899. Key elements of this net decrease are as follows:

- Property taxes increased by only \$653,932 (1.8 percent) during the year. This increase is the result of a minimal rise in assessed values from new growth, rather than from assessments.
- The City modified its allocation policy for expenses related to public works and general government, thus leaving the respective differences.
- Included in expenses are unfunded net pension obligation and other post employment benefits costs of approximately \$6.1million and \$4.6 million respectively. The City cut various costs and various personnel positions to offset the increase caused by OPEB as well as decline in revenues. Other factors such as the continued recession contributed to the overall decrease in both revenues and expenses.

Expenses and Program Revenues - Governmental Activities
For the year ended June 30, 2011



Revenues by Source - Governmental Activities
For the year ended June 30, 2011



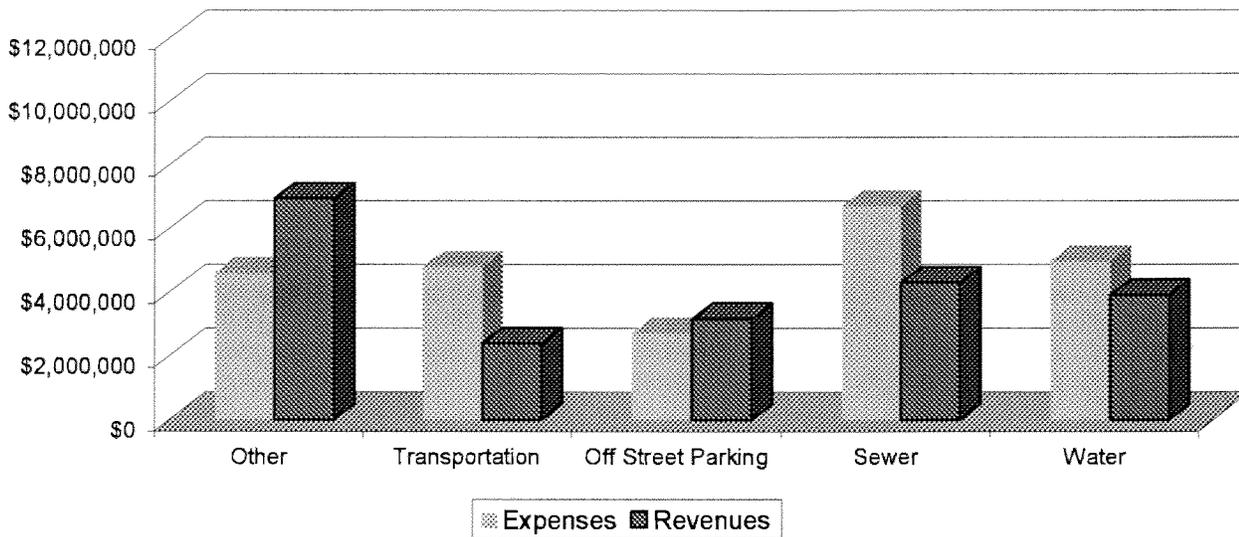
Business-type activities. Business-type activities net assets decreased by \$3,104,762. The key elements of this decrease were the increase in expenditures for the waste water treatment plant, the net affect of transfers, and unfunded other post employment benefits.

Financial Analysis of the Government's Funds

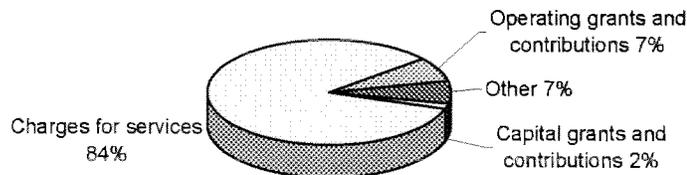
As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

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

Expenses and Program Revenues - Business-type Activities For the year ended June 30, 2011



Revenues by Source - Business-type Activities For the year ended June 30, 2011



As of the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$16,231,706, a net increase of \$7,574,599. The fund balance has been committed to liquidate contracts, capital projects and purchase orders of the prior period of \$7,726,505 and for inventories and other prepaid items of \$225,660, leaving an *unreserved fund balance* of \$8,279,541.

The general fund is the chief operating fund of the City and its fund balance increased by \$8,248,522 during the current fiscal year. At the end of the current fiscal year, the unreserved fund balance of the general fund accounted

for \$8,279,541 of the total fund balance of \$12,041,508. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 14 percent of total general fund expenditures, while total fund balance represents 20 percent of that same amount.

The capital projects fund had a decrease in its fund balance of \$673,923 from the reallocation of operating revenue as well as the expenditure of general obligation bonds issued in FY2008. During FY2011, the City expended \$1,812,456.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The total decrease in net assets of the eight enterprise funds was \$3,104,762, with an ending balance of \$13,545,818. Unrestricted net assets of the major enterprise funds were negative overall as a result of large negative balances of \$8,921,840 for the parking facilities, \$3,976,496 for the transportation system, and \$8,200,947 for the Non Major funds. The negative unrestricted net assets are the result of expenses exceeding operating revenues. Other factors concerning the finances of those funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

Differences between the original expense budget and the final amended expense budget were \$1,766,901 See Exhibit 5, (increase in appropriations).

Capital Assets and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2011, amounts to \$140,632,350 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total decrease in the City's investment in capital assets for the current fiscal year was 2 percent (a 1 percent decrease for governmental activities and a 3 percent decrease for business-type activities).

Major capital asset events during the current fiscal year included the following:

- Annual road improvement projects.
- Equipment Purchase
- Building and other improvements
- Non-Profit funding

City of Annapolis Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	FY2011	FY2010	FY2011	FY2010	FY2011	FY2010
Land	\$4,260,493	\$4,260,493	\$3,243,441	\$3,243,441	\$7,503,934	\$7,503,934
Buildings	36,873,537	37,733,105	23,944,805	25,062,075	60,818,342	62,795,180
Improvements/infrastructure other than buildings	31,162,940	31,907,338	27,657,936	28,058,500	58,820,876	59,965,838
Equipment	4,429,473	5,426,709	1,964,692	1,773,540	6,394,165	7,200,249
Construction in progress	3,126,784	1,414,328	3,968,249	4,646,278	7,095,033	6,060,606
Total	<u>\$79,853,227</u>	<u>\$80,741,973</u>	<u>\$60,779,123</u>	<u>\$62,783,834</u>	<u>\$140,632,350</u>	<u>\$143,525,807</u>

Additional information on the City's capital assets can be found in note 6 on pages 46-47 of this report.

Long-term debt. At the end of the current fiscal year, the City had total general obligation bond debt outstanding of \$85,360,001, excluding premium and refunding losses. Other debt outstanding was a Capital Lease and State of Maryland loan for \$569,945 and \$482,544, respectively.

**City of Annapolis
Outstanding Debt**

	Governmental Activities		Business-type Activities		Total	
	FY2011	FY2010	FY2011	FY2010	FY2011	FY2010
General obligation bonds	\$56,733,851	\$55,026,790	\$28,626,150	\$28,648,357	\$85,360,001	\$83,675,147
Other debt	569,945	7,931,215	482,544	625,178	1,052,489	8,556,393
Total	\$57,303,796	\$62,958,005	\$29,108,694	\$29,273,535	\$86,412,490	\$92,231,540

The City's net total debt decreased \$5,819,050 (7 percent) during the current fiscal year from issuance of new general obligation bonds, refunding and scheduled repayment of principal.

The City's short term debt increased \$11,000,000. during the current fiscal year.

The City maintains ratings of "AA+" from Fitch, and "Aa3" from Moody's for its bonds. Additional information on the City's long-term debt can be found in note 7 on pages 48-49 of this report.

Economic Factors and Next Year's Budgets and Rates

The unemployment rate for the City area is currently 7.0 percent, which is an increase from the rate of 6.4 percent from a year ago. This compares favorably to the state's average unemployment rate of 7.4 percent and the national average rate of 9.6 percent.

Inflationary trends in the region compare favorably to national rates.

The median increase of only 3.6 percent in taxable property valuation over the three years beginning July 1, 2009 continues.

Moderate increase in revenue as a result of the impact of the overall economic recession.

Continued need for infrastructure enhancement and replacement.

These and other economic factors were considered when preparing the fiscal year 2012 General Fund budget. In anticipation of continued revenue shortfalls, expenditures will be carefully monitored and trimmed. Since 2010, the City's workforce has been reduced through a combination of retirement incentives and not filling certain vacant positions. This reduction, when combined with staffing changes brought about by the retirement incentive offered, will result in reduced salary costs in fiscal year 2012.

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

Rates in effect for all utilities will remain unchanged in the 2012 fiscal year, but a water and sewer rate study has begun.

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 City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of Finance, City of Annapolis, 160 Duke of Gloucester Street, Annapolis, Maryland, 21401.

**CITY OF ANNAPOLIS, MARYLAND
STATEMENT OF NET ASSETS**

June 30, 2011

With Comparative Totals for year ended June 30, 2010

Exhibit 1

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>	
			<u>June 30, 2011</u>	<u>June 30, 2010</u>
				(As Restated)
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 14,591,424	\$ 2,769,043	\$ 17,360,467	\$ 1,820,606
Investments	-	-	-	3,870
Receivables, net of allowances	2,156,589	5,236,380	7,392,969	7,445,109
Internal balances	21,377,997	(21,377,997)	-	-
Inventories	167,149	94,366	261,515	365,615
Prepaid items	58,511	650	59,161	60,168
Total Current Assets	<u>38,351,670</u>	<u>(13,277,558)</u>	<u>25,074,112</u>	<u>9,695,368</u>
Noncurrent Assets				
Restricted water and sewer capital facility assessments	-	9,115,660	9,115,660	9,614,835
Capital assets (net of accumulated depreciation):				
Land	4,260,493	3,243,441	7,503,934	7,503,934
Buildings	36,873,537	23,944,805	60,818,342	62,795,180
Improvements other than buildings	31,162,940	27,657,936	58,820,876	59,965,838
Equipment	4,429,473	1,964,692	6,394,165	7,200,249
Construction in progress	3,126,784	3,968,249	7,095,033	6,060,606
Total Noncurrent Assets	<u>79,853,227</u>	<u>69,894,783</u>	<u>149,748,010</u>	<u>153,140,642</u>
Total assets	<u>118,204,897</u>	<u>56,617,225</u>	<u>174,822,122</u>	<u>162,836,010</u>
LIABILITIES				
Current Liabilities				
Accounts payable	1,153,885	2,313,834	3,467,719	2,444,096
Accrued payables and other liabilities	1,788,134	1,105,841	2,893,975	4,659,146
Compensated absences	15,768	-	15,768	647,796
Unearned revenue	-	20,140	20,140	43,749
Escrowed funds	1,390,372	21,936	1,412,308	2,162,804
Accrued self insurance costs	1,146,507	-	1,146,507	845,647
Short Term Debt	18,000,000	-	18,000,000	7,000,000
Current portion long term debt	1,728,263	815,801	2,544,064	7,168,904
Total Current Liabilities	<u>25,222,929</u>	<u>4,277,552</u>	<u>29,500,481</u>	<u>24,972,142</u>
Noncurrent Liabilities				
Compensated absences-net of current portion	2,719,904	428,100	3,148,004	2,444,770
Accrued liability for other post employment benefits	12,278,277	920,425	13,198,702	8,574,899
Unearned water and sewer capital facility assessments	-	9,115,660	9,115,660	9,614,835
Accrued self insurance costs	2,389,800	-	2,389,800	4,093,476
Net Pension Obligation	7,823,232	-	7,823,232	1,694,812
Long-term debt, net of current portion	55,716,794	28,329,670	84,046,464	78,062,636
Total Noncurrent Liabilities	<u>80,928,007</u>	<u>38,793,855</u>	<u>119,721,862</u>	<u>104,485,428</u>
Total liabilities	<u>106,150,936</u>	<u>43,071,407</u>	<u>149,222,343</u>	<u>129,457,570</u>
NET ASSETS				
Invested in capital assets, net of related debt	22,408,170	35,243,832	57,652,002	66,669,540
Restricted for:				
Capital improvements	4,190,198	3,610,180	7,800,378	8,375,273
Unrestricted	(14,544,407)	(25,308,194)	(39,852,601)	(41,666,373)
Total net assets	<u>\$ 12,053,961</u>	<u>\$ 13,545,818</u>	<u>\$ 25,599,779</u>	<u>\$ 33,378,440</u>

CITY OF ANNAPOLIS, MARYLAND

STATEMENT OF ACTIVITIES

Year Ended June 30, 2011

With Comparative Totals for year ended June 30, 2010

Exhibit 2

Functions/Programs	Expenses	Program Revenues		
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 8,664,250	\$ 3,052,127	\$ 7,774,855	\$ -
Public safety	41,748,358	3,101,297	3,155,506	-
Community services	4,720,789	1,677,594	9,489	60,984
Community development	439,922	-	340,014	129,908
Public works	4,638,091	855,577	244,389	-
Interest	1,572,589	-	-	-
Total Governmental Activities	61,783,999	8,686,595	11,524,253	190,892
Business-type Activities:				
Water	4,961,399	3,888,613	-	-
Sewer	6,696,317	4,285,157	-	-
Off Street Parking	2,701,164	3,150,184	-	-
Dock	1,228,289	1,022,585	187,052	52,740
Market	171,670	36,931	-	-
Transportation	4,784,164	764,847	1,339,748	281,550
Stormwater Management	382,467	493,586	-	-
Refuse	2,817,924	3,653,009	-	-
Total Business-type Activities	23,743,394	17,294,912	1,526,800	334,290
Total	\$ 85,527,393	\$ 25,981,507	\$ 13,051,053	\$ 525,182

General Revenues:

Taxes

Real

Unincorporated

Public utility

Corporations

Penalties and interest

Interest and investment earnings

Miscellaneous

Transfers

Total general revenues

Change in net assets

Net Assets as of beginning of year

Net Assets as of end of year

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

Net (Expense) Revenues and Change in Net Assets			
Primary Government			
Governmental Activities	Business-Type Activities	Totals	
		June 30, 2011	June 30, 2010 (AS Restated)
\$ 2,162,732	\$ -	\$ 2,162,732	\$ (4,879,062)
(35,491,555)	-	(35,491,555)	(32,300,739)
(2,972,722)	-	(2,972,722)	(973,334)
30,000	-	30,000	-
(3,538,125)	-	(3,538,125)	(8,306,582)
(1,572,589)	-	(1,572,589)	(2,312,840)
<u>(41,382,259)</u>	<u>-</u>	<u>(41,382,259)</u>	<u>(48,772,557)</u>
-	(1,072,786)	(1,072,786)	(2,211,823)
-	(2,411,160)	(2,411,160)	(2,558,481)
-	449,020	449,020	1,499,254
-	34,088	34,088	(685,590)
-	(134,739)	(134,739)	(371,362)
-	(2,398,019)	(2,398,019)	(2,797,849)
-	111,119	111,119	(193,715)
-	835,085	835,085	289,777
<u>-</u>	<u>(4,587,392)</u>	<u>(4,587,392)</u>	<u>(7,029,789)</u>
<u>(41,382,259)</u>	<u>(4,587,392)</u>	<u>(45,969,651)</u>	<u>(55,802,346)</u>
32,550,332	-	32,550,332	31,571,196
24,841	-	24,841	28,121
1,043,491	-	1,043,491	1,059,395
1,551,683	-	1,551,683	1,846,723
165,501	-	165,501	176,481
9,719	3,527	13,246	32,007
698,543	2,143,353	2,841,896	2,042,844
664,250	(664,250)	-	-
<u>36,708,360</u>	<u>1,482,630</u>	<u>38,190,990</u>	<u>36,756,767</u>
(4,673,899)	(3,104,762)	(7,778,661)	(19,045,579)
16,727,860	16,650,580	33,378,440	52,424,019
<u>\$ 12,053,961</u>	<u>\$ 13,545,818</u>	<u>\$ 25,599,779</u>	<u>\$ 33,378,440</u>

CITY OF ANNAPOLIS, MARYLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
Year Ended 6/30/2011

Exhibit 3

With Comparative Totals for year ended June 30, 2010

	General	Capital Projects	Nonmajor Governmental Fund	Totals	
				June 30, 2011	June 30, 2010 (As Restated)
ASSETS					
Cash and cash equivalents	\$ 14,591,424	\$ -	\$ -	\$ 14,591,424	\$ 1,774,306
Investments	-	-	-	-	3,870
Receivables, net of allowances	2,148,267	-	8,322	2,156,589	3,079,200
Due from other funds	22,899,843	4,402,822	260,602	27,563,267	26,826,164
Inventories	167,149	-	-	167,149	148,705
Prepaid items	58,511	-	-	58,511	60,168
Total assets	\$ 39,865,194	\$ 4,402,822	\$ 268,924	\$ 44,536,940	\$ 31,892,413
LIABILITIES					
Accounts payable	\$ 864,266	\$ 212,624	\$ 7,360	\$ 1,084,250	\$ 807,671
Accrued payables and other liabilities	813,828	-	261,564	1,075,392	3,140,314
Due to other funds	6,260,512	-	-	6,260,512	9,321,731
Obligation for vacation benefits, current portion	15,768	-	-	15,768	225,723
Deferred revenues	478,940	-	-	478,940	591,546
Escrowed funds	1,390,372	-	-	1,390,372	2,148,321
Short term debt	18,000,000	-	-	18,000,000	7,000,000
Total liabilities	27,823,686	212,624	268,924	28,305,234	23,235,306
FUND BALANCES					
Non Spendable					
Inventories and prepaid items	225,660	-	-	225,660	208,873
Assigned for:					
Capital projects	-	4,190,198	-	4,190,198	1,294,040
Self Insurance	3,536,307	-	-	3,536,307	3,478,434
Unassigned	8,279,541	-	-	8,279,541	3,675,760
Total fund balances	12,041,508	4,190,198	-	16,231,706	8,657,107
Total liabilities and fund balances	\$ 39,865,194	\$ 4,402,822	\$ 268,924	\$ 44,536,940	\$ 31,892,413

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

Total Governmental Fund Balances	\$ 16,231,706	\$ 8,657,107
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	79,853,227	80,741,973
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds	478,940	591,546
Long-term liabilities, including accrued interest, bonds payable, long term compensated absences net pension obligation and self insurance, are not due and payable in the current period and therefore are not reported in the funds.	(72,231,635)	(65,769,440)
Other long-term liabilities including other post employment benefits.	(12,278,277)	(7,493,326)
Net assets of Governmental Activities	\$ 12,053,961	\$ 16,727,860

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

CITY OF ANNAPOLIS, MARYLAND
**STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS**
 Year Ended June 30, 2011
 With Comparative Totals for year ended June 30, 2010

Exhibit 4

	Nonmajor			Totals	
	General	Capital Projects	Governmental Fund	June 30, 2011	June 30, 2010 (As Restated)
Revenues					
Taxes	\$ 35,335,848	\$ -	\$ -	\$ 35,335,848	\$ 34,681,916
Licenses and permits	2,665,256	-	-	2,665,256	2,772,254
Fines and forfeitures	829,371	-	-	829,371	947,614
Money and property	820,868	-	-	820,868	846,380
Intergovernmental	11,245,223	-	469,922	11,715,145	13,664,388
Current services	4,099,295	1,092,673	-	5,191,968	3,576,382
Total revenues	<u>54,995,861</u>	<u>1,092,673</u>	<u>469,922</u>	<u>56,558,456</u>	<u>56,488,934</u>
Expenditures					
Current:					
General government	7,888,621	-	-	7,888,621	10,032,462
Public safety	31,265,195	-	-	31,265,195	35,960,535
Community services	3,880,465	-	-	3,880,465	3,685,663
Community development	-	-	439,922	439,922	979,789
Public works	3,103,894	-	-	3,103,894	4,630,337
Debt service:					
Principal	3,066,709	-	-	3,066,709	4,390,146
Interest	1,423,064	-	-	1,423,064	1,613,968
Capital outlays	-	1,812,456	-	1,812,456	18,297,251
Total expenditures	<u>50,627,948</u>	<u>1,812,456</u>	<u>439,922</u>	<u>52,880,326</u>	<u>79,590,151</u>
Excess (deficiency) of revenues over expenditures	<u>4,367,913</u>	<u>(719,783)</u>	<u>30,000</u>	<u>3,678,130</u>	<u>(23,101,217)</u>
Other financing sources (uses)					
Proceeds from debt issue	22,538,856	-	-	22,538,856	14,490,812
Proceeds from debt issuance premiums	1,792,759	-	-	1,792,759	-
Bond Issuance Cost	(306,760)	-	-	(306,760)	-
Payment to refunded bond escrow agent	(20,792,636)	-	-	(20,792,636)	-
Transfers in	1,073,390	425,000	-	1,498,390	6,641,012
Transfers out	(425,000)	(379,140)	(30,000)	(834,140)	(5,535,972)
Total other financing sources (uses)	<u>3,880,609</u>	<u>45,860</u>	<u>(30,000)</u>	<u>3,896,469</u>	<u>15,595,852</u>
Net change in fund balances	8,248,522	(673,923)	-	7,574,599	(7,505,365)
Fund balances at beginning of year	3,792,986	4,864,121	-	8,657,107	16,162,472
Fund balances at end of year	<u>\$ 12,041,508</u>	<u>\$ 4,190,198</u>	<u>\$ -</u>	<u>\$ 16,231,706</u>	<u>\$ 8,657,107</u>

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Net Change in Fund Balances - Total Government Funds	\$ 7,574,599	\$ (7,505,365)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(888,746)	15,288,524
Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the Statement of Net Assets.	(3,232,219)	(14,490,812)
Proceeds from debt issue	22,538,856	
Proceeds from debt premiums	1,792,759	
Bond Issuance Cost	(306,760)	
Payment to refunded bond escrow agent	(20,792,636)	
Total Net Debt	<u>3,232,219</u>	
The effect of other post employment benefits.	(4,784,951)	(3,891,107)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	3,066,709	4,390,146
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(6,296,685)	(5,880,907)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund; deferred revenue recognized net of revenue already recognized in the prior year.	(112,606)	(558,467)
Change in Net Assets of Governmental Activities	<u>\$ (4,673,899)</u>	<u>\$ (12,647,988)</u>

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

CITY OF ANNAPOLIS, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2011

Exhibit 5

	General Fund			Variance - positive (negative)
	Original Budget	Final Budget	Actual	
Revenues				
Taxes				
Real property	\$ 32,300,000	\$ 32,300,000	\$ 32,550,332	\$ 250,332
Personal property	2,767,000	2,767,000	2,785,516	18,516
Licenses and permits	2,407,000	2,407,000	2,665,256	258,256
Fines and forfeitures	1,090,000	1,140,500	829,371	(311,129)
Money and property	685,600	855,460	820,868	(34,592)
Intergovernmental	9,370,000	11,685,550	11,245,223	(440,327)
Current services	4,032,000	4,073,800	4,099,295	25,495
Total revenues	<u>52,651,600</u>	<u>55,229,310</u>	<u>54,995,861</u>	<u>(233,449)</u>
Expenditures				
Current:				
General government				
Mayor and aldermen	2,323,330	2,352,353	2,437,774	(85,421)
Economic affairs	565,880	555,880	508,540	47,340
Finance	3,407,150	2,988,670	3,048,604	(59,934)
Human resources	800,670	800,720	796,761	3,959
Planning and zoning	1,405,090	1,499,650	1,417,776	81,874
Central services	1,813,060	1,807,280	1,743,034	64,246
Public safety				
Police	15,784,870	16,592,814	16,212,052	380,762
Fire	12,386,860	12,489,513	11,876,816	612,696
Neighborhood and environmental programs	2,307,430	3,278,850	3,176,327	102,523
Public works				
Supervision	1,316,680	1,390,280	1,365,194	25,086
Roadways	3,168,230	3,168,230	2,681,252	486,978
Garage	498,890	498,890	428,062	70,828
Community services				
Recreation and parks	4,183,800	4,305,712	3,880,465	425,247
Community development			-	
Interfund charges (credits)	(4,591,420)	(4,591,420)	(3,434,481)	(1,156,939)
Debt service:				
Principal	4,597,880	4,597,880	3,066,709	1,531,171
Interest	2,421,880	2,421,880	1,423,064	998,816
Total expenditures	<u>52,390,280</u>	<u>54,157,181</u>	<u>50,627,948</u>	<u>3,529,233</u>
Excess (deficiencies) of revenues over expenditures	<u>261,320</u>	<u>1,072,129</u>	<u>4,367,913</u>	<u>3,295,784</u>
Other financing sources (uses)				
Long term debt issued, net of payment to escrow agent	-	-	1,746,220	(1,746,220)
Bond premiums net of issuance cost	-	-	1,485,999	(1,485,999)
Transfers in	-	1,073,390	1,073,390	-
Transfers out	-	(425,000)	(425,000)	-
Total other financing sources (uses)	<u>-</u>	<u>648,390</u>	<u>3,880,609</u>	<u>3,232,219</u>
Net change in fund balance	<u>261,320</u>	<u>1,720,519</u>	<u>8,248,522</u>	<u>6,528,003</u>
Fund balance at beginning of year	3,792,986	3,792,986	3,792,986	-
Fund balance at end of year	<u>\$ 4,054,306</u>	<u>\$ 5,513,505</u>	<u>\$ 12,041,508</u>	<u>\$ 6,528,003</u>

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

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CITY OF ANNAPOLIS, MARYLAND
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

Exhibit 6

June 30, 2011

With Comparative Totals for year ended June 30, 2010

ASSETS	Business-type Activities		
	Water Fund	Sewer Fund	Off Street Parking Fund
Current assets			
Cash and cash equivalents	\$ 2,767,743	\$ -	\$ 750
Investments	-	-	-
Accounts receivable			
Service charges and penalties	823,562	1,070,749	-
Capital and other charges	59,050	61,127	-
Accrued revenues	11,425	-	185,291
Total accounts receivable, net	894,037	1,131,876	185,291
Due from other funds	-	633,166	-
Inventories	66,275	-	-
Prepaid expenses	-	-	-
Total current assets	3,728,055	1,765,042	186,041
Noncurrent assets			
Restricted water and sewer capital facility assessments	4,641,010	4,474,650	-
Net capital assets	15,248,110	14,414,816	16,563,272
Total noncurrent assets	19,889,120	18,889,466	16,563,272
Total assets	23,617,175	20,654,508	16,749,313
	LIABILITIES		
Current liabilities			
Accounts payable	99,355	153,495	4,941
Accrued expenses and other liabilities	137,540	752,805	62,289
Due to General Fund	1,631,513	-	9,015,073
Compensated absences-current portion	-	-	-
Deferred revenue	-	-	-
Escrowed funds	-	(574)	-
Current portion of long-term debt	325,950	312,297	125,891
Total current liabilities	2,194,358	1,218,023	9,208,194
Noncurrent liabilities			
Unearned water and sewer capital facility assessments related to restricted assets	4,641,010	4,474,650	-
Compensated absences-net of current portion	167,552	23,531	-
Accrued liability for other post employment benefits	300,218	73,057	-
Long-term debt, net of current portion	11,837,082	5,409,304	6,901,482
Total noncurrent liabilities	16,945,862	9,980,542	6,901,482
Total liabilities	19,140,220	11,198,565	16,109,676
	NET ASSETS		
Invested in capital assets, net of related debt	3,705,872	11,254,179	9,548,688
Restricted	620,794	2,560,964	12,789
Unrestricted	150,289	(4,359,200)	(8,921,840)
Total net assets	\$ 4,476,955	\$ 9,455,943	\$ 639,637

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

Transportation Fund	Nonmajor Enterprise Funds	Totals		Governmental Activities Internal Service Fund	
		June 30, 2011	June 30, 2010	Totals	
		June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
\$ 50	\$ 500	\$ 2,769,043	\$ 1,300	\$ -	\$ 45,000
-	-	-	-	-	-
-	412,597	2,306,908	2,140,593	-	-
-	-	120,177	138,314	-	-
2,457,835	154,744	2,809,295	2,087,002	-	-
2,457,835	567,341	5,236,380	4,365,909	-	-
-	888,680	1,521,846	3,984,531	75,242	25,655
28,091	-	94,366	216,910	-	-
650	-	650	-	-	-
2,486,626	1,456,521	9,622,285	8,568,650	75,242	70,655
-	-	9,115,660	9,614,835	-	-
3,001,556	11,551,369	60,779,123	62,783,834	-	-
3,001,556	11,551,369	69,894,783	72,398,669	-	-
5,488,182	13,007,890	79,517,068	80,967,319	75,242	70,655
1,736,599	319,444	2,313,834	1,565,770	69,635	70,655
58,369	94,838	1,105,841	819,960	5,607	-
4,273,077	7,980,180	22,899,843	21,514,619	-	-
-	-	-	388,215	-	-
-	20,140	20,140	43,749	-	-
7,483	15,027	21,936	14,483	-	-
8,408	43,255	815,801	2,775,614	-	-
6,083,936	8,472,884	27,177,395	27,122,410	75,242	70,655
-	-	9,115,660	9,614,835	-	-
141,224	95,793	428,100	-	-	-
246,370	300,780	920,425	1,081,573	-	-
59,182	4,122,620	28,329,670	26,497,921	-	-
446,776	4,519,193	38,793,855	37,194,329	-	-
6,530,712	12,992,077	65,971,250	64,316,739	75,242	70,655
2,933,966	7,801,127	35,243,832	37,003,541	-	-
-	415,633	3,610,180	3,493,242	-	-
(3,976,496)	(8,200,947)	(25,308,194)	(23,846,203)	-	-
\$ (1,042,530)	\$ 15,813	\$ 13,545,818	\$ 16,650,580	\$ -	\$ -

Year Ended June 30, 2011
 With Comparative Totals for the year ended June 30, 2010

Exhibit 7

	Business-type Activities		
	Water Fund	Sewer Fund	Off Street Parking Fund
Operating revenues			
Charges for services	\$ 3,888,613	\$ 4,285,157	\$ 3,150,184
Grant Income	-	-	-
Other	104,194	109,366	-
Total operating revenues	<u>3,992,807</u>	<u>4,394,523</u>	<u>3,150,184</u>
Operating expenses			
Salaries	2,041,035	635,255	-
Utilities	331,104	173,861	127,643
Repairs and maintenance	176,102	181,349	40,956
Materials and supplies	406,626	59,814	5,957
Treatment plant operations	-	3,090,670	-
Contractual services	94,925	103,596	1,016,160
Administrative charge from General Fund	961,967	677,192	328,729
Depreciation	596,051	632,921	415,440
Credits for claims and estimated losses	-	-	-
Claim payments	-	-	-
Other	276	5,232	1,500
Total operating expenses	<u>4,608,086</u>	<u>5,559,890</u>	<u>1,936,385</u>
Operating (loss) income	<u>(615,279)</u>	<u>(1,165,367)</u>	<u>1,213,799</u>
Non-operating revenues (expenses)			
Intergovernmental	5,377	(912,484)	(557,001)
Interest income	918	1,584	646
Interest expense	(358,690)	(223,943)	(207,778)
Total non-operating revenues (expenses), net	<u>(352,395)</u>	<u>(1,134,843)</u>	<u>(764,133)</u>
Income (loss) before contributions and operating transfers	<u>(967,674)</u>	<u>(2,300,210)</u>	<u>449,666</u>
Capital contributions	356,258	456,585	-
Transfers in	634,660	-	-
Transfers out	-	(634,660)	(500,000)
Change in net assets	<u>23,244</u>	<u>(2,478,285)</u>	<u>(50,334)</u>
Net assets at beginning of year	<u>4,453,711</u>	<u>11,934,228</u>	<u>689,971</u>
Net assets at end of year	<u>\$ 4,476,955</u>	<u>\$ 9,455,943</u>	<u>\$ 639,637</u>

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

Transportation Fund	Nonmajor Enterprise Funds	Totals		Governmental Activities Internal Service Fund	
		June 30, 2011	June 30, 2010	Totals	
				June 30, 2011	June 30, 2010
\$ 764,847	\$ 5,206,111	\$ 17,294,912	\$ 17,160,981	\$ -	\$ -
1,339,748	187,052	1,526,800	1,378,198	-	-
48,999	-	262,559	282,063	1,388,511	1,034,061
<u>2,153,594</u>	<u>5,393,163</u>	<u>19,084,271</u>	<u>18,821,242</u>	<u>1,388,511</u>	<u>1,034,061</u>
2,718,946	1,728,602	7,123,838	8,971,429	-	-
43,246	61,556	737,410	830,308	-	-
291,482	259,424	949,313	1,151,903	-	-
433,511	160,261	1,066,169	1,042,499	-	-
-	-	3,090,670	3,031,072	-	-
40,030	889,131	2,143,842	2,308,044	-	-
575,062	1,006,959	3,549,909	4,193,131	-	-
489,114	319,371	2,452,897	2,497,210	-	-
-	-	-	-	-	-
-	-	-	-	1,146,507	845,647
136,128	-	143,136	328,691	242,004	188,414
<u>4,727,519</u>	<u>4,425,304</u>	<u>21,257,184</u>	<u>24,354,287</u>	<u>1,388,511</u>	<u>1,034,061</u>
<u>(2,573,925)</u>	<u>967,859</u>	<u>(2,172,913)</u>	<u>(5,533,045)</u>	-	-
(53,865)	-	(1,517,973)	(1,861,398)	-	-
-	379	3,527	4,312	-	-
<u>(2,780)</u>	<u>(175,046)</u>	<u>(968,237)</u>	<u>(1,161,665)</u>	-	-
<u>(56,645)</u>	<u>(174,667)</u>	<u>(2,482,683)</u>	<u>(1,210,369)</u>	-	-
<u>(2,630,570)</u>	<u>793,192</u>	<u>(4,655,596)</u>	<u>(6,743,414)</u>	-	-
1,042,064	360,177	2,215,084	1,450,863	-	-
500,000	-	1,134,660	6,525,800	-	-
-	(664,250)	(1,798,910)	(7,630,840)	-	-
<u>(1,088,506)</u>	<u>489,119</u>	<u>(3,104,762)</u>	<u>(6,397,591)</u>	-	-
45,976	(473,306)	16,650,580	23,048,171	-	-
<u>\$ (1,042,530)</u>	<u>\$ 15,813</u>	<u>\$ 13,545,818</u>	<u>\$ 16,650,580</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF ANNAPOLIS, MARYLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

Exhibit 8

Year Ended June 30, 2011

With Comparative Totals for Year Ended June 30, 2010

	Business-type Activities		
	Water Fund	Sewer Fund	Off Street Parking Fund
Cash flows from operating activities			
Receipts from customers and users	\$ 3,793,575	\$ 4,264,761	\$ 3,381,379
Receipts from contributions and other sources	104,194	109,366	-
Receipts from interfund services provided	529,627	3,161,019	-
Payments to suppliers for goods and services	(2,143,645)	(4,262,670)	(1,846,704)
Payments to employees for services	(1,910,227)	(636,718)	-
Payments for interfund services uses	-	-	(287,902)
Net cash provided by (used for) operating activities	373,524	2,635,758	1,246,773
Cash flows from noncapital financing activities			
Transfer from other funds	634,660	-	-
Transfer to other funds	-	(634,660)	(500,000)
Intergovernmental charges	5,377	(912,484)	(557,001)
Net cash provided by (used for) noncapital financing activities	640,037	(1,547,144)	(1,057,001)
Cash flows from capital and related financing activities			
Acquisition of capital assets	(373,449)	(9,526)	(15,000)
Proceeds from sale and retirement of capital assets	-	-	-
Proceeds from issuance of long term debt	5,982,168	2,209,192	4,855,592
Principal payments of long term debt	(533,607)	(511,536)	(307,400)
Refunding and transfers of long term debt	(3,352,461)	(3,026,611)	(4,532,412)
Interest paid on debt	(325,645)	(208,302)	(191,198)
Proceeds from capital contributions and grants	356,258	456,585	-
Net cash provided by (used for) capital and related financing activities	1,753,264	(1,090,198)	(190,418)
Cash flows from investing activities:			
Purchase of investments	-	-	-
Interest received	918	1,584	646
Net cash provided by (used for) investing activities	918	1,584	646
Net increase (decrease) in cash and cash equivalents	2,767,743	-	-
Cash and cash equivalents at beginning of year	-	-	750
Cash and cash equivalents at end of year	\$ 2,767,743	\$ -	\$ 750
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities			
Operating income (loss)	\$ (615,279)	\$ (1,165,367)	\$ 1,213,799
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	596,051	632,921	415,440
Effect of changes in non-cash operating assets and liabilities:			
(Increase) decrease in accounts receivable	(94,906)	(20,220)	231,195
(Increase) decrease in inventories	109,880	-	-
(Increase) decrease in prepaid expenses	-	-	-
(Increase) decrease in due from other funds	-	3,161,019	-
Increase (decrease) in accounts payable	(214,462)	(591,635)	(327,215)
Increase (decrease) in accrued expenses and other liabilities	(68,063)	620,679	1,456
Increase (decrease) in compensated absences	44,843	(954)	-
Increase (decrease) in deferred revenue	(132)	(146)	-
Increase (decrease) in escrowed funds	-	(30)	-
Increase (decrease) in other post employment benefits	85,965	(509)	-
Increase (decrease) in due to other funds	529,627	-	(287,902)
Total adjustments	988,803	3,801,125	32,974
Net cash provided by (used for) operating activities	\$ 373,524	\$ 2,635,758	\$ 1,246,773

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

Transportation Fund	Nonmajor Enterprise Funds	Totals		Governmental Activities Internal Service Fund	
		Totals		Totals	
		June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
\$ (218,422)	\$ 5,186,992	\$ 16,408,285	\$ 16,748,059	\$ -	\$ 37,552
1,388,747	187,052	1,789,359	1,660,261	1,388,511	1,034,061
1,017,613	242,075	4,950,334	1,297,605	-	1,597,626
68,231	(2,339,822)	(10,524,610)	(13,258,169)	(1,383,924)	(2,669,239)
(2,992,751)	(1,705,405)	(7,245,101)	(8,437,043)	-	-
-	(814,533)	(1,102,435)	(603,344)	(49,587)	-
<u>(736,582)</u>	<u>756,359</u>	<u>4,275,832</u>	<u>(2,592,631)</u>	<u>(45,000)</u>	<u>-</u>
500,000	-	1,134,660	6,525,800	-	-
-	(664,250)	(1,798,910)	(7,630,840)	-	-
<u>(53,865)</u>	<u>-</u>	<u>(1,517,973)</u>	<u>(1,861,398)</u>	<u>-</u>	<u>-</u>
<u>446,135</u>	<u>(664,250)</u>	<u>(2,182,223)</u>	<u>(2,966,438)</u>	<u>-</u>	<u>-</u>
(909,250)	(277,037)	(1,584,262)	(18,016,031)	-	-
-	-	-	11,927,115	-	-
26,928	207,264	13,281,144	12,255,843	-	-
(16,308)	(303,345)	(1,672,196)	(2,767,769)	-	-
149,117	92,409	(10,669,958)	-	-	-
(2,104)	(171,956)	(899,205)	(1,103,646)	-	-
<u>1,042,064</u>	<u>360,177</u>	<u>2,215,084</u>	<u>3,259,245</u>	<u>-</u>	<u>-</u>
<u>290,447</u>	<u>(92,488)</u>	<u>670,607</u>	<u>5,554,757</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	379	3,527	4,312	-	-
-	379	3,527	4,312	-	-
-	-	2,767,743	-	(45,000)	-
50	500	1,300	1,300	45,000	45,000
<u>\$ 50</u>	<u>\$ 500</u>	<u>\$ 2,769,043</u>	<u>\$ 1,300</u>	<u>\$ -</u>	<u>\$ 45,000</u>
\$ (2,573,925)	\$ 967,859	\$ (2,172,913)	\$ (5,533,045)	\$ -	\$ -
489,114	319,371	2,452,897	2,497,210	-	-
(990,752)	4,212	(870,471)	(453,396)	-	37,552
12,664	-	122,544	84,004	-	-
(650)	-	(650)	-	-	-
-	(698,344)	2,462,675	1,297,605	(49,587)	1,597,626
1,680,071	201,305	748,064	(460,569)	(1,020)	31,488
(104,395)	(163,796)	285,881	4,044	5,607	(1,666,666)
(17,897)	13,893	39,885	(36,039)	-	-
-	(23,331)	(23,609)	40,280	-	-
7,483	-	7,453	194	-	-
(255,908)	9,304	(161,148)	570,425	-	-
<u>1,017,613</u>	<u>125,886</u>	<u>1,385,224</u>	<u>(603,344)</u>	<u>-</u>	<u>-</u>
<u>1,837,343</u>	<u>(211,500)</u>	<u>6,448,745</u>	<u>2,940,414</u>	<u>(45,000)</u>	<u>-</u>
<u>\$ (736,582)</u>	<u>\$ 756,359</u>	<u>\$ 4,275,832</u>	<u>\$ (2,592,631)</u>	<u>\$ (45,000)</u>	<u>\$ -</u>

CITY OF ANNAPOLIS, MARYLAND
STATEMENT OF FIDUCIARY NET ASSETS
PENSION TRUST FUND
June 30, 2011

Exhibit 9

ASSETS

Investments, at fair value:	
Common stocks	\$ 81,808,739
Corporate bonds	33,466,879
Money market	4,606,392
U.S. Agency securities	5,314,548
Commodities	14,658,791
Real estate	5,698,419
Total assets	<u>145,553,768</u>

NET ASSETS

Total net assets, held in trust for Pension Benefits	<u><u>145,553,768</u></u>
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The accompanying notes to the financial statements are an integral part of this statement.

CITY OF ANNAPOLIS, MARYLAND
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION TRUST FUND
Year Ended June 30, 2011

Exhibit 10

ADDITIONS	
Contributions	
Plan member	\$ 570,427
Investment Income	
Net appreciation in fair value of investments	20,997,670
Interest	2,741,246
Dividends	1,452,950
Total investment income	<u>25,191,866</u>
Total additions	<u>25,762,293</u>
DEDUCTIONS	
Benefits	8,698,777
Administrative expenses	949,045
Total deductions	<u>9,647,822</u>
Change in net assets	16,114,471
Net assets as of beginning of year	<u>129,439,297</u>
Net assets as of end of year	<u>\$ 145,553,768</u>

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

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CITY OF ANNAPOLIS, MARYLAND

Notes to Basic Financial Statements, Continued June 30, 2011

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1. Summary of Significant Accounting Policies

The City of Annapolis (the City) is an incorporated municipality governed by a mayor and eight aldermen who together constitute the City Council. The City government provides most basic local governmental services except education, which is provided through the Anne Arundel County Board of Education.

For financial reporting purposes, the basic financial statements include the various departments governed directly by the City Council. The City does not have any component units as defined by generally accepted accounting principles in the United States of America (GAAP). A component unit is defined as a separate legal entity that a primary government must include as part of its financial reporting entity for fair presentation in conformity with GAAP. The Mayor is responsible for appointing the commissioners of the Annapolis Public Housing Authority, but the City's accountability for this organization does not extend beyond making the appointment.

The accounting policies of the City conform to GAAP as applicable to governmental units. The following is a summary of the more significant policies:

(A) Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The City's funds are grouped into two broad fund categories and five generic fund types for financial statement presentation purposes. Governmental funds include the general, special revenue and capital projects funds. Proprietary funds include enterprise funds and an internal service fund. The City has one fiduciary fund which is comprised of a pension trust fund.

The basic financial statements include certain prior-year summarized (as restated) comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements as of and for the year ended June 30, 2010 (as restated), from which the summarized information was derived.

(B) Basis of Accounting

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all non-fiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which primarily rely on fees and charges for support. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses. Fiduciary funds are excluded from the government-wide financial statements.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-

CITY OF ANNAPOLIS, MARYLAND

Notes to Basic Financial Statements, Continued June 30, 2011

1. Summary of Significant Accounting Policies, Continued

wide statements and the statements for governmental funds. The primary effect of internal activity has been eliminated from the government-wide financial statements. Exceptions to this rule is when the amounts are reasonably equivalent in value to the interfund services provided and other charges between various functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The government-wide Statement of Activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the City and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Indirect expenses for centralized services and administrative overhead are allocated among the programs, functions and segments using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meet the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenue. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the revenues of the City.

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by laws through constitutional provisions or enabling legislation. The net assets restricted for other purposes result from special revenue funds and the restrictions on their net asset use.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

FUND FINANCIAL STATEMENTS

Fund financial statements report detailed information about the City. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column except for the special revenue fund which is presented in a separate column. The internal service fund is presented in a single column on the face of the proprietary fund statements.

GOVERNMENTAL FUNDS

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. The City considers revenues to be available if they are collected within sixty days of the end of the current year. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

The major governmental funds are:

General Fund - This is the City's primary operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

CITY OF ANNAPOLIS, MARYLAND

Notes to Basic Financial Statements, Continued June 30, 2011

1. Summary of Significant Accounting Policies, Continued

Capital Projects Fund - The Capital Projects Fund is used to account for financial resources and expenditures applied to the construction of capital facilities and major purchased items for all governmental fund types.

The Non Major Governmental Fund is:

Special Revenue Fund - The Special Revenue Fund is used to account for Community Development Block Grants received from the Federal government.

(C) Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current assets. The unreserved fund balance is a measure of available spendable resources.

The modified accrual basis of accounting is followed by the governmental funds. Under this basis, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter, within sixty days of the end of the current year, to be used to pay liabilities of the current period. Expenditures are recorded for decreases in net financial resources when a fund liability is incurred, if measurable, except for debt service, which is recognized when due.

Property taxes levied during the current year are recorded as receivables and deferred revenue, net of estimated uncollectible amounts. The net receivables collected during the current year and within sixty days after year end are recognized as revenues in the current year.

Income taxes, highway user fees, hotel / motel taxes, admission taxes and rent payments are all major revenue sources susceptible to accrual and so have been recognized as revenues in the current year.

Licenses and permits, charges for non-enterprise services, fines and forfeitures and miscellaneous revenues (except investment earnings) are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

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. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

CITY OF ANNAPOLIS, MARYLAND

Notes to Basic Financial Statements, Continued June 30, 2011

1. Summary of Significant Accounting Policies, Continued

PROPRIETARY FUNDS

All proprietary funds are accounted for using the accrual basis of accounting. The accrual basis of accounting recognizes revenues when they are earned and expenses when liabilities are incurred. These funds account for operations that are primarily financed by user charges. All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Net assets (i.e., net total assets) are segregated into invested in capital assets, net of related debt, restricted and unrestricted. Proprietary funds operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net assets. In accordance with GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and other Governmental Entities that use Proprietary Fund Accounting," the City has elected not to follow any pronouncements issued by the Financial Accounting Standards Board after November 30, 1989.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of all of the City's enterprise funds and internal service fund are charges to customers for sales and services. Operating expenses for enterprise funds and internal service 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.

The major proprietary funds are:

Water Fund - To account for all financial activity associated with the operation of the City's water plant and water distribution system. The water plant is responsible for the production, treatment, testing, storage and initial distribution of all potable water for the customers of the City. The water distribution division is responsible for meter reading, and operating, maintaining and repairing the distribution system.

Sewer Fund - To account for all financial activity associated with the operation of the City's sewage collection and treatment program. The sewer fund consists of two divisions: sewer plant and sewer collection. The sewer collection division is responsible for operating, maintaining and repairing the sewage conveyance system. Sewage treatment is performed at a single, jointly-owned plant site controlled and operated by Anne Arundel County. The City has a fifty percent ownership of the property, plant and equipment, but does not have joint control of the financial or operating policies, thus the arrangement is not considered a joint venture. The current agreement calls for the City to share in actual costs for fifty percent of capital improvements and a flow-based percentage of operational costs.

Off Street Parking Fund - To account for all financial activity associated with the operation of the City's municipal off street parking facilities. The parking facilities include three parking garages and two parking lots.

Transportation Fund - To account for all financial activity associated with the operation and maintenance of the City's public transportation system. The transportation fund consists of three divisions: Administration, Transit Operations and Maintenance.

CITY OF ANNAPOLIS, MARYLAND

Notes to Basic Financial Statements, Continued June 30, 2011

1. Summary of Significant Accounting Policies, Continued

The non-major proprietary funds shown aggregated are:

Dock Fund - To account for all financial activity associated with the management and control of the City's waterways, including slips and mooring buoys, showers and restrooms for boaters, sewage pump-out facilities for boaters, and maintenance of the City Dock area.

Market Fund - To account for all financial activity associated with the operation of the City's Market House, an enclosed pavilion housing vendors who sell a variety of affordable carry-out foods and beverages.

Stormwater Management Fund - To account for all financial activity associated with the maintenance of public storm drainage systems, which include pipes, inlets, manholes, drainage ways and stormwater management facilities.

Refuse Fund - To account for all financial activity associated with the operation of the City's residential refuse, yard waste, recycling and bulk disposal systems. The refuse fund consists of three divisions: Residential Refuse, Yard Waste Recycling and Curbside Recycling.

The City's only Internal Service Fund is used to account for the activities of a self-insurance program for general and automotive liability claims. The liability for unpaid claims, which is included in other liabilities, is based upon individual case estimates reported as of June 30, 2011 and management's estimate of claims incurred, but not reported to that date.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

FIDUCIARY FUND - PENSION TRUST FUND

The City currently has one fiduciary fund, Pension Trust Fund, which is used to account for pension assets held by the City in a trustee capacity. This fund is accounted for and reported in a manner similar to proprietary funds since capital maintenance is critical.

(D) Budgetary Process

The City follows these procedures in establishing its budgetary data for the General Fund, Capital Projects Fund, and Enterprise Funds.

- (1) By the second Monday in March, the Mayor submits to the City Council a proposed budget for the General Fund and each of the enterprise funds for the fiscal year commencing the following July 1.
- (2) The budget is referred to the Finance Committee, which makes recommendations on the budget to the full City Council by the second Monday in May.
- (3) The City Council holds public hearings to obtain taxpayer comments.
- (4) No later than June 30, the budget is legally enacted through passage of a budget ordinance which establishes spending authority by fund for the operations of the City.

CITY OF ANNAPOLIS, MARYLAND

Notes to Basic Financial Statements, Continued
June 30, 2011

1. Summary of Significant Accounting Policies, Continued

- (5) Supplemental appropriations and transfers between funds must be approved by the City Council. The allocation of funds from the surplus of the budget requires a two-thirds vote by the City Council.
- (6) All budgets are on an annual basis except the Capital Projects Fund budget, which is on a project basis. Budgets are adopted using the same basis of accounting as used for reporting purposes. Unencumbered appropriations lapse at June 30 for all funds, except the Capital Projects Fund.

Budgetary Control

Annually budgets are adopted on a departmental level. Any budget changes subsequent to the adoption by the City Council, including any transfers between expenditure classifications, between departments or between funds, must be approved by the Financial Committee and full City Council.

The following are departments which incurred overages in their budget:

	Budget	Actual	Variance	Note
Mayor and Alderman	\$ 2,352,353	\$ 2,437,774	\$ (85,421)	1
Finance	\$ 2,988,670	\$ 3,048,604	\$ (59,934)	2

Note 1). Mayor and Alderman finished the year over budget due to staff positions being filled that were not previously budgeted.

Note 2). The Finance department finished the year over budget due to additional audit expenses that were unexpected and unbudgeted.

(E) Investments

Short-term investments of the City are recorded at fair value. Investments in the Pension Trust Fund represent the pension plan's ownership interests in the net assets of various investment funds. The investments in these funds are recorded at fair value.

(F) Inventories and Prepaid Items

Inventories consist of supplies and materials valued at cost using the first-in/first-out method and prepaid items consist of insurance premiums, collection services and bulk permit for postage valued at cost using the consumption method. They are recorded as expenditures/expenses as the items are used.

(G) Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the City as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in government wide activities. The valuation bases for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. The minimum capitalization threshold is any individual item with a total cost greater than \$5,000 and a useful life of more than one year.

CITY OF ANNAPOLIS, MARYLAND

Notes to Basic Financial Statements, Continued June 30, 2011

1. Summary of Significant Accounting Policies, Continued

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation bases for proprietary fund capital assets are the same as those used for the general capital assets. Donated capital assets are capitalized at estimated fair market value on the date donated.

Depreciation of capital assets is computed and recorded using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: building, 20 to 50 years; improvement/infrastructure, 5 to 50 years; and equipment, 2 to 15 years.

(H) Vacation and Sick Leave

Vacation benefits are earned by employees of the City based on time in service, and the rights to such benefits are vested after 6 months of service. Sick leave is also accumulated by employees based on time in service. Accumulated sick leave benefits do not vest and are not paid unless sickness causes employees to be absent; however, accumulated sick time not used is credited to months of service in the calculation of employees' retirement benefits.

The City records vested vacation benefits as earned. All vacation benefits are accrued when incurred in the government-wide and proprietary fund financial statements. The amount earned and unused is recorded as a liability in the respective funds of the City when notification of termination is received prior to year end. In accordance with GASB Statement Number 16, "Accounting for Compensated Absences," the City also recorded the related social security and Medicare taxes as a liability as of June 30, 2011.

(I) Cash and Cash Equivalents

For purposes of the statement of cash flows, money market and highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

(J) Fund Balance Reporting

The Board has adopted the requirements of GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Additionally, this statement clarifies the definitions of the general fund, capital projects, and special revenue fund, as applicable to the City. This statement changes the fund balance classifications reported on the Governmental Fund Balance Sheet and requires expanded disclosure of the Council's policies and procedures as it relates to authority levels, spending policy, and reporting of encumbrances. Fund balance reclassifications made to conform to the provisions of this Statement have been applied retroactively by restating fund balance for all prior periods presented.

1. Nonspendable – amounts that cannot be spent because they are either not in spendable form or they are legally required to be maintained intact such as inventory, prepaid expenses, or other assets.
2. Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

CITY OF ANNAPOLIS, MARYLAND

Notes to Basic Financial Statements, Continued
June 30, 2011

1. Summary of Significant Accounting Policies, Continued

- 3. Committed – amounts that can only be used for specific purposes determined by a formal action of the Council, the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Council.
- 4. Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes determined by a formal action of the Council such as adopting the annual budget.
- 5. Unassigned – all other spendable amounts.

(K) Negative Fund Balance

The City plans to eliminate the Stormwater Management Fund, Dock Fund and Transportation Fund deficit through a combination of cost reductions and contributions from the General Fund.

(L) Allowance for Uncollectible Receivables

The City calculates its allowances for uncollectible receivables using historical collection data and, in certain cases, specific account analysis. The total allowance amounts are summarized below.

Primary Government	
General Fund	\$207,015
Business-type	
Dock Fund	<u>5,000</u>
Total	<u>213,015</u>

2. Reconciliation of Government-wide and Fund Financial Statements

(A) Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds, net assets and governmental activities as reported in the government-wide statement of net assets. The details of long term liabilities, including bonds payable, long term compensated absences and self insurance, are not due and payable in the current period and therefore are not reported in the funds are as follows:

Long term debt	\$	57,445,057
Compensated absences		2,719,904
Accrued debt interest		707,135
Net Pension Obligation		7,823,232
Self insurance costs		<u>3,536,307</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	\$	<u><u>72,231,635</u></u>

CITY OF ANNAPOLIS, MARYLAND

Notes to Basic Financial Statements, Continued
June 30, 2011

2. Reconciliation of Government-wide and Fund Financial Statements, Continued

(B) Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The details of Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. The details are as follows:

Capital outlay	\$ 2,214,653
Gain / (Loss) on disposal	(141,941)
Depreciation expense	<u>(2,961,458)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	\$ <u><u>(888,746)</u></u>
Compensated Absences	(275,134)
Self Insurance	1,402,816
Pension Obligation	(6,128,420)
Accrued Interest	(8,263)
Other	<u>(1,287,684)</u>
Total expenses reported in statement of activities that do not require the use of current financial resources.	<u><u>(6,296,685)</u></u>

3. Property Tax

The City's real property tax is levied each July 1 on the assessed values certified as of that date for all taxable real property located in the City. At that time, a lien is placed against the property. Assessed values are established by the Maryland State Department of Assessments and Taxation at predetermined percentages of estimated market value. A revaluation of all property is required to be completed every three years. Payments are due by September 30. Beginning October 1, interest is charged each month or fraction thereof until such taxes are paid. Delinquent taxes are collected, after the ninth month of delinquency, by tax sales conducted by Anne Arundel County. The assessed market value of taxable real property and personal property as of July 1, 2010, was approximately \$6,786,499,757 and \$164,187,500 respectively.

CITY OF ANNAPOLIS, MARYLAND

Notes to Basic Financial Statements, Continued June 30, 2011

4. Deposits and Investments

The City maintains an investment pool that is available to all funds except the Pension Trust Fund, which holds investments separate from other City funds and controls its own cash transactions. All other City cash receipt and disbursement transactions are initiated in the General Fund and amounts applicable to other funds are transferred through the respective interfund receivable and payable accounts. The cash balance of the Internal Service Fund is maintained in a separate account at the Maryland Local Government Investment Pool.

(A) City's Cash and Investments

Custodial Credit Risk - Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned. The City's investment policy requires at least 102% collateralization of deposits. The carrying amount of total deposits, for the City was \$7,039,266 and the bank balance was \$7,346,912. as of June 30, 2011. The bank balance was covered by federal depository insurance or by collateral held by the City's agent in the City's name.

Money Markets: The City invests in money market funds which are not subject to custodial credit risk.

Investments: The City is authorized to invest in obligations of the U. S. Treasury, agencies and instrumentalities, bankers' acceptances, repurchase agreements, certificates of deposit, and the state's local government investment pool.

CITY OF ANNAPOLIS, MARYLAND

Notes to Basic Financial Statements, Continued
June 30, 2011

4. Deposits and Investments, Continued

Interest Rate Risk: The City plans its investments to match cash flow requirements. In accordance with its investment policy, the City does not directly invest in securities maturing more than one year from the date of purchase. The Maryland Local Government Investment Pool (MLGIP) used by the City is operated in accordance with Rule 2a7 of the Investment Company Act of 1940. The City's investments in the pool are not included in the computation of weighted average maturity. The City's investment in MLGIP was \$1,700,598. as of June 30, 2011.

Credit Risk: State law and the City's investment policy limits investments in bankers' acceptances and commercial paper to the highest letter and numerical rating by at least one nationally recognized statistical rating organization. The Maryland Local Government Investment Pool is rated "AAA" by Standard & Poor's.

Concentration of Credit Risk: The City's investment policy, with the exception of U.S. Treasury securities and authorized pools, states no more than one-third of the City's total investment portfolio will be invested with a single financial institution.

(B) Pension Trust Fund Cash and Investments

The City's Pension Trust fund, the Police & Fire Retirement Plan (the Plan) has an investment policy that is designed to provide benefits as anticipated through a carefully planned and executed investment program that achieves a reasonable long term total return consistent with the level of risk assumed. To help achieve this return, professional investment managers are employed by the Plan to manage the Plan's assets. The Plan employs State Street Bank as trustee for the assets.

Cash: As of June 30, 2011, the Plan had no cash with the Plan's trustee.

Investments: Contractually, the City's investment managers are restricted to investments in common stock, public bonds, real estate and alternative investment funds. The Plan's investment policy includes an asset allocation plan for investments. The target allocation is 49% equities, 34% fixed income, 6% real estate, and 11% alternatives. The minimum and maximum percentages for equities are 34% and 64%, respectively, and for fixed income are 24% and 44%, respectively.

Investments of the Plan as of June 30, 2011:

Investments	Fair Value
Common stocks	\$ 81,808,739
Money market funds	4,606,392
Fixed income	38,781,427
Commodities	14,658,791
Real estate investment trust	5,698,419
Total	\$ 145,553,768

Interest rate risk: The Plan's investment policy does not place any limits on the investment managers with respect to the duration of their investments. The following list shows the Plan's investments and their related weighted-average maturities:

CITY OF ANNAPOLIS, MARYLAND

Notes to Basic Financial Statements, Continued
June 30, 2011

4. Deposits and Investments, Continued

Investment Type	Fair Value	Weighted Average Maturity (in years)
Corporate bonds	\$ 33,466,879	10.3
U.S. Agency securities	5,314,548	3.7
Total	\$ 38,781,427	
Portfolio weighted average maturity		5.9

Credit Risk: Bonds must have a rating of "Baa/BBB" or equivalent by two of the three primary rating agencies.

Custodial Credit Risk: State Street invests in a money market fund on behalf of the Plan. As of June 30, 2011, the amount in the money market fund was \$4,606,392. This fund is uninsured and uncollateralized. All other investments of the fund are held by State Street Bank as trustee in the Plan's name.

5. Liability for Unpaid Claims

The liability for the City's Self Insurance is \$3,536,307, which represents primarily long term unpaid claims. See note 14 for additional information.

6. Capital Assets and Depreciation

Capital asset activity for the year ended June 30, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Not being depreciated:				
Land	\$ 4,260,493	\$ -	\$ -	\$ 4,260,493
Construction in process	1,414,328	1,812,456	(100,000)	3,126,784
Subtotal	5,674,821	1,812,456	(100,000)	7,387,277
Other capital assets:				
Buildings	48,748,192	-	-	48,748,192
Improvements/infrastructure	63,728,394	-	-	63,728,394
Equipment	14,436,126	402,197	(309,211)	14,529,112
Subtotal	126,912,712	402,197	(309,211)	127,005,698
Accumulated depreciation:				
Buildings	(11,015,087)	(859,568)	-	(11,874,655)
Improvements/infrastructure	(31,821,056)	(744,398)	-	(32,565,454)
Equipment	(9,009,417)	(1,357,492)	267,270	(10,099,639)
Subtotal	(51,845,560)	(2,961,458)	267,270	(54,539,748)
Net capital assets	\$ 80,741,973	\$ (746,805)	\$ (141,941)	\$ 79,853,227

CITY OF ANNAPOLIS, MARYLAND

Notes to Basic Financial Statements, Continued
June 30, 2011

6. Capital Assets and Depreciation, Continued

Depreciation was charged to functions as follows:

Governmental activities:

General government	\$ 224,714
Public safety	1,400,403
Community services	554,405
Public works	<u>781,936</u>
Total governmental activities depreciation expense	<u>\$ 2,961,458</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Not being depreciated:				
Land	\$ 3,243,441	\$ -	\$ -	\$ 3,243,441
Construction in process	<u>4,646,278</u>	<u>587,677</u>	<u>(1,265,706)</u>	<u>3,968,249</u>
Subtotal	<u>7,889,719</u>	<u>587,677</u>	<u>(1,265,706)</u>	<u>7,211,690</u>
Other capital assets:				
Buildings	44,252,492	-	-	44,252,492
Improvements/infrastructure	41,874,131	236,368	-	42,110,499
Equipment	<u>9,873,191</u>	<u>996,590</u>	<u>(1,665,737)</u>	<u>9,204,044</u>
Subtotal	<u>95,999,814</u>	<u>1,232,958</u>	<u>(1,665,737)</u>	<u>95,567,035</u>
Accumulated depreciation:				
Buildings	(19,190,417)	(1,117,270)	-	(20,307,687)
Improvements/infrastructure	(13,815,631)	(707,271)	70,339	(14,452,563)
Equipment	<u>(8,099,651)</u>	<u>(628,356)</u>	<u>1,488,655</u>	<u>(7,239,352)</u>
Subtotal	<u>(41,105,699)</u>	<u>(2,452,897)</u>	<u>1,558,994</u>	<u>(41,999,602)</u>
Net capital assets	<u>\$ 62,783,834</u>	<u>\$ (632,262)</u>	<u>\$ (1,372,449)</u>	<u>\$ 60,779,123</u>

Depreciation was charged to functions as follows:

Business-type activities:

Water	\$ 596,051
Sewer	632,921
Off street parking	415,440
Transportation	489,114
Non Major Funds	<u>319,371</u>
Total business-type activities depreciation expense	<u>\$ 2,452,897</u>

CITY OF ANNAPOLIS, MARYLAND

Notes to Basic Financial Statements, Continued June 30, 2011

7. Debt

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. These bonds therefore are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues. In addition, general obligation bonds have been issued to refund general obligation bonds. General obligation bonds are direct obligations and pledge the full faith and credit of the City. All debt service payments are made from the General fund and expenses are then allocated to the appropriate proprietary fund. The City also participates in the Maryland Local Government Insurance Trust (LGIT), a public entity risk pool, which provides insurance for claims in excess of coverage provided by the City's self-insurance fund. In 1990, Certificates of Participation were issued by LGIT with the City's share being approximately 2% of the total. All claims payments are made from the Trust's fund balance and are due annually through 2011.

Under provisions of Article 41, Section 14-101 through 14-109 of the Annotated Code of Maryland, the City has participated in Economic Development Revenue Bonds for various projects within the City. Neither the bonds, nor the interest thereon, constitute an indebtedness or contingent liability of the City and, accordingly, they are not included in the basic financial statements. During fiscal year 2007, the City issued \$13,445,000 of these bonds on behalf of St. John's College, a Maryland not-for-profit educational corporation. The aggregate amount of conduit debt outstanding as of June 30, 2010 was \$13,055,000, which is the most recent information available.

The following is a summary of changes in long-term liabilities by type of the City for the year ended June 30, 2011:

	Beginning Balance	Additions and Adjustments	Reductions	Ending Balance	Amount due within one year
Governmental activities:					
General obligation bonds	\$ 55,026,790	\$ 22,538,856	\$ (20,831,795)	\$ 56,733,851	\$ 1,525,353
Unamortized premium	-	1,792,759	(9,960)	1,782,799	59,759
Unamortized issuance cost	-	(306,760)	1,704	(305,056)	(10,225)
Unamortized loss on refunding	-	(1,373,606)	37,124	(1,336,482)	(222,747)
Other debt	931,215	-	(361,270)	569,945	376,123
Total Long term debt	<u>55,958,005</u>	<u>22,651,249</u>	<u>(21,164,197)</u>	<u>57,445,057</u>	<u>1,728,263</u>
OPEB	7,493,326	4,784,951	-	12,278,277	-
Compensated absences	2,704,351	31,321	-	2,735,672	15,768
Total long-term liabilities	<u>\$ 66,155,682</u>	<u>27,467,521</u>	<u>(21,164,197)</u>	<u>72,459,006</u>	<u>\$ 1,744,031</u>
Business-type activities:					
General obligation bonds	\$ 28,590,338	\$ 13,281,144	\$ (13,245,332)	\$ 28,626,150	\$ 769,647
Unamortized premium	-	911,371	(5,063)	906,308	30,379
Unamortized issuance cost	-	(187,462)	1,041	(186,421)	(6,249)
Unamortized loss on refunding	58,019	(814,212)	73,084	(683,109)	(125,669)
Other debt	625,178	-	(142,634)	482,544	147,693
Total Long term debt	<u>29,273,535</u>	<u>13,190,841</u>	<u>(13,318,904)</u>	<u>29,145,472</u>	<u>815,801</u>
OPEB	1,081,573	-	(161,151)	920,422	-
Compensated absences	388,215	39,885	-	428,100	-
Total long-term liabilities	<u>\$ 30,743,323</u>	<u>\$ 13,230,726</u>	<u>\$ (13,480,055)</u>	<u>\$ 30,493,994</u>	<u>\$ 815,801</u>

CITY OF ANNAPOLIS, MARYLAND

Notes to Basic Financial Statements, Continued
June 30, 2011

The City Charter limits the aggregate amount of bonds and other indebtedness to 10% of the assessable base of the City, which includes real and personal property. The limitation amount does not include Water fund and Sewer fund indebtedness because that debt is paid solely by user fees from the respective fund. As of June 30, 2011, the debt margin of the City was as follows:

CITY OF ANNAPOLIS, MARYLAND

Notes to Basic Financial Statements, Continued
June 30, 2011

7. Debt, Continued

Assessable basis upon which tax levy for year beginning July 1, 2010 was calculated	\$ <u>6,437,267,368</u>
Debt limit; 10% of assessable basis	\$ 643,726,737
Debt subject to limitation	<u>86,590,528</u>
Debt margin	\$ <u>557,136,209</u>

Long-term debt amounts are comprised of the following as of June 30, 2011:

Governmental activities:

General obligation bonds:

Refunding Bonds of 2003: \$3,571,236; interest 2.65%; due serially to 2015	\$ 1,479,114
Public Improvement Bonds of 2005: \$12,042,500; interest 3.5%; due serially to 2025	7,624,936
Public Improvement Bonds of 2007: \$21,391,600; interest 4.25%; due serially to 2022	8,792,102
Public Improvement Bonds of 2009: \$23,121,380; interest 2.0%; due serially to 2029	16,098,843
Public Improvements and Refunding Bonds of 2011: \$22,738,856; interest 2.0% to 5.0%; due serially to 2040	<u>22,738,856</u>
	<u>56,733,851</u>

Other debt:

Capital Lease: \$1,770,036; interest 4.07%; vehicle financing Maturing August 2012	<u>569,945</u>
Total governmental activities long-term debt	\$ <u>57,303,796</u>

CITY OF ANNAPOLIS, MARYLAND

Notes to Basic Financial Statements, Continued
June 30, 2011

7. Debt, Continued

Short term debt consisted of the following at; June 30, 2011

<u>Description</u>	<u>Interest Rate</u>	<u>Amount Outstanding</u>
\$5,000,000 Bank line of Credit dated February 21, 2011; maturing on February 11,2012	One month Libor +. 70%; which was .89% at June 30, 2011	\$5,000,000
\$5,000,000 Bank line of Credit dated April 15,2011; maturing on November 30,2011	One month Libor +. 70%; which was .89% at June 30, 2011	3,000,000
\$10,000,000 Tax Anticipation Note with a dated June 30, 2011, due June 30, 2012	1.66%	10,000,000
Total		<u><u>\$18,000,000</u></u>

CITY OF ANNAPOLIS, MARYLAND

Notes to Basic Financial Statements, Continued
June 30, 2011

7. Debt, Continued

Long-term debt amounts are comprised of the following as of June 30, 2011:

Business-type activities:

General obligation bonds:

Refunding Bonds of 2003: \$4,118,764; interest 2.65%; due serially to 2015	\$ 1,705,886
Public Improvement Bonds of 2005: \$2,957,500; interest 3.5%; due serially to 2025	2,225,064
Public Improvement Bonds of 2007: \$7,508,400; interest 4.25%; due serially to 2022	5,277,898
Public Improvement Bonds of 2009: \$3,848,620; interest 2.0%; due serially to 2029	6,336,158
Public Improvements and Refunding Bonds of 2011: \$13,081,144; interest 2.0% to 5.0%; due serially to 2040	<u>13,081,144</u>
	<u>28,626,150</u>

Other debt:

State of Maryland Water Quality loan: \$1,570,795; interest 3.25%; payable from net cash provided by operations of sewer as generated Maturity Date 02-01-2015	404,824
Capital Lease: \$244,964; interest 4.07%; vehicle financing Maturity Date 08-28-2012	<u>77,720</u>
	<u>482,544</u>
Total business-type activities debt	<u>\$ 29,108,694</u>

Interest costs incurred on general obligation bonds allocated to the business-type activities were \$1,144,601 for the year ended June 30, 2011.

Long-term debt maturities excluding the unamortized loss on refunding of \$199,853 in business-type activities are scheduled as follows:

	<u>General obligation bonds</u>		<u>Other debt</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
Governmental activities:					
2012	\$ 1,525,353	\$ 2,250,780	\$ 376,123	\$ 19,408	\$ 4,171,665
2013	1,169,770	2,377,973	193,822	3,944	3,745,509
2014	2,512,347	2,330,104	-	-	4,842,451
2015	2,622,013	2,238,974	-	-	4,860,987
2016	2,774,880	2,133,717	-	-	4,908,597
2017 - 2021	15,562,592	8,837,176	-	-	24,399,768
2022 - 2026	17,340,510	5,195,644	-	-	22,536,153
2027 - 2031	10,524,606	1,702,372	-	-	12,226,979
2032 - 2036	1,880,937	368,378	-	-	
2037 - 2041	820,843	91,970	-	-	912,813
Total	<u>\$ 56,733,851</u>	<u>\$ 27,527,088</u>	<u>\$ 569,945</u>	<u>\$ 23,352</u>	<u>\$ 82,604,921</u>

CITY OF ANNAPOLIS, MARYLAND

Notes to Basic Financial Statements, Continued
June 30, 2011

7. Debt, Continued

	<u>General obligation bonds</u>		<u>Other debt</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
Business-type activities:					
2012	\$ 769,647	\$ 1,135,675	\$ 147,693	12,945	\$ 2,065,959
2013	590,230	1,199,853	125,967	8,384	1,924,434
2014	1,267,653	1,175,699	102,772	5,314	2,551,438
2015	1,322,987	1,129,718	106,112	2,699	2,561,516
2016	1,400,120	1,076,608	-	-	2,476,728
2017 - 2021	7,852,408	4,458,968	-	-	12,311,376
2022 - 2026	8,749,490	2,621,563	-	-	11,371,053
2027 - 2031	5,310,394	858,965	-	-	6,169,359
2032 - 2036	949,063	185,872			1,134,935
2037 - 2041	414,158	46,405			460,563
Total	<u>\$ 28,626,150</u>	<u>\$ 13,889,326</u>	<u>\$ 482,544</u>	<u>\$ 29,342</u>	<u>\$ 43,027,361</u>

Included in other debt for both the governmental-wide and business-type activities is a capital lease with a principal balance due of \$569,945 and \$77,720, respectively, and a total imputed interest of \$23,352 and \$3,184 respectively. The City acquired vehicles at a cost of \$2,015,000.

8. Pension Plans

Generally, all regular City employees, except policemen and firemen, participate in the Employees Retirement and Pension Systems (Systems), a cost sharing multiple-employer defined benefit plan sponsored and administered by the State Retirement and Pension System of Maryland. Police and fire personnel participate in a single employer defined benefit pension and disability plan, which is administered by the City's personnel director. In addition, the City established an eight-member police and fire retirement plan commission to review funding and actuarial reports and to make investing decisions. The City Council has the authority to establish and amend benefit and contribution provisions. The Systems were created by the Maryland General Assembly and the Police and Fire System was established by City legislation.

Plan Description and Contribution Information

(A) Cost Sharing Multiple-Employer Plan

The Systems provide retirement, disability, and death benefits to participants and their beneficiaries. The State Retirement and Pension System of Maryland issues a publicly available financial report that includes financial statements and required supplementary information. The financial report may be obtained by writing to State Retirement Agency of Maryland, 120 East Baltimore Street, Baltimore, Maryland 21202.

Members of the Retirement System are required to contribute 5% and the City is required to contribute the remaining amount. For the participants in the Pension System, the City contributes 100%. City contributions to the Systems, which were equal to 100% of the required contributions which for the years ended June 30 2011, 2010, 2009, and 2008, were \$1,795,694, \$1,296,073, \$1,157,512, and \$1,277,876, respectively.

CITY OF ANNAPOLIS, MARYLAND

Notes to Basic Financial Statements, Continued
June 30, 2011

8. Pension Plans, Continued

(B) Single Employer Plan

The Police and Fire System is a single-employer defined benefit plan that covers the police and fire personnel of the City. The plan provides retirement, disability, and death benefits to its members and beneficiaries. Participants with twenty years of service and hired before August 1, 1972, or those hired between August 1, 1972, and August 1, 1979, and age 55 are eligible for benefits equal to 2% of average earnings times years of service to a maximum of thirty years but no benefits are provided for early retirement. Participants in the revised version of the plan with twenty-five years of service are eligible for benefits equal to 2% of average earnings times years of service to a maximum of thirty-seven and one-half years. Reduced benefits are available under this plan at age 50 with twenty years of service.

Participants in the original plan are required to contribute 3% of their annual salary and the revised plan participants are required to contribute 5% of their annual salary. The City is required to fund the remaining cost of the plan. As the City has historically fully funded the annual required contribution, the annual pension cost is equal to the annual required contribution. The contribution rate applied to actual payroll is actuarially determined and consists of a normal cost component and an unfunded actuarial liability component. For the year ended June 30, 2011 the City had an annual required contribution of \$6,128,420. The City did not make its required contribution, thus, the City has a net pension obligation of \$7,823,232 as of June 30, 2011. Administrative costs of the plan are financed through investment earnings. The Plan is considered part of the City's reporting entity and is included in the City's financial statements as Pension Trust funds. There is no separately issued financial report for this plan.

The financial statements of the plan are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The City's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. All plan investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price on the City's balance sheet date. Securities without an established market are reported at estimated fair value.

The number of employees covered and current membership classification as of July 1, 2010, are as follows:

Non-Active Members:	
Retirees and beneficiaries receiving benefits	163
Terminated employees not yet receiving benefits	<u>30</u>
	193
Active Employees:	
Fully vested	5
Non-vested	<u>223</u>
	<u>228</u>
Total	<u>421</u>

CITY OF ANNAPOLIS, MARYLAND

Notes to Basic Financial Statements, Continued
June 30, 2011

8. Pension Plans, Continued

Additional information as of the latest actuarial valuation follows:

Actuarial valuation date	7/1/10
Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	10 years - open
Asset valuation method	Asset smoothing
Actuarial assumptions:	
Investment rate of return	7.5% compounded annually
Projected salary increases	6.0% compounded annually
Cost of living adjustments	2.5% compounded annually
Inflation rate	5.0%
Contribution rates:	
Members	3 - 5%

Funding status and historical trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due and is presented as required supplementary information in the section which follows the "Notes to Financial Statements" section.

Three-Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage Contributed	Net Pension Obligation (NPO)			
2009	\$ 852,556	27%	622,683			
2010	4,644,603	0%	4,644,603			
2011	6,128,420	0%	6,128,420			

Fiscal Year Ended	Total Annual Pension cost	Employer Contribution	Increase in Net Pension Obligation	Net Pension Obligation (Asset), beginning of year	Net Pension obligation (Asset), end of year	Percent of annual Pension cost contributed
7/1/2008	852,556	229,873	622,683	(3,572,473)	(2,949,790)	27%
7/1/2009	4,644,603	-	4,644,603	(2,949,790)	1,694,813	0%
7/1/2010	6,128,420	-	6,128,420	1,694,812	7,823,232	0%

Three year funded status for plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2008	\$ 164,784,504	\$ 144,581,879	\$ (20,202,625)	114%	\$ 14,950,161	-135%
7/1/2009	153,849,420	158,457,044	4,607,624	97%	16,586,365	28%
7/1/2010	148,766,081	167,926,510	19,160,429	89%	14,826,326	129%

CITY OF ANNAPOLIS, MARYLAND

Notes to Basic Financial Statements, Continued June 30, 2011

9. Other Post-Employment Benefits

Plan Description

The City provides a post-employment health insurance program through the General Fund in addition to the pension benefits. These post-employment benefits are subject to change at any time. All employees who retire from the City may participate in the program. In order to be eligible, the retiree must have met normal service retirement criteria, and immediately preceding retirement been enrolled in a medical, vision or prescription drug insurance plan offered to active employees of the City. The City will pay 80% of the retiree's health insurance premium based upon these criteria. Other retirees who do not meet the eligibility criteria are permitted to participate in the health insurance program by paying the full premium at the group rate. Actuarial valuations for post-employment plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. The City does not provide a separate, audited GAAP-basis post-employment benefit plan report.

Funding Policy

The City has not yet established a formal policy nor has it restricted any funds for the plan. The City is currently paying the retirees' healthcare costs on a "pay-as-you-go" basis.

Actuarial Methods and Assumptions

The actuarial valuations of the individual plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, such as future employment, mortality, and healthcare costs. The actuarially determined amounts regarding the funded status of the plans and the annual required contributions (ARC) of the City and other participating agencies are subject to continual revision, as actual results are compared to past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (as understood by the employer and plan members) and include the types of benefits provided at the time of valuation and the historical pattern of sharing benefit costs between employers 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 the assets, consistent with the long-term perspective of the calculations.

Actuarial Assumptions

Additional information as of the latest actuarial valuation follows:

Actuarial valuation date	7/01/10
Actuarial cost method	Entry age normal
Amortization method	Level percent open
Remaining amortization period	30 years
Asset valuation method	Market Value
Actuarial assumptions:	
Investment rate of return	4.5%
Projected salary increases	3.5% (plus merit scale)
Rate of medical inflation	11.4% for FY2010, 9.5% for FY2011 grading to 4.5% over 15 years
Rate of prescription inflation	0.0% for FY2010, 9.5% for FY2011 grading to 4.5% over 15 years
Rate of dental and vision inflation	0.0% for FY2010, 4.5% for all future years

CITY OF ANNAPOLIS, MARYLAND

Notes to Basic Financial Statements, Continued
June 30, 2011

9. Other Post-employment Benefits, Continued

Annual Costs and Net Obligation

In accordance with the requirements of GASB Statement No. 45, the portion of the unfunded Annual Required Contribution, as determined by actuaries, has been recognized as an expense, and the net OPEB obligation has been recognized as a liability on the City's government-wide financial statements.

Three-Year Trend Information

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Annual Net OPEB Obligation
2009	\$ 5,103,367	19.4%	4,113,367
2010	5,817,532	23.3%	\$ 4,461,532
2011	6,244,503	26.0%	4,623,803

Fiscal Year Ended	Total Annual OPEB cost	Employer Contribution	Increase in Net OPEB Obligation	Net OPEB Obligation, beginning of year	Net OPEB obligation, end of year	Percent of annual OPEB cost contributed
2009	\$ 5,103,367	990,000	4,113,367	-	4,113,367	19.4%
2010	5,817,532	1,356,000	4,461,532	4,113,367	8,574,899	23.3%
2011	6,244,503	1,620,700	4,623,803	8,574,899	13,198,702	26.0%

Three year funded status of the plan as of July 1, 2010, was as follows:

Actuarial Valuation Dates	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2009	- \$	43,567,000	\$ 43,567,000	0%	\$ 29,208,000	149%
6/30/2010	-	48,371,000	48,371,000	0%	30,230,000	160%
6/30/2011	-	46,146,000	46,146,000	0%	31,350,000	147%

CITY OF ANNAPOLIS, MARYLAND

Notes to Basic Financial Statements, Continued
June 30, 2011

10. Interfund Receivables, Payables and Transfers

Interfund receivables and payables, which are for temporary balances between other funds and the general fund where cash is pooled, consist of the following at June 30, 2011:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Water Fund	\$ 1,631,513
	Off Street Parking Fund	9,015,073
	Dock Fund	7,640,229
	Transportation Fund	4,273,077
	Stormwater Management Fund	339,951
Special Revenue Fund	General Fund	260,602
Capital Projects Fund	General Fund	4,402,822
Sewer Fund	General Fund	633,166
Market Fund	General Fund	95,849
Refuse Collection Fund	General Fund	792,831
Internal Service Fund	General Fund	75,242
Total		<u>\$ 29,160,355</u>

The City allocates interest between the general and enterprise funds based upon month-end interfund balances at the average monthly interest rate of the state's local government investment pool. Such allocation for the year ended June 30, 2011 is reported as an interfund credit in the general fund and as a portion of the administrative charge from general fund in the enterprise funds.

Transfers between other funds and the general fund consist of the following as of June 30, 2011:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Stormwater Management Fund	\$ 213,020
	Refuse Fund	451,230
	Capital Projects Fund	379,140
	Special Revenue Fund	30,000
Capital Projects Fund	General Fund	425,000
Water Fund	Sewer Fund	634,660
Transportation Fund	Off Street Parking Fund	500,000
Total		<u>\$ 2,633,050</u>

Transfers are used to move unrestricted revenues to fund various programs, provide subsidies, and support "pay-as-you-go" funding. The City transferred \$425,000 from the General Fund to the Capital Projects Fund to support "pay-as-you-go" funding for various capital projects.

CITY OF ANNAPOLIS, MARYLAND

Notes to Basic Financial Statements, Continued June 30, 2011

11. Contingencies

The City, in the normal course of activities, is a defendant in several lawsuits. Losses, if any, are estimated to be less than the City's insurance coverage. Potential liabilities are covered by the City's self-insurance fund and the City's participation in the Maryland Local Government Insurance Trust, a public entity risk pool.

12. Capital Facilities and Connection Charges

In the enterprise funds, capital facility charges are assessed to property owners over a period of thirty years from the date related properties physically connect to the City's water and/or sanitary sewage collection and treatment systems. Such charges are legally restricted to pay for capital construction within the systems or to pay for debt service on debt issued to finance such construction. As such construction is typically financed with debt, the City recognizes the annual charges earned as an addition to contributed capital. Charges levied and receivable in future years are reported as a receivable and deferred revenue.

A connection charge not exceeding the cost of connecting to the systems is assessed and collected prior to connection. Such revenue is recognized as operating income and recorded as charges for services.

13. Grants

The City receives grants from time-to-time. Expenditures from certain grants are subject to audit by the grantor, and the City is contingently liable to refund amounts received in excess of allowable expenditures. In the opinion of the City's management, no material refunds will be required as a result of disallowed expenditures.

14. Risk Management

The City is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to workers; and natural disasters. The City maintains a self-insurance fund which includes coverage for general liability, workers compensation, and the administration of the health insurance plan. The City also participates in the Maryland Local Government Insurance Trust, a public entity risk pool, which provides insurance for claims in excess of coverage provided by the City's self-insurance fund.

This is a total risk and cost sharing pool for all participants. In the event that the Trust's General Fund falls into a deficit that cannot be satisfied by transfers from the Trust's capital and surplus accounts, the Trustees shall determine a method to fund the deficit. The Trust agreement empowers the Trustees to assess an additional premium to each deficit-year participant. Debt issues could also be used to fund a deficit.

Premiums are charged to the City's General Fund, with no provision made for claim liability in addition to premiums, unless an assessment is made by the Trust. There have been no assessments during the year ended June 30, 2011.

CITY OF ANNAPOLIS, MARYLAND

Notes to Basic Financial Statements, Continued
June 30, 2011

Risk Management, Continued

The City accounts for the financial operations of the self-insurance fund in the Internal Service Fund. The City maintains excess coverage to reduce the exposure from catastrophic claims. A third party insurance administrator is employed to estimate funding requirements and liabilities of the self-insurance fund. The funding for each year represents the present value of the amount needed to pay the expected final settlement values for all claims which occur in that year regardless of the date reported. Claims "incurred but not reported" are accounted for as self insurance costs on the government-wide statement of net assets. The carrying amount of liabilities for unpaid claims is presented at present value using a discount rate of 4% to recognize the time value of money. The changes in accrued payables and other liabilities during fiscal years 2011 and 2010 were as follows:

	FY 2011	FY 2010
Beginning accrued payables and other liabilities	\$ 4,939,123	\$ 4,591,535
Incurred claims and changes in estimates	(256,309)	1,193,235
Claim payments	(1,146,507)	(845,647)
Ending accrued payables and other liabilities	\$ 3,536,307	\$ 4,939,123

There have been no reductions in insurance coverage from the prior year and during the last five years the total amount of settlements has not exceeded insurance coverage.

15. Landfill Closure

In accordance with the Maryland Department of the Environment regulations, as of June 30, 1993, the City's landfill operations were terminated. As of March 31, 1998, the landfill is closed with closure and post closure costs recorded under current Federal and State regulations. The City will continue the monitoring process per the regulations and currently plans to maintain the site as open space. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. An annual appropriation is established for the monitoring costs and any post closure care requirements exceeding the original estimates will be covered by future tax revenues.

16. Prior Period Adjustment

The net assets of the governmental activities were restated to correct an error in accounting for the net pension asset that existed at June 30, 2009. The restatement resulted in an increase of \$2,949,791 to net pension assets at June 30, 2009.

Additionally, the June 30, 2010 statements of Net Assets and Activities were restated to record the pension expense and related net pension obligation for the Retirement Plan for members of the Police and Fire Departments of the City of Annapolis. The effect of this adjustment was to decrease the net pension asset, the net changes in assets and net assets at June 30, 2010 as follows:

CITY OF ANNAPOLIS, MARYLAND

Notes to Basic Financial Statements, Continued
June 30, 2011

16. Prior Period Adjustment Continued

	Net Pension Asset (Obligation)	2010 Changes in Net Assets	Net Assets
As originally stated	\$ -		\$ 49,474,228
Effect of 2009 Adjustment	<u>2,949,791</u>		<u>2,949,791</u>
June 30, 2009, as Restated	2,949,791		52,424,019
Change in net assets- 2010 as originally stated		\$ (14,400,976)	(14,400,976)
Effect of 2010 Adjustment	<u>(4,644,603)</u>	<u>(4,644,603)</u>	<u>(4,644,603)</u>
June 30, 2010, as Restated	<u>\$ (1,694,812)</u>	<u>\$ (19,045,579)</u>	<u>\$ 33,378,440</u>

CITY OF ANNAPOLIS, MARYLAND
Required Supplementary Information
(Unaudited)

Police and Fire Retirement Plan
Schedules of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	(Over funded) Unfunded AAL (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2005	\$ 142,494,713	\$ 118,559,059	\$ (23,935,654)	120%	\$ 13,079,646	-183%
7/1/2006	150,042,660	129,054,424	(20,988,236)	116%	13,316,802	-158%
7/1/2007	160,959,883	136,422,216	(24,537,667)	118%	13,991,065	-175%
7/1/2008	164,784,504	144,581,879	(20,202,625)	114%	14,950,161	-135%
7/1/2009	153,849,420	158,457,044	4,607,624	97%	16,586,365	28%
7/1/2010	148,766,081	167,926,510	19,160,429	89%	14,826,326	129%

A negative Unfunded Actuarial Accrued Liability represents a funding excess.

Other Post-employment Benefits Plan
Schedules of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2009	-	\$ 43,567,000	\$ 43,567,000	0%	\$ 29,208,000	149%
6/30/2010	-	48,371,000	48,371,000	0%	30,230,000	160%
6/30/2011	-	46,146,000	46,146,000	0%	31,350,000	147%

CITY OF ANNAPOLIS, MARYLAND

GENERAL FUND

The General Fund is a member of the governmental fund category and, as such, is accounted for on the modified accrual basis of accounting. Revenues are recognized in the General Fund when they become measurable and available. Expenditures are generally recognized when the related fund liability is incurred.

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. In addition, the central garage for maintenance of City vehicles and other minor central services are accounted for in the General Fund rather than in separate internal service funds.

CITY OF ANNAPOLIS, MARYLAND
GENERAL FUND
DETAILED SCHEDULE OF REVENUES COMPARED TO BUDGET
Year Ended June 30, 2011
With Comparative Actual Amounts for Year Ended June 30, 2010

Schedule A-1

	2011		Variance - positive (negative)	2010 Actual
	Budget as revised	Actual		
Taxes				
Real and personal property				
Real property	\$ 32,300,000	\$ 32,550,332	\$ 250,332	\$ 31,571,196
Personal	37,000	24,841	(12,159)	28,121
Public utilities	1,060,000	1,043,491	(16,509)	1,059,395
Ordinary business corporations	1,450,000	1,551,683	101,683	1,846,723
Total	<u>34,847,000</u>	<u>35,170,347</u>	<u>323,347</u>	<u>34,505,435</u>
Penalties and interest	220,000	165,501	(54,499)	176,481
Total taxes	<u>35,067,000</u>	<u>35,335,848</u>	<u>268,848</u>	<u>34,681,916</u>
Licenses and permits				
Street use				
Street privileges	221,500	345,885	124,385	198,981
Residential parking	78,500	108,404	29,904	98,608
Total street use	<u>300,000</u>	<u>454,289</u>	<u>154,289</u>	<u>297,589</u>
Business				
Alcoholic beverages	370,000	347,822	(22,178)	426,453
Amusements	3,000	2,920	(80)	4,170
Traders	80,000	74,745	(5,255)	78,601
Occupational	77,000	45,855	(31,145)	81,445
Total business	<u>530,000</u>	<u>471,342</u>	<u>(58,658)</u>	<u>590,669</u>
Other				
Building	650,000	778,570	128,570	640,999
Certificate of occupancy	10,000	6,445	(3,555)	6,135
Use permits	10,000	9,130	(870)	8,270
Cable television franchise fees	822,000	775,807	(46,193)	1,137,573
Other	85,000	169,673	84,673	91,019
Total other	<u>1,577,000</u>	<u>1,739,625</u>	<u>162,625</u>	<u>1,883,996</u>
Total licenses and permits	<u>2,407,000</u>	<u>2,665,256</u>	<u>258,256</u>	<u>2,772,254</u>
Fines and forfeitures				
Parking meter violations	800,000	590,111	(209,889)	596,258
Police - forfeitures	50,500	50,500	-	77,700
Speed enforcement program	260,000	133,085	(126,915)	179,966
Other fines	30,000	55,675	25,675	43,990
Total fines and forfeitures	<u>1,140,500</u>	<u>829,371</u>	<u>(311,129)</u>	<u>897,914</u>
Money and property				
Interest and dividends	50,000	9,719	(40,281)	27,695
Rents and concessions	200,000	52,969	(147,031)	196,997
Contributions	162,530	164,285	1,755	92,695
Miscellaneous	177,330	183,437	6,107	234,950
Miscellaneous sales, non-taxable	12,000	13,186	1,186	17,310
Payments in lieu of taxes	135,600	138,976	3,376	134,972
Police services	118,000	258,296	140,296	222,692
Total money and property	<u>855,460</u>	<u>820,868</u>	<u>(34,592)</u>	<u>927,311</u>

CITY OF ANNAPOLIS, MARYLAND
GENERAL FUND
DETAILED SCHEDULE OF REVENUES COMPARED TO BUDGET
Year Ended June 30, 2011
With Comparative Actual Amounts for Year Ended June 30, 2010

Schedule A-1

	2011		Variance - positive (negative)	2010
	Budget as revised	Actual		Actual
Intergovernmental				
Police protection	750,000	703,750	(46,250)	703,750
In lieu of taxes	367,000	367,000	-	367,000
Fire protection	-	-	-	-
Utility tax	550,000	481,252	(68,748)	487,560
Hotel/motel tax	1,800,000	1,845,352	45,352	1,785,222
Admissions	900,000	729,778	(170,222)	896,615
Income	4,900,000	4,589,934	(310,066)	4,328,299
Highway	150,000	244,390	94,390	151,282
Financial institutions	13,000	13,211	211	13,211
Miscellaneous grants	2,255,550	2,270,556	15,006	3,737,647
Total intergovernmental	<u>11,685,550</u>	<u>11,245,223</u>	<u>(440,327)</u>	<u>12,470,586</u>
Current services				
Zoning and subdivision fees	30,000	88,343	58,343	32,638
Recreation rent and fees	1,554,350	1,350,505	(203,845)	786,692
Latchkey	350,000	327,089	(22,911)	293,443
Rental unit license	650,000	767,209	117,209	733,115
Parking meters	800,000	855,577	55,577	824,426
Public safety fees	689,450	710,572	21,122	906,068
Total current services	<u>4,073,800</u>	<u>4,099,295</u>	<u>25,495</u>	<u>3,576,382</u>
Total revenues	<u>\$ 55,229,310</u>	<u>\$ 54,995,861</u>	<u>\$ (233,449)</u>	<u>\$ 55,326,363</u>

CITY OF ANNAPOLIS, MARYLAND
GENERAL FUND

Schedule A-2

DETAILED SCHEDULE OF EXPENDITURES COMPARED TO BUDGET

Year Ended June 30, 2011

With Comparative Actual Amounts for Year Ended June 30, 2010

	2011		Variance - positive (negative)	2010 Actual
	Budget as revised	Actual		
General government				
Boards and commissions				
Salaries	\$ 54,400	\$ 54,400	\$ -	\$ 26,136
Materials and supplies	15,850	9,857	5,993	12,842
Contractual services	16,700	15,925	775	23,346
Total boards and commissions	<u>86,950</u>	<u>80,182</u>	<u>6,768</u>	<u>62,324</u>
Mayor and aldermen				
Salaries	814,040	928,844	(114,804)	1,160,269
Employee benefits	229,033	303,611	(74,578)	252,733
Materials and supplies	38,500	23,004	15,496	1,611,709
Contractual services	71,850	61,535	10,315	344,648
Repair and maintenance	71,000	69,417	1,583	9,065
Total mayor and aldermen	<u>1,224,423</u>	<u>1,386,411</u>	<u>(161,988)</u>	<u>3,378,424</u>
Office of law				
Salaries	556,810	544,113	12,697	609,304
Employee benefits	192,110	188,825	3,285	167,054
Materials and supplies	42,260	37,896	4,364	41,691
Contractual services	249,800	200,347	49,453	237,914
Total office of law	<u>1,040,980</u>	<u>971,181</u>	<u>69,799</u>	<u>1,055,963</u>
Total	<u>2,352,353</u>	<u>2,437,774</u>	<u>(85,421)</u>	<u>4,496,711</u>
Economic Affairs				
Salaries	119,090	78,840	40,250	238,165
Employee benefits	36,790	29,700	7,090	62,269
Materials and supplies	400,000	400,000	-	101,984
Contractual services			-	17,274
Repair and maintenance			-	390
Total economic affairs	<u>555,880</u>	<u>508,540</u>	<u>47,340</u>	<u>420,082</u>
Finance				
Salaries	1,724,930	1,697,214	27,716	1,858,184
Employee benefits	510,850	524,963	(14,113)	630,675
Materials and supplies	60,800	48,695	12,105	70,015
Contractual services	570,880	719,570	(148,690)	886,629
Repair and maintenance	85,270	53,452	31,818	83,539
Capital outlay	35,940	4,710	31,230	622,525
Total finance	<u>2,988,670</u>	<u>3,048,605</u>	<u>(59,935)</u>	<u>4,151,567</u>
Human Resources				
Salaries	514,490	516,997	(2,507)	605,383
Employee benefits	187,980	186,476	1,504	234,034
Materials and supplies	19,050	15,351	3,699	28,891
Contractual services	79,000	77,847	1,153	104,273
Repair and maintenance	200	90	110	-
Total personnel	<u>800,720</u>	<u>796,761</u>	<u>3,959</u>	<u>972,581</u>

CITY OF ANNAPOLIS, MARYLAND
GENERAL FUND

Schedule A-2

DETAILED SCHEDULE OF EXPENDITURES COMPARED TO BUDGET

Year Ended June 30, 2011

With Comparative Actual Amounts for Year Ended June 30, 2010

	2011		Variance - positive (negative)	2010
	Budget as revised	Actual		Actual
Planning and zoning				
Salaries	1,007,520	996,619	10,901	1,250,427
Employee benefits	295,610	294,598	1,012	460,510
Materials and supplies	32,670	11,989	20,681	28,420
Contractual services	161,660	113,293	48,367	116,029
Repair and maintenance	2,190	1,277	913	-
Total planning and zoning	<u>1,499,650</u>	<u>1,417,776</u>	<u>81,874</u>	<u>1,855,386</u>
Central services				
Salaries	444,587	435,168	9,419	692,445
Employee benefits	141,620	135,792	5,828	224,691
Non-salary insurance	4,450	7,631	(3,181)	10,749
Materials and supplies	55,360	28,856	26,504	45,689
Utilities	144,000	161,534	(17,534)	159,426
Contractual services	872,660	857,634	15,026	1,029,422
Repair and maintenance	144,603	116,419	28,184	412,921
Total central services	<u>1,807,280</u>	<u>1,743,034</u>	<u>64,246</u>	<u>2,575,343</u>
Total general government	<u>10,004,553</u>	<u>9,952,490</u>	<u>52,063</u>	<u>14,471,670</u>
Public safety				
Police				
Salaries	11,508,924	11,105,677	403,247	12,972,685
Employee benefits	3,238,850	3,376,013	(137,163)	3,237,824
Non-salary insurance	33,450	85,823	(52,373)	80,795
Materials and supplies	585,080	562,134	22,946	717,257
Utilities	206,000	209,213	(3,213)	244,382
Contractual services	527,400	472,532	54,868	401,231
Repair and maintenance	199,720	133,139	66,581	211,265
Capital outlay	293,390	267,521	25,869	84,961
Total police	<u>16,592,814</u>	<u>16,212,052</u>	<u>380,762</u>	<u>17,950,400</u>
Fire				
Salaries	8,265,572	8,364,841	(99,269)	9,868,888
Employee benefits	2,579,868	2,626,517	(46,649)	2,581,770
Non-salary insurance	20,300	65,125	(44,825)	49,033
Materials and supplies	864,728	333,157	531,571	758,874
Utilities	134,300	118,886	15,414	131,522
Contractual services	313,905	171,808	142,097	89,139
Repair and maintenance	310,840	196,484	114,356	184,102
Total fire	<u>12,489,513</u>	<u>11,876,817</u>	<u>612,696</u>	<u>13,676,516</u>

CITY OF ANNAPOLIS, MARYLAND
GENERAL FUND

Schedule A-2

DETAILED SCHEDULE OF EXPENDITURES COMPARED TO BUDGET

Year Ended June 30, 2011

With Comparative Actual Amounts for Year Ended June 30, 2010

	2011		Variance - positive (negative)	2010 Actual
	Budget as revised	Actual		
Neighborhood & environmental programs				
Salaries	1,704,975	1,642,962	62,014	1,650,607
Employee benefits	443,270	461,180	(17,910)	517,059
Non-salary insurance	2,380	11,379	(8,999)	5,749
Materials and supplies	109,950	86,886	23,064	84,809
Contractual services	1,014,674	969,938	44,737	103,175
Repair and maintenance	3,600	3,982	(382)	5,670
Total neighborhood & environmental program	<u>3,278,850</u>	<u>3,176,327</u>	<u>102,523</u>	<u>2,367,069</u>
Total public safety	<u>32,361,177</u>	<u>31,265,196</u>	<u>1,095,981</u>	<u>33,993,985</u>
Public works				
Bureau of administration				
Salaries	486,010	446,576	39,434	451,871
Employee benefits	141,420	147,960	(6,540)	108,847
Materials and supplies	11,780	10,730	1,050	18,213
Repair and maintenance	1,300	2,638	(1,338)	369
Contractual services	11,510	4,384	7,126	25,975
Total bureau of administration	<u>652,020</u>	<u>612,288</u>	<u>39,732</u>	<u>605,275</u>
Engineering and construction				
Salaries	435,210	494,288	(59,078)	811,374
Employee benefits	143,820	144,741	(921)	233,023
Non-salary insurance	1,660	3,839	(2,179)	4,010
Materials and supplies	24,470	16,143	8,327	20,644
Contractual services	128,600	91,479	37,121	39,074
Repair and maintenance	4,500	2,416	2,084	967
Total engineering and construction	<u>738,260</u>	<u>752,906</u>	<u>(14,646)</u>	<u>1,109,092</u>
Total Supervision	<u>1,390,280</u>	<u>1,365,194</u>	<u>25,086</u>	<u>1,714,367</u>
Roadways				
Salaries	866,380	792,761	73,619	877,084
Employee benefits	246,920	256,511	(9,591)	329,129
Non-salary insurance	6,830	10,913	(4,083)	16,497
Materials and supplies	164,510	65,700	98,810	148,102
Utilities	582,500	527,063	55,437	562,289
Contractual services	23,770	9,736	14,034	21,735
Repair and maintenance	175,570	48,941	126,629	129,738
Total roadways	<u>2,066,480</u>	<u>1,711,625</u>	<u>354,855</u>	<u>2,084,574</u>

CITY OF ANNAPOLIS, MARYLAND
GENERAL FUND

Schedule A-2

DETAILED SCHEDULE OF EXPENDITURES COMPARED TO BUDGET

Year Ended June 30, 2011

With Comparative Actual Amounts for Year Ended June 30, 2010

	2011		Variance - positive (negative)	2010 Actual
	Budget as revised	Actual		
Traffic Control				
Salaries	143,880	138,759	5,121	141,532
Employee benefits	41,010	43,627	(2,617)	64,491
Materials and supplies	34,640	16,039	18,601	19,271
Contractual services	12,300	-	12,300	13,602
Repair and maintenance	18,890	3,332	15,558	14,342
Total traffic control	<u>250,720</u>	<u>201,757</u>	<u>48,963</u>	<u>253,238</u>
Snow and ice removal				
Salaries	38,350	17,632	20,718	153,279
Materials and supplies	71,700	105,224	(33,524)	144,348
Contractual services	4,150	889	3,261	546,211
Repair and maintenance	5,950	1,305	4,645	5,954
Total snow and ice removal	<u>120,150</u>	<u>125,050</u>	<u>(4,900)</u>	<u>849,792</u>
Street sanitation				
Salaries	532,700	429,858	102,842	570,283
Employee benefits	136,940	144,224	(7,284)	190,654
Materials and supplies	40,150	48,542	(8,392)	47,642
Repair and maintenance	21,090	20,196	894	20,219
Total street sanitation	<u>730,880</u>	<u>642,820</u>	<u>88,060</u>	<u>828,798</u>
Total Roadways	3,168,230	2,681,252	486,978	4,016,402
Garage				
Salaries	302,330	275,454	26,876	341,161
Employee benefits	89,930	87,007	2,923	121,184
Non-salary insurance	2,070	2,594	(524)	5,000
Materials and supplies	22,430	17,757	4,673	22,980
Utilities	61,100	39,586	21,514	47,134
Contractual services	6,100	3,325	2,775	2,985
Repair and maintenance	14,930	2,339	12,591	7,561
Total garage	<u>498,890</u>	<u>428,062</u>	<u>70,828</u>	<u>548,005</u>
Total public works	<u>5,057,400</u>	<u>4,474,509</u>	<u>582,891</u>	<u>6,278,774</u>
Community services				
Recreation and parks				
Salaries	2,409,330	2,192,801	216,529	2,323,095
Employee benefits	688,020	722,296	(34,276)	443,764
Non-salary insurance	6,730	13,191	(6,461)	16,256
Materials and supplies	223,865	187,789	36,076	204,017
Utilities	264,500	268,868	(4,368)	201,804
Contractual services	410,650	250,760	159,890	241,371
Repair and maintenance	287,617	232,340	55,277	177,057
Capital outlay	15,000	12,420	2,580	-
Total recreation and parks	<u>4,305,712</u>	<u>3,880,465</u>	<u>425,247</u>	<u>3,607,364</u>

CITY OF ANNAPOLIS, MARYLAND
GENERAL FUND

Schedule A-2

DETAILED SCHEDULE OF EXPENDITURES COMPARED TO BUDGET

Year Ended June 30, 2011

With Comparative Actual Amounts for Year Ended June 30, 2010

	2011		Variance - positive (negative)	2010 Actual
	Budget as revised	Actual		
Community assistance programs				
Special projects	-	-	-	78,300
Total community services	4,305,712	3,880,465	425,247	3,685,664
Miscellaneous general				
Debt service				
Bond principal	4,236,610	2,705,439	1,531,171	4,043,143
Capital lease principal	361,270	361,270	-	347,003
Total	4,597,880	3,066,709	1,531,171	4,390,146
Bond interest	2,387,620	1,393,784	993,836	1,568,158
Capital lease interest	34,260	29,280	4,980	45,810
Total	2,421,880	1,423,064	998,816	1,613,968
Total debt service	7,019,760	4,489,773	2,529,987	6,004,114
Total	58,748,601	54,062,433	4,686,169	64,434,207
Interfund allocations	(4,591,420)	(3,434,481)	(1,156,939)	(4,121,096)
Total other	(4,591,420)	(3,434,481)	(1,156,939)	(4,121,096)
Total expenditures	\$ 54,157,181	\$ 50,627,948	\$ 3,529,233	\$ 60,313,111

CITY OF ANNAPOLIS, MARYLAND

CAPITAL PROJECTS FUND

The Capital Projects Fund is a member of the governmental fund category and, as such, is accounted for on the modified accrual basis of accounting. Revenues are recognized in the Capital Projects Fund when they become measurable and available as net current assets. Expenditures are generally recognized when the related fund liability is incurred.

The Capital Projects Fund is used to account for financial resources and expenditures applied to the construction of capital facilities and major purchased items for all governmental fund types.

CITY OF ANNAPOLIS, MARYLAND
CAPITAL PROJECTS FUND
SCHEDULE OF FUNDING SOURCES AUTHORIZED
Year Ended June 30, 2011
With Comparative Totals for Year Ended June 30, 2010

Schedule B-1

	Storm Drains	Public Safety	Recreation
Authorized			
General obligation bonds	\$ 757,930	\$ 14,735,599	\$ 1,213,519
Federal grants	-	-	273,310
State and County grants	-	2,000,000	1,236,804
Other	-	-	154,092
Total	<u>757,930</u>	<u>16,735,599</u>	<u>2,877,725</u>
Less closed projects	-	-	-
	<u>757,930</u>	<u>16,735,599</u>	<u>2,877,725</u>
Realized			
Current year			
General obligation bonds, including transfers	757,930	(2,267,351)	301,419
Federal grants	-	-	-
State and County grants	-	-	155,384
Other	(200,000)	(250,000)	(464,096)
Total	<u>557,930</u>	<u>(2,517,351)</u>	<u>(7,313)</u>
Prior years	200,000	19,252,950	2,885,038
Total realized funding sources	<u>757,930</u>	<u>16,735,599</u>	<u>2,877,725</u>
Less closed projects	-	-	-
	<u>757,930</u>	<u>16,735,599</u>	<u>2,877,725</u>
Funding sources authorized, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Consisting of			
General obligation bonds	-	-	-
Federal grants	-	-	-
State and County grants	-	-	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	Roadways	General Government	Totals	
			Year Ended	
			June 30, 2011	June 30, 2010
\$	6,011,403	\$ 23,096,939	\$ 45,815,390	\$ 45,815,390
	-	124,700	398,010	398,010
	46,021	1,014,179	4,297,004	4,297,004
	1,280	1,311,033	1,466,405	1,466,405
	<u>6,058,704</u>	<u>25,546,851</u>	<u>51,976,809</u>	<u>51,976,809</u>
	-	(100,000)	(100,000)	(45,690,490)
	<u>6,058,704</u>	<u>25,446,851</u>	<u>51,876,809</u>	<u>6,286,319</u>
	3,921,133	11,622,611	14,335,742	14,335,742
	-	24,412	24,412	24,412
	-	34,237	189,601	189,601
	<u>(2,207,111)</u>	<u>689,215</u>	<u>(2,431,992)</u>	<u>(2,431,992)</u>
	<u>1,714,022</u>	<u>12,370,475</u>	<u>12,117,763</u>	<u>12,117,763</u>
	<u>4,344,682</u>	<u>13,168,476</u>	<u>39,851,146</u>	<u>39,851,146</u>
	<u>6,058,704</u>	<u>25,538,951</u>	<u>51,968,909</u>	<u>51,968,909</u>
	-	(100,000)	(100,000)	(45,690,490)
	<u>6,058,704</u>	<u>25,438,951</u>	<u>51,868,909</u>	<u>6,278,419</u>
\$	<u>-</u>	<u>\$ 7,900</u>	<u>\$ 7,900</u>	<u>\$ 7,900</u>
	-	-	-	-
	-	-	-	-
	-	7,900	7,900	7,900
\$	<u>-</u>	<u>\$ 7,900</u>	<u>\$ 7,900</u>	<u>\$ 7,900</u>

CITY OF ANNAPOLIS, MARYLAND
CAPITAL PROJECTS FUND
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND ENCUMBRANCES

Schedule B-2

Year Ended June 30, 2011

With Comparative Totals for Year Ended June 30, 2010

	<u>Storm Drains</u>	<u>Public Safety</u>	<u>Recreation</u>
Appropriations			
Balance beginning of year	\$ 757,930	\$ -	\$ -
Current year authorizations	<u>1,406,526</u>	<u>150,000</u>	<u>-</u>
Less closed projects	<u>-</u>	<u>-</u>	<u>-</u>
Balance end of year	<u>2,164,456</u>	<u>150,000</u>	<u>-</u>
Expenditures and encumbrances			
Balance beginning of year	320,128	-	-
Current year expenditures and encumbrances	<u>(47,106)</u>	<u>-</u>	<u>-</u>
Less closed projects	<u>273,022</u>	<u>-</u>	<u>-</u>
Balance end of year	<u>-</u>	<u>-</u>	<u>-</u>
Unencumbered appropriations, end of year	<u>\$ 1,891,434</u>	<u>\$ 150,000</u>	<u>\$ -</u>

Roadways	General Government	Totals	
		Year Ended	
		June 30, 2011	June 30, 2010
\$ 673,545	\$ 4,854,843	\$ 6,286,318	\$ 46,282,116
395,190	2,511,136	4,462,852	5,694,692
<u>1,068,735</u>	<u>7,365,979</u>	<u>10,749,170</u>	<u>51,976,808</u>
-	(100,000)	(100,000)	(45,690,490)
<u>1,068,735</u>	<u>7,265,979</u>	<u>10,649,170</u>	<u>6,286,318</u>
222,003	1,910,187	2,452,318	40,930,608
<u>752,791</u>	<u>1,802,544</u>	<u>2,508,229</u>	<u>7,212,200</u>
<u>974,794</u>	<u>3,712,731</u>	<u>4,960,547</u>	<u>48,142,808</u>
-	(100,000)	(100,000)	(45,690,490)
<u>974,794</u>	<u>3,612,731</u>	<u>4,860,547</u>	<u>2,452,318</u>
<u>\$ 93,941</u>	<u>\$ 3,653,248</u>	<u>\$ 5,788,623</u>	<u>\$ 3,834,000</u>

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CITY OF ANNAPOLIS, MARYLAND

ENTERPRISE FUNDS

The enterprise funds are members of the proprietary fund category, and, as such, are accounted for on the accrual basis of accounting. Revenues in the enterprise funds are recognized when they are earned and expenses are recognized when they are incurred.

Enterprise funds are used to account for those activities of the City (1) which are financed and operated in a manner similar to private business enterprises in that costs and expenses, including depreciation, are recovered principally through user charges, or (2) for which the City Council has determined that revenues, expenses and net income are important determinations for public policy, management control and accountability.

The enterprise funds used by the City account for the operation and other activities of the City's water system, sanitary sewage collection and treatment system, off-street parking facilities, dock, Market House, transportation system, stormwater management, and refuse collection operations.

Sewage treatment is performed at a single plant site operated by Anne Arundel County. The City depends on the County for both annual cost estimates and periodic reports of actual costs incurred.

CITY OF ANNAPOLIS
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET ASSETS
June 30, 2011
With Comparative Totals for June 30, 2010

Schedule C-1

	Dock Fund	Market Fund	Stormwater Management Fund
ASSETS			
Current assets			
Cash and cash equivalents	\$ 500	\$ -	\$ -
Accounts receivable, net			
Service charges and penalties	1,500	-	110,125
Capital and other charges	-	-	-
Accrued revenues	154,744	-	-
Total accounts receivable, net	156,244	-	110,125
Due from other funds	-	95,849	-
Total current assets	156,744	95,849	110,125
Noncurrent assets			
Capital assets			
Land	11,300	800	-
Buildings	583,978	1,381,930	-
Improvements	11,121,557	147,437	135,399
Equipment	326,435	57,710	-
Total property, plant and equipment	12,043,270	1,587,877	135,399
Less accumulated depreciation	(2,283,903)	(494,171)	(3,258)
	9,759,367	1,093,706	132,141
Construction in progress	-	185,452	73,143
Net capital assets	9,759,367	1,279,158	205,284
Total assets	9,916,111	1,375,007	315,409
LIABILITIES			
Current liabilities			
Accounts payable	52,008	152,360	11,230
Accrued expenses and other liabilities	58,789	11,619	6,162
Due to General Fund	7,640,229	-	339,951
Compensated Absences	-	-	-
Deferred revenue	-	-	-
Escrowed funds	-	10,571	4,456
Current portion of long-term debt	39,791	2,478	817
Total current liabilities	7,790,817	177,028	362,616
Noncurrent liabilities			
Accrued liability for other post employment benefits	5,649	-	98,571
Long-term debt, net of current portion	2,776,293	914,964	208,299
Total noncurrent liabilities	2,781,942	914,964	306,870
Total liabilities	10,572,759	1,091,992	669,486
NET ASSETS			
Invested in capital assets, net of related debt	6,943,283	361,716	(3,832)
Restricted	-	-	-
Unrestricted	(7,599,931)	(78,701)	(350,245)
Total net assets	\$ (656,648)	\$ 283,015	\$ (354,077)

Refuse Fund	Combined	
	Year Ended	
	June 30, 2011	June 30, 2010
\$ -	\$ 500	\$ 500
300,972	412,597	504,484
-	-	-
-	154,744	67,069
<u>300,972</u>	<u>567,341</u>	<u>571,553</u>
792,831	888,680	190,336
<u>1,093,803</u>	<u>1,456,521</u>	<u>762,389</u>
3,900	16,000	16,000
8,000	1,973,908	1,973,908
45,000	11,449,393	11,449,393
1,475,907	1,860,052	1,802,343
<u>1,532,807</u>	<u>15,299,353</u>	<u>15,241,644</u>
(1,426,533)	(4,207,865)	(3,957,798)
106,274	11,091,488	11,283,846
201,286	459,881	256,417
<u>307,560</u>	<u>11,551,369</u>	<u>11,540,263</u>
<u>1,401,363</u>	<u>13,007,890</u>	<u>12,302,652</u>
103,846	319,444	118,139
18,268	94,838	258,634
-	7,980,180	7,854,294
-	-	81,900
20,140	20,140	43,471
-	15,027	15,027
169	43,255	314,677
<u>142,423</u>	<u>8,472,884</u>	<u>8,686,142</u>
196,560	300,780	291,476
<u>318,857</u>	<u>4,218,413</u>	<u>3,798,340</u>
515,417	4,519,193	4,089,816
<u>657,840</u>	<u>12,992,077</u>	<u>12,775,958</u>
(11,466)	7,289,701	7,585,903
-	-	158,657
754,989	(7,273,888)	(8,217,866)
<u>\$ 743,523</u>	<u>\$ 15,813</u>	<u>\$ (473,306)</u>

CITY OF ANNAPOLIS, MARYLAND
NON-MAJOR ENTERPRISE FUNDS

Schedule C-2

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET
ASSETS

Year Ended June 30, 2011

With Comparative Totals for Year Ended June 30, 2010

	Dock Fund	Market Fund	Stormwater Management Fund
Operating revenues			
Charges for services	\$ 1,022,585	\$ 36,931	\$ 493,586
Grant Income	187,052	-	-
Other	-	-	-
Total operating revenues	<u>1,209,637</u>	<u>36,931</u>	<u>493,586</u>
Operating expenses			
Salaries	344,710	-	237,325
Utilities	49,623	10,051	-
Repairs and maintenance	209,449	4,170	10,388
Materials and supplies	19,372	1,326	11,353
Treatment plant operations	-	-	-
Contractual services	41,694	19,500	60,809
Administrative charge (credit) from General Fund	175,806	80,741	52,213
Depreciation	256,945	24,892	1,629
Other	-	-	-
Total operating expenses	<u>1,097,599</u>	<u>140,680</u>	<u>373,717</u>
Operating income (loss)	112,038	(103,749)	119,869
Non-operating revenues (expenses)			
Intergovernmental	-	-	-
Grant income	52,740	-	-
Interest income	125	203	51
Interest expense	(130,690)	(30,990)	(8,750)
Total non-operating revenues (expenses), net	<u>(77,825)</u>	<u>(30,787)</u>	<u>(8,699)</u>
Income (loss) before contributions and operating transfers	34,213	(134,536)	111,170
Capital contributions (reductions)	153,441	153,996	-
Transfers in	-	-	-
Transfers out	-	-	(213,020)
Change in net assets	<u>187,654</u>	<u>19,460</u>	<u>(101,850)</u>
Net assets at beginning of year	(844,302)	263,555	(252,227)
Net assets (deficit) at end of year	\$ <u>(656,648)</u>	\$ <u>283,015</u>	\$ <u>(354,077)</u>

Refuse Fund	Combined	
	Year Ended	
	June 30, 2011	June 30, 2010
\$ 3,653,009	\$ 5,206,111	\$ 5,129,236
-	187,052	134,715
-	-	1,500
<u>3,653,009</u>	<u>5,393,163</u>	<u>5,265,451</u>
1,146,567	1,728,602	2,060,058
1,882	61,556	65,961
35,417	259,424	228,854
128,210	160,261	168,083
-	-	-
767,128	889,131	977,655
698,199	1,006,959	1,766,643
35,905	319,371	328,935
-	-	301,560
<u>2,813,308</u>	<u>4,425,304</u>	<u>5,897,749</u>
839,701	967,859	(632,298)
-	-	(147,796)
-	52,740	5,547
-	379	290
(4,616)	(175,046)	(184,843)
<u>(4,616)</u>	<u>(121,927)</u>	<u>(326,802)</u>
835,085	845,932	(959,100)
-	307,437	-
-	-	775,800
<u>(451,230)</u>	<u>(664,250)</u>	<u>(3,980,840)</u>
383,855	489,119	(4,164,140)
359,668	(473,306)	3,690,834
\$ <u>743,523</u>	\$ <u>15,813</u>	\$ <u>(473,306)</u>

**CITY OF ANNAPOLIS, MARYLAND
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS**

Schedule C-3

Year Ended June 30, 2011

With Comparative Totals for Year Ended June 30, 2010

	Dock Fund	Market Fund
Cash flows from operating activities		
Receipts from customers and users	\$ 933,410	\$ 33,740
Receipts from contributions	187,052	-
Receipts from interfund services provided	196,240	-
Payments to suppliers for goods and services	(494,446)	31,346
Payments to employees for services	(374,099)	-
Payments for interfund services uses	-	(212,038)
Net cash provided by (used for) operating activities	448,157	(146,952)
Cash flows from noncapital financing activities		
Transfer from other funds	-	-
Transfer to other funds	-	-
Intergovernmental charges	-	-
Net cash used for noncapital financing activities	-	-
Cash flows from capital and related financing activities		
Acquisition of capital assets	(1,759)	(243,162)
Proceeds from sale and retirement of capital assets	-	-
Proceeds from issuance of long term debt	195,840	11,424
Principal payments of long term debt	(264,572)	(33,300)
Refunding and transfers of long term debt	(456,172)	288,581
Interest paid on debt	(127,800)	(30,790)
Proceeds from capital contributions and grants	206,181	153,996
Net cash provided by (used for) capital and related financing activities	(448,282)	146,749
Cash flows from investing activities:		
Interest received	125	203
Net increase (decrease) in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of year	500	-
Cash and cash equivalents at end of year	500	-
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities		
Operating income (loss)	112,038	\$ (103,749)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	256,945	24,892
Effect of changes in non-cash operating assets and liabilities:		
(Increase) decrease in accounts receivable	(89,175)	-
(Increase) decrease in due from other funds	-	(95,849)
Increase (decrease) in accounts payable	27,950	149,999
Increase (decrease) in accrued expenses and other liabilities	(26,452)	(2,865)
Increase (decrease) in compensated absences	9,548	-
Increase (decrease) in deferred revenue	-	(3,191)
Increase (decrease) in escrowed funds	-	-
Increase (decrease) in other post employment benefits	(38,937)	-
Increase (decrease) in due to other funds	196,240	(116,189)
Total adjustments	336,119	(43,203)
Net cash provided by (used for) operating activities	448,157	\$ (146,952)

Stormwater Management Fund	Refuse Fund	Combined	
		Year Ended	
		June 30, 2011	June 30, 2010
\$ 509,156	\$ 3,710,686	\$ 5,186,992	\$ 5,144,331
-	-	187,052	1,500
45,835	-	242,075	714,215
(140,186)	(1,736,536)	(2,339,822)	(3,495,043)
(164,861)	(1,166,445)	(1,705,405)	(1,913,738)
	(602,495)	(814,533)	(91,920)
<u>249,944</u>	<u>205,210</u>	<u>756,359</u>	<u>359,345</u>
-	-	-	775,800
(213,020)	(451,230)	(664,250)	(3,980,840)
-	-	-	(147,796)
<u>(213,020)</u>	<u>(451,230)</u>	<u>(664,250)</u>	<u>(3,352,836)</u>
(23,027)	(9,089)	(277,037)	(11,339,927)
-	-	-	14,434,352
-	-	207,264	386,652
(5,198)	(275)	(303,345)	(311,593)
-	260,000	92,409	-
(8,750)	(4,616)	(171,956)	(181,830)
-	-	360,177	5,547
<u>(36,975)</u>	<u>246,020</u>	<u>(92,488)</u>	<u>2,993,201</u>
<u>51</u>	<u>-</u>	<u>379</u>	<u>290</u>
-	-	-	-
-	-	500	500
<u>-</u>	<u>-</u>	<u>500</u>	<u>500</u>
\$ 119,869	\$ 839,701	\$ 967,859	\$ (632,298)
1,629	35,905	319,371	328,935
15,570	77,817	4,212	(160,638)
-	(602,495)	(698,344)	714,215
(1,638)	24,994	201,305	(80,407)
(3,785)	(130,694)	(163,796)	94,120
2,232	2,113	13,893	(4,327)
-	(20,140)	(23,331)	40,280
-	-	-	738
70,232	(21,991)	9,304	150,647
45,835	-	125,886	(91,920)
<u>130,075</u>	<u>(634,491)</u>	<u>(211,500)</u>	<u>991,643</u>
<u>\$ 249,944</u>	<u>\$ 205,210</u>	<u>\$ 756,359</u>	<u>\$ 359,345</u>

CITY OF ANNAPOLIS, MARYLAND
ENTERPRISE FUNDS

Schedule C-4

SCHEDULE OF REVENUES AND OTHER SOURCES COMPARED TO BUDGET

Year ended June 30, 2011

With Comparative Actual Amounts for Year Ended June 30, 2010

	2011			2010 Actual
	Budget as revised	Actual	Variance - positive (negative)	
Water Fund				
Charges for services	\$ 3,950,000	\$ 3,888,613	\$ (61,387)	\$ 3,170,332
Operating transfers	634,660	634,660	-	1,350,000
Capital contributions	400,000	356,258	(43,742)	1,101,638
Interest income	-	918	918	2,048
Other	50,000	104,194	54,194	95,383
Intergovernmental	1,637,650	5,377	(1,632,273)	-
Total Water Fund	\$ 6,672,310	\$ 4,990,020	\$ (1,682,290)	\$ 5,719,401
Sewer Fund				
Charges for services	\$ 4,965,690	\$ 4,285,157	\$ (680,533)	\$ 4,570,711
Capital contributions	400,000	456,585	56,585	347,792
Interest income	-	1,584	1,584	535
Other	112,270	109,366	(2,904)	93,244
Intergovernmental	-	-	-	-
Total Sewer Fund	\$ 5,477,960	\$ 4,852,692	\$ (625,268)	\$ 5,012,282
Off Street Parking Fund				
Charges for services	\$ 3,650,000	\$ 3,150,184	\$ (499,816)	\$ 3,213,469
Capital contributions	-	-	-	1,433
Interest income	-	646	646	1,439
Capital grants	-	-	-	559,288
Total Off Street Parking Fund	\$ 3,650,000	\$ 3,150,830	\$ (499,170)	\$ 3,775,629
Dock Fund				
Charges for services	\$ 1,000,460	\$ 1,022,585	\$ 22,125	\$ 857,683
Grant Income	187,060	187,052	(8)	134,715
Capital contributions	-	153,441	153,441	-
Interest income	-	125	125	203
Intergovernmental	-	-	-	-
Capital grants	52,740	52,740	-	5,547
Total Dock Fund	\$ 1,240,260	\$ 1,415,943	\$ 175,683	\$ 998,148
Market Fund				
Charges for services	\$ 111,150	\$ 36,931	\$ (74,219)	\$ 77,905
Grant Income	-	-	-	-
Operating transfers	-	-	-	775,800
Capital contributions	-	153,996	153,996	-
Interest income	-	203	203	-
Other	-	-	-	-
Intergovernmental	-	-	-	-
Capital grants	-	-	-	-
Total Market Fund	\$ 111,150	\$ 191,130	\$ 79,980	\$ 853,705
Transportation Fund				
Charges for services	\$ 992,000	\$ 764,847	\$ (227,153)	\$ 1,077,233
Grant Income	1,302,620	1,339,748	37,128	1,243,483
Operating transfers	500,000	500,000	-	4,400,000
Other	10,000	48,999	38,999	91,936
Capital grants	416,560	281,550	(135,010)	1,243,547
Total Transportation Fund	\$ 4,155,645	\$ 3,695,658	\$ (459,987)	\$ 8,056,199

CITY OF ANNAPOLIS, MARYLAND
 ENTERPRISE FUNDS

Schedule C-4

SCHEDULE OF REVENUES AND OTHER SOURCES COMPARED TO BUDGET

Year ended June 30, 2011

With Comparative Actual Amounts for Year Ended June 30, 2010

	2011			2010 Actual
	Budget as revised	Actual	Variance - positive (negative)	
Stormwater Management Fund				
Charges for services	\$ 520,000	\$ 493,586	\$ (26,414)	\$ 509,995
Operating transfers	-	-	-	-
Interest income	-	51	51	87
Other	-	-	-	1,500
Intergovernmental	-	-	-	-
Total Stormwater Management Fund	\$ <u>520,000</u>	\$ <u>493,637</u>	\$ <u>(26,363)</u>	\$ <u>511,582</u>
Refuse Fund				
Charges for services	\$ 3,520,750	\$ 3,653,009	\$ 132,259	\$ 3,683,653
Total Refuse Fund	\$ <u>3,780,750</u>	\$ <u>3,653,009</u>	\$ <u>(127,741)</u>	\$ <u>3,683,653</u>

CITY OF ANNAPOLIS, MARYLAND
ENTERPRISE FUNDS

Schedule C-5

SCHEDULE OF EXPENSES AND OTHER USES COMPARED TO BUDGET

Year Ended June 30, 2011

With Comparative Actual Amounts for Year Ended June 30, 2010

	2011		Variance - positive (negative)	2010 Actual
	Budget as revised	Actual		
Water Fund				
Salaries	\$ 2,137,870	\$ 2,041,035	\$ 96,835	\$ 2,114,573
Utilities	334,000	331,104	2,896	393,766
Repairs and maintenance	318,320	176,102	142,218	332,111
Materials and supplies	365,760	406,626	(40,866)	391,741
Contractual services	103,270	94,925	8,345	100,925
Administrative charge from general fund	1,016,680	961,967	54,713	1,044,395
Depreciation	474,010	596,051	(122,041)	595,961
Interest expense	337,840	358,690	(20,850)	392,134
Other	-	276	(276)	16,549
Total Water Fund	\$ 5,087,750	\$ 4,966,776	\$ 120,974	\$ 5,382,155
Sewer Fund				
Salaries	\$ 428,580	\$ 635,255	\$ (206,675)	\$ 789,002
Utilities	179,000	173,861	5,139	178,877
Repairs and maintenance	211,520	181,349	30,171	255,410
Materials and supplies	58,930	59,814	(884)	50,852
Treatment plant operations	3,100,000	3,090,670	9,330	3,031,072
Contractual services	138,950	103,596	35,354	189,532
Administrative charge from general fund	668,690	677,192	(8,502)	789,028
Depreciation	631,970	632,921	(951)	631,969
Intergovernmental	-	912,484	(912,484)	938,662
Interest expense	183,070	223,943	(40,873)	269,556
Operating transfers and subsidies	634,660	634,660	-	1,350,000
Other	5,960	5,232	728	5,232
Total Sewer Fund	\$ 6,241,330	\$ 7,330,977	\$ (1,089,647)	\$ 8,479,192
Off Street Parking Fund				
Utilities	\$ 142,200	\$ 127,643	\$ 14,557	\$ 146,849
Repairs and maintenance	63,420	40,956	22,464	66,932
Materials and supplies	5,790	5,957	(167)	15,490
Contractual services	1,023,070	1,016,160	6,910	1,021,208
Administrative charge from general fund	481,430	328,729	152,701	292,392
Depreciation	413,940	415,440	(1,500)	413,940
Intergovernmental	-	557,001	(557,001)	-
Interest expense	286,050	207,778	78,272	311,342
Operating transfers and subsidies	500,000	500,000	-	2,300,000
Other	1,500	1,500	-	5,350
Total Off Street Parking Fund	\$ 2,917,400	\$ 3,201,164	\$ (283,764)	\$ 4,573,503
Dock Fund				
Salaries	\$ 335,800	\$ 344,710	\$ (8,910)	\$ 433,280
Utilities	44,200	49,623	(5,423)	49,101
Repairs and maintenance	211,920	209,449	2,471	153,121
Materials and supplies	21,010	19,372	1,638	26,691
Contractual services	46,810	41,694	5,116	8,443
Administrative charge from general fund	246,330	175,806	70,524	524,850
Depreciation	214,030	256,945	(42,915)	266,509
Intergovernmental	-	-	-	69,996
Interest expense	145,160	130,690	14,470	151,544
Operating transfers and subsidies	-	-	-	2,842,800
Total Dock Fund	\$ 1,265,260	\$ 1,228,289	\$ 36,971	\$ 4,526,335

CITY OF ANNAPOLIS, MARYLAND
ENTERPRISE FUNDS

Schedule C-5

SCHEDULE OF EXPENSES AND OTHER USES COMPARED TO BUDGET

Year Ended June 30, 2011

With Comparative Actual Amounts for Year Ended June 30, 2010

	2011		Variance - positive (negative)	2010 Actual
	Budget as revised	Actual		
Market Fund				
Utilities	\$ 3,800	\$ 10,051	\$ (6,251)	\$ 14,845
Repairs and maintenance	5,000	4,170	830	3,564
Materials and supplies	500	1,326	(826)	1,708
Administrative charge from general fund	51,480	80,741	(29,261)	76,295
Depreciation	24,890	24,892	(2)	24,892
Interest expense	25,480	30,990	(5,510)	26,403
Other	-	-	-	301,560
Total Market Fund	\$ 131,150	\$ 171,670	\$ (40,520)	\$ 449,267
Transportation Fund				
Salaries	\$ 3,017,120	\$ 2,718,946	\$ 298,174	\$ 4,007,796
Utilities	59,300	43,246	16,054	44,855
Repairs and maintenance	416,265	291,482	124,783	268,596
Materials and supplies	242,130	433,511	(191,381)	416,333
Contractual services	78,100	40,030	38,070	18,724
Administrative charge from general fund	669,310	575,062	94,248	300,673
Depreciation	335,570	489,114	(153,544)	526,405
Intergovernmental	-	53,865	(53,865)	774,940
Interest expense	2,820	2,780	40	3,790
Operating transfers and subsidies	-	-	-	-
Other	270,910	136,128	134,782	-
Total Transportation Fund	\$ 5,091,525	\$ 4,784,164	\$ 307,361	\$ 6,362,112
Stormwater Management Fund				
Salaries	\$ 166,410	\$ 237,325	\$ (70,915)	\$ 184,271
Repairs and maintenance	7,220	10,388	(3,168)	9,684
Materials and supplies	8,530	11,353	(2,823)	19,730
Contractual services	63,250	60,809	2,441	131,198
Administrative charge from general fund	46,590	52,213	(5,623)	272,502
Depreciation	1,630	1,629	1	1,629
Intergovernmental	-	-	-	77,800
Interest expense	5,210	8,750	(3,540)	6,896
Operating transfers and subsidies	213,020	213,020	-	290,040
Other	-	-	-	-
Total Stormwater Management Fund	\$ 511,860	\$ 595,487	\$ (83,627)	\$ 993,750
Refuse Fund				
Salaries	\$ 1,218,830	\$ 1,146,567	\$ 72,263	\$ 1,442,507
Utilities	1,900	1,882	18	2,015
Repairs and maintenance	53,640	35,417	18,223	62,485
Materials and supplies	141,510	128,210	13,300	119,954
Contractual services	887,750	767,128	120,622	838,014
Administrative charge from general fund	761,890	698,199	63,691	892,996
Depreciation	4,000	35,905	(31,905)	35,905
Operating transfers and subsidies	451,230	451,230	-	848,000
Other	-	-	-	-
Total Refuse Fund	\$ 3,520,750	\$ 3,269,154	\$ 251,596	\$ 4,241,876

CITY OF ANNAPOLIS, MARYLAND
ENTERPRISE CAPITAL PROJECTS
SCHEDULE OF FUNDING SOURCES AUTHORIZED
 Year Ended June 30, 2011
 With Comparative Totals for Year Ended June 30, 2010

Schedule C-6

	Water Projects	Sewer Projects	Off Street Parking Projects	Dock Projects
Authorized				
General obligation bonds	\$ 7,445,813	\$ 5,286,420	\$ 1,128,580	\$ 172,760
Federal grants	-	3,714	-	-
State grants	-	-	723,097	93,000
Other	1,637,651	-	-	-
Total	9,083,464	5,290,134	1,851,677	265,760
Less closed projects	(236,366)	(1,022,009)	(738,308)	(15,862)
	8,847,098	4,268,125	1,113,369	249,898
Realized				
Current year				
General obligation bonds, including transfers	7,326,027	3,635,038	1,128,580	172,760
Federal grants	-	-	-	-
State grants	-	-	559,288	-
Other	(4,505,569)	(2,169,904)	(650,000)	(25,000)
Total	2,820,458	1,465,134	1,037,868	147,760
Prior years	6,263,006	3,825,000	650,000	25,000
Total realized funding sources	9,083,464	5,290,134	1,687,868	172,760
Less closed projects	(236,366)	(1,022,009)	(738,308)	(15,862)
	8,847,098	4,268,125	949,560	156,898
Funding sources authorized, end of year	\$ -	\$ -	\$ 163,809	\$ 93,000
Consisting of				
General obligation bonds	\$ -	\$ -	\$ -	\$ -
Federal grants	-	-	-	-
State grants	-	-	163,809	93,000
Other	-	-	-	-
Total	\$ -	\$ -	\$ 163,809	\$ 93,000

Transportation Projects	Stormwater Management Fund	Refuse Projects	Totals	
			Year Ended	
			June 30, 2011	June 30, 2010
\$ -	\$ 216,783	\$ -	\$ 14,250,356	\$ 14,250,356
3,138,302	-	-	3,142,016	3,142,016
112,913	-	-	929,010	929,010
112,913	100,000	387,600	2,238,164	2,238,164
3,364,128	316,783	387,600	20,559,546	20,559,546
(1,687,205)	-	-	(3,699,750)	(8,444,732)
1,676,923	316,783	387,600	16,859,796	12,114,814
-	216,783	-	12,479,188	12,479,188
903,302	-	-	903,302	903,302
112,913	-	-	672,201	672,201
103,674	(203,400)	(242,047)	(7,692,246)	(7,692,246)
1,119,889	13,383	(242,047)	6,362,445	6,362,445
9,239	303,400	629,647	11,705,292	11,705,292
1,129,128	316,783	387,600	18,067,737	18,067,737
(1,687,205)	-	-	(3,699,750)	(8,444,732)
(558,077)	316,783	387,600	14,367,987	9,623,005
\$ 2,235,000	\$ -	\$ -	\$ 2,491,809	\$ 2,491,809
\$ -	\$ -	\$ -	\$ -	\$ -
2,235,000	-	-	2,235,000	2,235,000
-	-	-	256,809	256,809
-	-	-	-	-
\$ 2,235,000	\$ -	\$ -	\$ 2,491,809	\$ 2,491,809

CITY OF ANNAPOLIS, MARYLAND
ENTERPRISE CAPITAL PROJECTS
SCHEDULE OF APPROPRIATIONS, EXPENSES AND ENCUMBRANCES
 Year Ended June 30, 2011
 With Comparative Totals for Year Ended June 30, 2010

Schedule C-7

	Water Projects	Sewer Projects	Off Street Parking Projects	Dock Projects
Appropriations				
Balance beginning of year	\$ 3,286,376	\$ 4,115,998	\$ 1,851,677	\$ 265,760
Current year authorizations	(1,638,689)	1,119,670	(44,163)	(199,898)
	<u>1,647,687</u>	<u>5,235,668</u>	<u>1,807,514</u>	<u>65,862</u>
Less closed projects	(236,366)	(1,022,009)	(738,308)	(15,862)
Balance end of year	<u>1,411,321</u>	<u>4,213,659</u>	<u>1,069,206</u>	<u>50,000</u>
Expenses and encumbrances				
Balance beginning of year	841,323	2,692,490	1,843,336	29,258
Current year expenses and encumbrances	315,355	865,397	(43,778)	(13,396)
	<u>1,156,678</u>	<u>3,557,887</u>	<u>1,799,558</u>	<u>15,862</u>
Less closed projects	(236,366)	(1,022,009)	(738,308)	(15,862)
Balance end of year	<u>920,312</u>	<u>2,535,878</u>	<u>1,061,250</u>	<u>-</u>
Unencumbered appropriations, end of year	<u>\$ 491,009</u>	<u>\$ 1,677,781</u>	<u>\$ 7,956</u>	<u>\$ 50,000</u>

Transportation Projects	Stormwater Management Fund	Refuse Projects	Totals	
			Year Ended	
			June 30, 2011	June 30, 2010
\$ 2,235,000	\$ 100,000	\$ 260,000	\$ 12,114,811	\$ 15,222,740
53,865	50,000	-	(12,930)	5,336,803
<u>2,288,865</u>	<u>150,000</u>	<u>260,000</u>	<u>12,101,881</u>	<u>20,559,543</u>
(1,687,205)	-	-	(3,699,750)	(8,444,732)
<u>601,660</u>	<u>150,000</u>	<u>260,000</u>	<u>8,402,131</u>	<u>12,114,811</u>
2,234,263	85,219	260,000	7,985,889	10,088,673
44,640	(12,076)	-	1,523,074	6,341,948
<u>2,278,903</u>	<u>73,143</u>	<u>260,000</u>	<u>9,508,963</u>	<u>16,430,621</u>
(1,687,205)	-	-	(3,699,750)	(8,444,732)
<u>591,698</u>	<u>73,143</u>	<u>260,000</u>	<u>5,809,213</u>	<u>7,985,889</u>
\$ <u>9,962</u>	\$ <u>76,857</u>	\$ <u>-</u>	\$ <u>2,592,918</u>	\$ <u>4,128,922</u>

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CITY OF ANNAPOLIS, MARYLAND

SPECIAL REVENUE FUND

The Special Revenue Fund is a member of the governmental fund category and, as such, is accounted for on the modified accrual basis of accounting. Revenues are recognized in the General Fund when they become measurable and available. Expenditures are generally recognized when the related fund liability is incurred.

The Special Revenue Fund is used to account for the Community Development Block Grants which are received from the Federal government.

CITY OF ANNAPOLIS, MARYLAND
NONMAJOR GOVERNMENTAL FUND BALANCE SHEET
SPECIAL REVENUE

Schedule D-1

June 30, 2011

With Comparative Totals for June 30, 2010

	Year Ended	
	June 30, 2011	June 30, 2010
ASSETS		
Receivables	\$ 8,322	\$ 37,205
Due from other funds	260,602	289,619
Total assets	\$ 268,924	\$ 326,824
LIABILITIES		
Accounts payable	\$ 7,360	\$ 11,626
Accrued payables and other liabilities	261,564	315,198
Total liabilities	268,924	326,824
FUND BALANCES		
Total fund balances	-	-
Total liabilities and fund balances	\$ 268,924	\$ 326,824

CITY OF ANNAPOLIS, MARYLAND
NONMAJOR GOVERNMENTAL FUND STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
SPECIAL REVENUE

Schedule D-2

Year Ended June 30, 2011
 With Comparative Totals for June 30, 2010

	Year Ended	
	June 30, 2011	June 30, 2010
Revenues		
Intergovernmental	\$ 469,922	\$ 979,789
Total revenues	469,922	979,789
Expenditures		
Current:		
Community development	439,922	979,789
Total expenditures	439,922	979,789
Excess (deficiency) of revenues over expenditures	30,000	-
Other financing sources (uses)		
Transfers out	(30,000)	-
Total other financing sources (uses)	(30,000)	-
Net change in fund balances	-	-
Fund balances at beginning of year	-	-
Fund balances at end of year	\$ -	\$ -

CITY OF ANNAPOLIS, MARYLAND
STATISTICAL SECTION
(Unaudited)

The statistical section presents detailed information as a context for understanding what the information in the financial statements, notes disclosure, and required supplementary information says about the City's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends	
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	98
Revenue Capacity	
These schedules contain information to help the reader assess the City's most significant local revenue source, property tax.	108
Debt Capacity	
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue debt in the future.	110
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	112
Operating Information	
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	

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CITY OF ANNAPOLIS, MARYLAND
NET ASSETS BY CATEGORY
 Last Nine Fiscal Years (a)
 (Accrual Basis of Accounting)

	Year Ended June 30,		
	2003	2004	2005
Governmental activities			
Invested in capital assets, net of related debt	\$ 5,901,817	\$ 14,021,967	\$ 23,499,144
Restricted	15,762,915	9,536,320	-
Unrestricted	8,369,327	8,225,480	9,784,427
Total governmental activities net assets	<u>\$ 30,034,059</u>	<u>\$ 31,783,767</u>	<u>\$ 33,283,571</u>
Business-type activities			
Invested in capital assets, net of related debt	\$ 21,038,093	\$ 28,053,937	\$ 31,890,693
Restricted	-	-	-
Unrestricted	8,155,165	401,852	(954,991)
Total business-type activities net assets	<u>\$ 29,193,258</u>	<u>\$ 28,455,789</u>	<u>\$ 30,935,702</u>
Primary government			
Invested in capital assets, net of related debt	\$ 26,939,910	\$ 42,075,904	\$ 55,389,837
Restricted	15,762,915	9,536,320	-
Unrestricted	16,524,492	8,627,332	8,829,436
Total primary government net assets	<u>\$ 59,227,317</u>	<u>\$ 60,239,556</u>	<u>\$ 64,219,273</u>

(a): With the implementation of GASB Statement No. 34 in fiscal year 2003, prior information is not available.

2006	2007	2008	2009	2010	2011
21,242,579 \$	28,498,890 \$	7,172,240 \$	25,051,243 \$	29,665,999 \$	22,408,170
-	-	-	1,650,742	4,882,031	4,190,198
11,572,622	5,035,303	23,095,151	(275,928)	(17,820,170)	(14,544,407)
<u>32,815,201 \$</u>	<u>33,534,193 \$</u>	<u>30,267,391 \$</u>	<u>26,426,057 \$</u>	<u>16,727,860 \$</u>	<u>12,053,961</u>
30,458,324 \$	30,171,843 \$	30,798,149 \$	39,464,686 \$	37,003,541 \$	35,243,832
-	-	-	-	3,493,242	3,610,180
(4,136,624)	(6,308,718)	(6,546,248)	(16,416,515)	(23,846,203)	(25,308,194)
<u>26,321,700 \$</u>	<u>23,863,125 \$</u>	<u>24,251,901 \$</u>	<u>23,048,171 \$</u>	<u>16,650,580 \$</u>	<u>13,545,818</u>
51,700,903 \$	58,670,733 \$	37,970,389 \$	64,515,929 \$	66,669,540 \$	57,652,002
-	-	-	1,650,742	8,375,273	7,800,378
7,435,998	(1,273,415)	16,548,903	(16,692,443)	(41,666,373)	(39,852,601)
<u>59,136,901 \$</u>	<u>57,397,318 \$</u>	<u>54,519,292 \$</u>	<u>49,474,228 \$</u>	<u>33,378,440 \$</u>	<u>25,599,779</u>

CITY OF ANNAPOLIS, MARYLAND
CHANGES IN NET ASSETS
 Last Nine Fiscal Years (a)
 (Accrual Basis of Accounting)

	Year Ended June 30,			
	2003	2004	2005	2006
Expenses				
Governmental Activities:				
General government	\$ 6,361,730	\$ 5,328,811	\$ 6,778,814	\$ 9,185,792
Public safety	22,072,211	23,751,266	25,964,283	28,729,951
Community services	2,638,399	2,677,390	4,019,462	3,089,425
Community development	749,309	721,783	679,482	781,479
Public works	4,285,970	4,224,305	4,389,794	3,187,758
Interest	777,536	849,403	758,986	1,104,761
Total Governmental Activities Expenses	<u>36,885,155</u>	<u>37,552,958</u>	<u>42,590,821</u>	<u>46,079,166</u>
Business-type Activities:				
Water	3,593,184	3,960,612	4,198,098	4,447,491
Sewer	4,547,865	5,034,309	5,989,351	6,169,051
Off Street Parking	1,272,073	1,256,703	1,733,545	3,581,840
Dock	634,149	741,252	777,858	1,306,603
Market	84,471	103,633	68,859	115,877
Transportation	3,961,057	4,471,478	5,139,890	5,532,211
Stormwater Management	-	141,056	281,473	273,606
Refuse	2,340,125	2,750,204	3,035,102	3,075,860
Total Business-type Activities Expenses	<u>16,432,924</u>	<u>18,459,247</u>	<u>21,224,176</u>	<u>24,502,539</u>
Total Primary Government Expenses	<u>\$ 53,318,079</u>	<u>\$ 56,012,205</u>	<u>\$ 63,814,997</u>	<u>\$ 70,581,705</u>
Program Revenues				
Governmental Activities:				
Charges for Service:				
General government	\$ 1,482,623	\$ 1,140,950	\$ 1,184,719	\$ 1,714,366
Public safety	-	2,477,499	3,689,494	3,418,408
Community services	-	633,715	639,290	608,661
Public works	-	578,744	609,430	879,102
Operating Grants and Contributions	11,142,994	11,191,485	11,257,413	14,337,827
Capital Grants and Contributions	1,178,255	1,394,181	3,203,036	394,018
Total Governmental Activities Program Revenues	<u>13,803,872</u>	<u>17,416,574</u>	<u>20,583,382</u>	<u>21,352,382</u>
Business-type Activities:				
Charges for Services:				
Water	3,617,642	3,119,444	3,952,528	3,460,289
Sewer	5,108,421	4,539,791	4,970,739	4,986,327
Off Street Parking	1,945,839	1,950,278	2,017,406	2,674,724
Dock	757,325	886,798	888,926	787,406
Market	110,447	106,228	41,494	-
Transportation	782,005	785,107	880,459	860,534
Stormwater Management	-	194,600	412,268	345,777
Refuse	2,329,948	2,405,918	2,432,886	2,505,116
Operating Grants and Contributions	2,065,158	2,384,073	1,808,824	1,673,164
Capital Grants and Contributions	1,565,554	834,512	617,192	507,130
Total Business-type Activities Program Revenues	<u>18,282,339</u>	<u>17,206,749</u>	<u>18,022,722</u>	<u>17,800,467</u>
Total Primary Government Program Revenues	<u>\$ 32,086,211</u>	<u>\$ 34,623,323</u>	<u>\$ 38,606,104</u>	<u>\$ 39,152,849</u>
Net (expenses) / revenues				
Governmental Activities	\$ (23,081,283)	\$ (20,136,384)	\$ (22,007,439)	\$ (24,726,784)
Business-type Activities	1,849,415	(1,252,498)	(3,201,454)	(6,702,072)
Total Primary Government Net Expenses	<u>\$ (21,231,868)</u>	<u>\$ (21,388,882)</u>	<u>\$ (25,208,893)</u>	<u>\$ (31,428,856)</u>

(continued)

	2007	2008	2009	2010	2011
\$	11,755,114	\$ 15,268,543	\$ 55,326,356	\$ 14,756,325	\$ 8,664,250
	28,184,653	31,342,576	33,404,602	40,104,232	41,748,358
	3,052,359	3,165,891	3,414,055	2,215,107	4,720,789
	583,811	363,854	727,629	979,789	439,922
	3,217,373	4,879,609	4,421,246	9,315,202	4,638,091
	1,055,341	1,805,649	2,014,351	2,312,840	1,572,589
	<u>47,848,651</u>	<u>56,826,122</u>	<u>99,308,239</u>	<u>69,683,495</u>	<u>61,783,999</u>
	4,234,208	4,929,463	5,503,247	5,382,155	4,961,399
	5,756,560	4,185,147	3,908,503	7,129,192	6,696,317
	2,520,940	2,534,905	2,335,706	2,273,503	2,701,164
	646,473	1,486,440	1,517,822	1,683,535	1,228,289
	347,774	455,998	828,273	449,267	171,670
	5,693,685	7,621,068	5,500,129	6,362,112	4,784,164
	275,661	368,468	914,981	703,710	382,467
	2,981,228	3,114,282	3,453,800	3,393,876	2,817,924
	<u>22,456,529</u>	<u>24,695,771</u>	<u>23,962,461</u>	<u>27,377,350</u>	<u>23,743,394</u>
\$	<u>70,305,180</u>	<u>\$ 81,521,893</u>	<u>\$ 123,270,700</u>	<u>\$ 97,060,845</u>	<u>\$ 85,527,393</u>

\$	1,450,249	\$ 1,599,469	\$ 1,469,909	\$ 2,149,488	\$ 3,052,127
	2,732,467	2,805,030	2,898,503	3,192,501	3,101,297
	588,796	618,598	656,056	1,080,135	1,677,594
	916,425	857,857	826,574	824,426	855,577
	14,978,904	14,476,739	15,374,831	13,319,721	11,524,253
	215,548	250,049	1,894,954	344,667	190,892
	<u>20,882,389</u>	<u>20,607,742</u>	<u>23,120,827</u>	<u>20,910,938</u>	<u>20,401,740</u>

	3,231,387	3,283,234	3,250,584	3,170,332	3,888,613
	4,585,490	4,603,525	4,947,862	4,570,711	4,285,157
	3,135,031	3,143,714	2,869,771	3,213,469	3,150,184
	915,027	872,893	867,020	857,683	1,022,585
	100,000	76,800	3,191	77,905	36,931
	970,742	1,059,752	968,705	1,077,233	764,847
	465,402	467,495	516,776	509,995	493,586
	2,821,295	3,282,559	3,742,533	3,683,653	3,653,009
	2,372,609	1,987,162	1,520,091	1,378,198	1,526,800
	304,150	4,853,485	1,501,620	1,808,382	334,290
	<u>18,901,133</u>	<u>23,630,619</u>	<u>20,188,153</u>	<u>20,347,561</u>	<u>19,156,002</u>
\$	<u>39,783,522</u>	<u>\$ 44,238,361</u>	<u>\$ 43,308,980</u>	<u>\$ 41,258,499</u>	<u>\$ 39,557,742</u>

\$	(26,966,262)	\$ (36,218,380)	\$ (76,187,412)	\$ (48,772,557)	\$ (41,382,259)
	(3,555,396)	(1,065,152)	(3,774,308)	(7,029,789)	(4,587,392)
\$	<u>(30,521,658)</u>	<u>\$ (37,283,532)</u>	<u>\$ (79,961,720)</u>	<u>\$ (55,802,346)</u>	<u>\$ (45,969,651)</u>

CITY OF ANNAPOLIS, MARYLAND
CHANGES IN NET ASSETS
 Last Nine Fiscal Years (a)
 (Accrual Basis of Accounting)

	Year Ended June 30,			
	2003	2004	2005	2006
General Revenues and Other Changes in Net Assets				
Governmental Activities:				
Taxes				
Real	\$ 16,446,123	\$ 18,183,671	\$ 19,383,541	\$ 20,806,043
Unincorporated	84,185	63,433	38,481	19,250
Public utility	898,056	919,791	905,264	911,390
Corporations	1,509,067	1,191,991	1,469,869	1,411,528
Penalties and interest	111,564	112,426	65,804	96,847
Interest and investment earnings	643,409	274,154	388,528	738,976
Miscellaneous	3,942,800	1,140,626	2,291,624	663,740
Transfers	-	-	-	(389,360)
Total Governmental Activities	<u>23,635,204</u>	<u>21,886,092</u>	<u>24,543,111</u>	<u>24,258,414</u>
Business-type Activities:				
Interest and Investment Earnings	270,832	61,824	6,791	36,724
Miscellaneous	284,370	453,205	5,674,576	1,661,986
Transfers	-	-	-	389,360
Total Business-type Activities	<u>555,202</u>	<u>515,029</u>	<u>5,681,367</u>	<u>2,088,070</u>
Total Primary Government	<u>\$ 24,190,406</u>	<u>\$ 22,401,121</u>	<u>\$ 30,224,478</u>	<u>\$ 26,346,484</u>
Change in Net Assets				
Governmental Activities	\$ 553,921	\$ 1,749,708	\$ 2,535,672	\$ (468,370)
Business-type Activities	2,404,617	(737,469)	2,479,913	(4,614,002)
Total Primary Government	<u>\$ 2,958,538</u>	<u>\$ 1,012,239</u>	<u>\$ 5,015,585</u>	<u>\$ (5,082,372)</u>

(a): With the implementation of GASB Statement No. 34 in fiscal year 2003, prior information is not available.

	2007	2008	2009	2010	2011
\$	22,976,326	\$ 26,441,765	\$ 30,347,746	\$ 31,571,196	\$ 32,550,332
	40,928	35,659	39,979	28,121	24,841
	945,863	993,430	1,037,624	1,059,395	1,043,491
	1,449,303	1,578,866	1,627,009	1,846,723	1,551,683
	125,572	180,842	205,797	176,481	165,501
	492,454	1,009,344	296,086	27,695	9,719
	1,768,808	2,676,672	6,142,779	309,918	698,543
	(114,000)	35,000	(818,000)	1,105,040	664,250
	<u>27,685,254</u>	<u>32,951,578</u>	<u>38,879,020</u>	<u>36,124,569</u>	<u>36,708,360</u>
	3,463	141,667	19,708	4,312	3,527
	979,358	1,347,261	953,685	1,732,926	2,143,353
	114,000	(35,000)	818,000	(1,105,040)	(664,250)
	<u>1,096,821</u>	<u>1,453,928</u>	<u>1,791,393</u>	<u>632,198</u>	<u>1,482,630</u>
\$	<u><u>28,782,075</u></u>	<u><u>34,405,506</u></u>	<u><u>40,670,413</u></u>	<u><u>36,756,767</u></u>	<u><u>38,190,990</u></u>
\$	718,992	\$ (3,266,802)	\$ (37,308,392)	\$ (12,647,988)	\$ (4,673,899)
	(2,458,575)	388,776	(1,982,915)	(6,397,591)	(3,104,762)
\$	<u><u>(1,739,583)</u></u>	<u><u>(2,878,026)</u></u>	<u><u>(39,291,307)</u></u>	<u><u>(19,045,579)</u></u>	<u><u>(7,778,661)</u></u>

CITY OF ANNAPOLIS, MARYLAND
FUND BALANCES - GOVERNMENTAL FUNDS
 Last Ten Fiscal Years
 (Modified Accrual Basis of Accounting)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General fund				
Reserved	\$ 658,298	\$ 418,958	\$ 373,050	\$ 422,077
Unreserved	10,271,902	11,649,131	10,515,594	9,619,912
Total general fund	<u>\$ 10,930,200</u>	<u>\$ 12,068,089</u>	<u>\$ 10,888,644</u>	<u>\$ 10,041,989</u>
Capital projects fund				
Reserved	\$ 4,339,070	\$ 3,835,242	\$ 8,445,362	\$ 3,853,548
Unreserved	8,199,515	2,830,590	(7,657,929)	809,535
Total capital projects fund	<u>\$ 12,538,585</u>	<u>\$ 6,665,832</u>	<u>\$ 787,433</u>	<u>\$ 4,663,083</u>
Special revenue fund				
Reserved	\$ 57,405	\$ 34,035	\$ 1,906	\$ 45,531
Unreserved	(57,405)	(34,035)	(1,906)	(45,531)
Total special revenue fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$	293,235	\$ 476,968	\$ 711,154	\$ 314,552	\$ 225,660
	<u>9,534,721</u>	<u>9,124,610</u>	<u>4,407,708</u>	<u>3,478,552</u>	<u>11,815,848</u>
\$	<u>9,827,956</u>	<u>\$ 9,601,578</u>	<u>\$ 5,118,862</u>	<u>\$ 3,793,104</u>	<u>\$ 12,041,508</u>
\$	3,452,477	\$ 7,936,578	\$ 12,123,072	\$ 1,038,021	\$ 4,190,198
	<u>(2,926,406)</u>	<u>11,469,059</u>	<u>(1,079,462)</u>	<u>3,826,100</u>	<u>-</u>
\$	<u>526,071</u>	<u>\$ 19,405,637</u>	<u>\$ 11,043,610</u>	<u>\$ 4,864,121</u>	<u>\$ 4,190,198</u>
\$	35,813	\$ 209,427	\$ 243,689	\$ 150,340	\$ -
	<u>(35,813)</u>	<u>(209,427)</u>	<u>(243,689)</u>	<u>(150,340)</u>	<u>-</u>
\$	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Note: For FY 2011 GASB 54 was adopted, and therefore no encumbrances have been presented.

CITY OF ANNAPOLIS, MARYLAND
CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
 Last Ten Fiscal Years
 (Modified Accrual of Accounting)

	Year Ended June 30,			
	2002	2003	2004	2005
Revenues				
Taxes	\$ 18,187,376	\$ 19,048,995	\$ 20,248,312	\$ 21,862,959
Licenses and permits	1,729,357	2,081,845	1,909,631	3,012,547
Fines and forfeitures	734,721	1,027,917	1,296,411	1,523,993
Money and property	1,305,498	1,293,719	967,212	1,013,404
Intergovernmental	11,662,890	12,321,249	12,585,666	14,460,449
Current services	1,637,968	1,613,782	1,686,956	2,226,693
Total revenues	<u>35,257,810</u>	<u>37,387,507</u>	<u>38,694,188</u>	<u>44,100,045</u>
Expenditures				
General government	5,349,178	5,813,713	5,332,880	5,813,172
Public safety	19,506,612	21,735,510	22,083,091	25,423,167
Community services	2,395,932	2,551,256	2,486,332	2,751,447
Community development	434,450	749,309	721,783	679,482
Public works	3,793,235	4,022,366	3,799,534	3,826,912
Interfund charges (credits)	76,821	83,512	(848,679)	57,382
Debt service				
Principal	1,369,924	1,480,813	1,818,659	2,028,003
Interest	660,276	777,536	849,403	758,986
Capital outlays	4,465,860	4,938,857	7,186,049	9,819,338
Total expenditures	<u>38,052,288</u>	<u>42,152,872</u>	<u>43,429,052</u>	<u>51,157,889</u>
Excess of revenues over (under) expenditures	(2,794,478)	(4,765,365)	(4,734,864)	(7,057,844)
Other financing sources (uses)	7,601	9,552,330	-	-
Net change in fund balances	<u>\$ (2,786,877)</u>	<u>\$ 4,786,965</u>	<u>\$ (4,734,864)</u>	<u>\$ (7,057,844)</u>
 Debt service as a percentage of noncapital expenditures	6.04%	6.07%	7.36%	6.74%

	2006	2007	2008	2009	2010	2011
\$	23,245,058	\$ 25,537,992	\$ 29,230,562	\$ 33,258,155	\$ 34,681,916	\$ 35,335,848
	3,111,501	2,439,944	2,442,382	2,107,922	2,772,254	2,665,256
	1,472,700	1,266,856	1,225,606	1,229,028	947,614	829,371
	1,481,808	1,585,400	1,601,163	1,370,121	846,380	820,868
	14,731,845	15,194,452	14,726,788	17,269,785	13,664,388	11,715,145
	2,036,336	1,981,137	2,212,966	2,514,092	3,576,382	5,191,968
	<u>46,079,248</u>	<u>48,005,781</u>	<u>51,439,467</u>	<u>57,749,103</u>	<u>56,488,934</u>	<u>56,558,456</u>
	5,944,514	6,677,290	7,570,479	10,276,604	10,032,462	7,888,621
	28,729,951	28,248,150	31,172,702	33,723,835	35,960,535	31,265,195
	2,781,799	3,041,586	3,311,135	3,518,025	3,685,663	3,880,465
	781,479	583,811	363,854	727,629	979,789	439,922
	3,050,781	3,225,274	3,509,319	5,007,541	4,630,337	3,103,894
	-	-	-	-	-	-
	1,733,449	2,259,738	2,218,594	4,014,768	4,390,146	3,066,709
	1,104,761	1,055,341	1,805,649	2,014,351	1,613,968	1,423,064
	10,576,659	7,151,636	6,929,984	13,348,193	18,297,251	1,812,456
	<u>54,703,393</u>	<u>52,242,826</u>	<u>56,881,716</u>	<u>72,630,946</u>	<u>79,590,151</u>	<u>52,880,326</u>
	(8,624,145)	(4,237,045)	(5,442,249)	(14,881,843)	(23,101,217)	3,678,130
	11,653,140	(114,000)	24,095,437	2,037,100	15,595,852	3,896,469
\$	<u>3,028,995</u>	<u>(4,351,045)</u>	<u>18,653,188</u>	<u>(12,844,743)</u>	<u>(7,505,365)</u>	<u>7,574,599</u>
	6.43%	7.35%	8.06%	10.17%	9.80%	8.79%

CITY OF ANNAPOLIS, MARYLAND

**ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years**

Fiscal Year	Real Property	Personal Property	Total
	Assessed Market Value	Assessed Market Value	Assessed Market Value
2002	\$ 2,510,612,500	143,263,193	\$ 2,653,875,693
2003	2,635,596,635	151,122,513	2,786,719,148
2004	3,082,080,524	142,174,594	3,224,255,118
2005	3,566,024,862	143,047,160	3,709,072,022
2006	4,001,452,390	149,530,300	4,150,982,690
2007	4,895,040,025	148,227,760	5,043,267,785
2008	5,755,096,342	155,927,620	5,911,023,962
2009	5,877,500,225	163,439,530	6,040,939,755
2010	6,150,926,937	172,134,090	6,323,061,027
2011	6,251,651,651	185,615,717	6,437,267,368

**PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
(Per \$100 of Assessed Market Value)
Last Ten Fiscal Years**

Fiscal Year	City of Annapolis	Anne Arundel County	State of Maryland	Total
2002	\$ 0.624	\$ 0.556	\$ 0.084	\$ 1.264
2003	0.624	0.550	0.084	1.258
2004	0.600	0.555	0.132	1.287
2005	0.580	0.561	0.132	1.273
2006	0.560	0.555	0.132	1.247
2007	0.530	0.548	0.112	1.190
2008	0.530	0.531	0.112	1.173
2009	0.530	0.530	0.112	1.172
2010	0.530	0.525	0.112	1.167
2011	0.530	0.525	0.112	1.167

**PRINCIPAL TAXPAYERS
Current Year and Nine Years Ago**

Taxpayer	2011		2002	
	Assessed Market Valuation	Percentage of Total Assessed Market Valuation	Assessed Market Valuation	Percentage of Total Assessed Market Valuation
Park Place	\$ 128,388,190	1.99%	\$ -	0.00%
Baltimore Gas & Electric	82,334,400	1.28%	25,734,920	0.40%
Verizon - Maryland (formerly Bell Atlantic)	74,973,725	1.16%	26,248,500	0.41%
Baywoods Cooperative Housing	58,070,502	0.90%	-	0.00%
Westbridge Village LLC	48,396,800	0.75%	-	0.00%
Columbia Realty Venture	40,350,666	0.63%	9,317,400	0.14%
Yacht Basin Company of MD	42,601,000	0.66%	10,551,600	0.16%
Loews Annapolis Hotel Corp.	20,000,000	0.31%	6,460,360	0.10%
Casco Thornbury Bay LLC	29,138,000	0.45%	-	0.00%
Iota Tomato LLC (Spa Creek Landing)	28,066,510	0.44%	-	0.00%
Annapolis Roads Apartment Co.	23,000,000	0.36%	5,046,920	0.08%
	<u>\$ 575,319,793</u>	<u>8.94%</u>	<u>\$ 83,359,700</u>	<u>1.29%</u>

CITY OF ANNAPOLIS, MARYLAND

SUMMARY OF PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy	Current Year's Tax Collected in Year of Levy (1)		Total Taxes Collected (Current & Delinquent)		Accumulated Delinquent Taxes	Accumulated Delinquent Taxes as % of Current Year's Tax Levy
		Amount	Percent	Amount	Percent		
2002	\$ 18,059,805	\$ 18,031,377	99.84%	\$ 18,044,391	99.91%	\$ 300,710	1.67%
2003	18,943,247	18,903,813	99.79%	18,937,431	99.97%	147,689	0.78%
2004	20,405,265	20,330,889	99.64%	20,135,886	98.68%	140,371	0.69%
2005	21,728,369	21,612,483	99.47%	21,797,155	100.32%	221,042	1.02%
2006	23,308,799	23,224,757	99.64%	23,148,211	99.31%	205,343	0.88%
2007	25,436,936	25,412,398	99.90%	25,412,420	99.90%	166,054	0.65%
2008	28,979,331	28,892,153	99.70%	29,049,720	100.24%	229,683	0.79%
2009	33,144,815	33,096,516	99.85%	33,052,358	99.72%	144,196	0.44%
2010	34,469,502	34,324,981	99.58%	34,505,435	100.10%	257,957	0.75%
2011	35,215,011	35,067,000	99.58%	35,335,848	100.34%	165,501	0.47%

Note:

(1) Represents original tax levy, less real property tax credits for civic associations, elderly and disabled taxpayers, and other adjustments.

CITY OF ANNAPOLIS, MARYLAND

**RATIO OF BONDED DEBT BY TYPE
BONDED DEBT PER CAPITA
Last Ten Fiscal Years**

Fiscal Year	Governmental Activities		Business-Type Activities		Total Bonded Debt	Percentage of Personnel Income ¹	Per Capita ¹	Percentage of Market Value ²
	General Obligation Bonds	Other Debt	General Obligation Bonds	Other Debt				
2002	\$ 13,173,555	\$ 170,312	\$ 12,317,488	\$ 1,146,761	\$ 26,808,116	1.89%	\$ 743	1.01%
2003	21,480,744	164,062	22,326,846	1,074,470	45,046,122	3.08%	1,245	1.62%
2004	19,668,335	157,812	20,571,677	999,830	41,397,654	2.68%	1,143	1.28%
2005	17,798,144	-	18,874,288	922,764	37,595,196	2.24%	1,023	1.01%
2006	28,107,195	-	20,157,659	843,192	49,108,046	2.71%	1,317	1.18%
2007	25,847,457	-	18,229,818	761,035	44,838,310	2.38%	1,235	0.89%
2008	45,182,144	1,608,355	23,947,551	899,125	71,637,175	2.55%	1,968	1.21%
2009	44,355,776	1,275,055	18,961,352	766,090	65,358,273	2.46%	1,752	1.08%
2010	55,026,790	931,215	28,648,357	625,178	85,231,540	3.25%	2,191	1.35%
2011	56,733,851	569,945	28,626,150	482,545	86,412,491	N/A	2,285	1.34%

¹ See the Demographic Statistics on page 109 for personnel income and population data.

² See the Assessed & Estimated Actual Value of Taxable Property on page 105 for market value.

**SCHEDULE OF LEGAL DEBT MARGIN
Last Ten Fiscal Years**

Fiscal Year	Assessable Base	Debt Limit: 10% of assessable base	City Debt Limitation	Debt Margin	Ratio of City Debt to Assessable Base
2002	\$ 1,147,508,193	\$ 114,750,819	\$ 18,147,698	\$ 96,603,121	1.58%
2003	2,786,719,148	278,671,915	32,715,169	245,956,746	1.17%
2004	3,224,255,118	322,425,512	30,060,941	292,364,571	0.93%
2005	3,709,072,022	370,907,202	27,330,628	343,576,574	0.74%
2006	4,150,982,690	415,098,269	39,161,946	375,936,323	0.94%
2007	5,043,267,785	504,326,779	45,231,035	459,095,744	0.90%
2008	5,911,023,962	591,102,396	71,962,479	519,139,917	1.22%
2009	6,040,939,755	604,093,976	65,616,145	538,477,831	1.09%
2010	6,323,061,027	632,306,103	85,431,393	546,874,710	1.35%
2011	\$ 6,437,267,368	\$ 643,726,737	\$ 86,590,528	\$ 557,136,209	1.35%

**COMPUTATION OF DIRECT AND OVERLAPPING DEBT
Year Ended June 30, 2011**

Jurisdiction	Net Debt Outstanding	Percentage Applicable to City of Annapolis	Amount Applicable to City of Annapolis
City of Annapolis	\$ 86,590,528	100%	\$ 86,590,528
Anne Arundel County - Education	422,914,783	8%	33,833,183
Total	\$ 509,505,311		\$ 120,423,711

CITY OF ANNAPOLIS, MARYLAND

RATIO OF ANNUAL DEBT SERVICE FOR GENERAL BONDED
DEBT TO TOTAL GENERAL FUND EXPENDITURES
Last Ten Fiscal Years

Fiscal Year	Expenditures		Debt Service as a Percentage of Total
	Debt Service	Total General Fund	
2002 \$	2,030,200 \$	33,043,765	6.14%
2003	2,258,349	36,339,285	6.21%
2004	2,668,063	37,141,662	7.18%
2005	2,786,989	38,745,129	7.19%
2006	2,838,210	43,026,881	6.60%
2007	3,315,079	44,507,379	7.45%
2008	4,024,243	49,587,770	8.12%
2009	6,029,119	58,555,154	10.30%
2010	6,702,986	61,011,983	10.99%
2011	4,489,773	50,627,948	8.87%

CITY OF ANNAPOLIS, MARYLAND

**DEMOGRAPHIC STATISTICS
Last Ten Fiscal Years**

Fiscal Year	City Population (1)	Personal Income (in thousands)	Per Capita Income (2)	Unemployment Rate (3)	Public School Enrollment (4)
2002	36,100	1,417,755	39,273	3.7%	4,764
2003	36,180	1,463,951	40,463	3.5%	4,728
2004	36,210	1,547,000	42,723	3.4%	4,630
2005	36,750	1,677,564	45,648	3.5%	4,569
2006	37,300	1,812,034	48,580	3.4%	4,570
2007	36,300	1,883,607	51,890	3.4%	4,600
2008	36,400	2,811,609	77,242	3.6%	5,530
2009	37,300	2,659,229	71,293	6.4%	6,650
2010	38,900	2,618,943	67,325	7.0%	6,270
2011	37,825	2,489,301	65,811	6.0%	6,892

Sources:

- (1) Population estimates are from the City of Annapolis Economic Affairs.
- (2) U.S. Bureau of Economic Analysis, Regional Economic Information System, as calculated for Anne Arundel County.
- (3) Maryland Department of Labor, Licensing, and Regulation.
- (4) Anne Arundel County Board of Education.

**PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago**

Employer	2011		2002	
	Employees	Percentage of City Employment	Employees	Percentage of City Employment
United States Naval Academy	2,340	6.02%	1,753	4.86%
Anne Arundel Health Systems, Inc.	2,025	5.35%	1,774	4.91%
ARINC	1,300	3.44%	-	0.00%
Home Depot	1,129	2.98%	-	0.00%
Verizon - Maryland (formerly Bell Atlantic)	844	2.23%	-	0.00%
Baltimore Gas and Electric	500	1.32%	-	0.00%
Alion Science and Technology	450	1.19%	-	0.00%
Windermere Group LLC	400	1.06%	-	0.00%
Capital Gazette Communications, Inc.	150	0.40%	-	0.00%
Nordstrom	300	0.79%	-	0.00%
Farmer's National Bank of Maryland	-	0.00%	281	0.78%
Phelps Protection Systems, Inc	-	0.00%	233	0.65%
McCrone Engineering	-	0.00%	228	0.63%
Community Action Agency	-	0.00%	217	0.60%
Loews Annapolis Hotel	150	0.40%	178	0.49%
St. John's College	197	0.52%	173	0.48%
Annapolis Marriott Hotel	-	0.00%	170	0.47%
Historic Inns of Annapolis	-	0.00%	169	0.47%
	<u>9,785</u>	<u>25.70%</u>	<u>5,176</u>	<u>14.34%</u>

Note:

Excludes state and local government.

Source:

City of Annapolis - Department of Economic Affairs

CITY OF ANNAPOLIS, MARYLAND

**FULL TIME EQUIVALENT EMPLOYEES BY FUNCTION
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General Government	63	66	65	65	62	64	67	63	68	57
Public Safety	268	272	292	293	303	320	331	341	340	307
Public Works	71	71	50	50	50	50	48	51	49	46
Recreation & Parks	20	20	20	20	20	21	21	20	20	18
Water Fund	23	23	23	23	23	23	26	27	27	27
Sewer Fund	7	7	7	7	7	7	7	7	7	6
Dock Fund	3	3	3	3	3	3	3	3	3	3
Transportation Fund	38	42	47	47	49	49	49	55	55	49
Stormwater Mgmt Fund	0	0	3	3	3	3	3	3	3	3
Refuse Fund	22	22	22	22	22	22	22	22	22	21
Total	<u>515</u>	<u>526</u>	<u>532</u>	<u>533</u>	<u>542</u>	<u>562</u>	<u>577</u>	<u>592</u>	<u>594</u>	<u>537</u>

Source:

City of Annapolis - Finance Office

CITY OF ANNAPOLIS, MARYLAND
OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years

Fiscal Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Government										
Finance:										
Real property tax accounts	12,992	12,896	13,202	13,276	13,328	13,774	14,836	15,075	15,195	15,294
Personal property tax accounts	2,078	2,088	2,099	2,061	2,049	2,035	2,109	2,003	1,990	2,112
Public Safety										
Police										
Calls for service	39,271	39,773	42,450	42,215	42,040	41,839	44,496	35,980	36,501	35,233
Physical arrests	2,407	2,259	2,431	3,487	3,015	2,253	4,743	4,168	4,265	2,165
Parking violations	27,914	29,148	28,959	31,746	31,529	28,972	29,743	19,388	5,138	29,655
Traffic violations	4,374	3,747	4,892	4,968	4,869	4,612	4,788	6,729	5,572	4,115
Fire										
Number of calls answered	9,257	9,477	10,129	9,676	9,508	9,388	9,628	9,189	8,310	10,041
Inspections	2,350	2,739	2,579	2,670	2,105	1,197	1,981	1,746	1,100	1,486
Recreation & Parks										
Programs offered	N/A	N/A	115	111	89	83	110	118	151	N/A
Enrollment	N/A	N/A	4,202	3,980	3,745	3,387	3,797	4,161	4,195	N/A
Public Works										
Roadways and sidewalks										
Potholes repaired	N/A	N/A	N/A	2,395	1,552	1,582	1,834	1,579	1,005	1,241
Water Fund										
Water main repairs	26	38	46	59	39	30	54	26	21	43
Number of accounts	11,890	12,085	11,859	12,186	12,269	12,362	12,418	12,404	12,411	12,246
Sewer Fund										
Number of accounts	10,908	11,088	10,877	11,190	11,270	11,356	11,410	11,400	11,409	11,197
Refuse Fund										
Refuse collected (tons per year)	N/A	N/A	N/A	9,007	9,020	9,119	8,865	5,297	6,501	7,167
Recycling collected (tons per year)	N/A	N/A	N/A	2,257	2,121	1,596	1,520	2,430	2,366	2,856
Yard Waste collected (tons per year)	N/A	N/A	N/A	1,539	1,999	1,924	1,936	2,318	97	3,368
Neighborhood & Environmental Programs										
Construction permits issued - Commercial	306	355	390	361	334	308	296	270	129	290
Construction permits issued - Residential	920	1,113	1,160	1,025	1,329	1,030	1,195	892	787	836
Transportation Fund										
Number of routes	8	9	9	12	11	11	10	10	10	8
Number of passengers (in thousands)	1,000	1,300	1,300	1,350	1,350	1,350	1,510	1,465	1,580	1,139

Source:

Various City of Annapolis departments

CITY OF ANNAPOLIS, MARYLAND
CAPITAL ASSET STATISTICS BY FUNCTION
Last Ten Fiscal Years

Fiscal Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Government										
Buildings	3	3	3	3	3	3	3	5	6	7
Vehicles	9	11	12	12	12	16	16	22	20	23
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Uniformed police officers	128	127	126	126	126	131	131	131	116	116
Police vehicles	91	82	105	95	93	103	102	100	108	96
Fire										
Stations	3	3	3	3	3	3	3	3	3	3
Career firefighters	95	99	98	98	105	117	125	137	126	133
Pumper/ladder trucks	6	6	7	6	6	6	6	6	6	7
Paramedic units	6	7	7	6	5	5	6	6	6	1
Other vehicles	20	19	19	29	32	32	35	34	37	38
Public Works										
Buildings	7	7	7	7	7	7	7	7	6	6
Street (in miles)	84	84	86	86	86	86	86	99	99	99
Traffic signals	28	27	28	28	28	28	28	28	28	28
Recreation & Parks										
Buildings	4	4	4	4	4	4	4	4	3	3
Playgrounds / parks in acres	120	120	120	120	125	125	126	126	126	126
Ballfields	9	9	9	9	5	5	5	5	5	5
Tennis courts	16	16	16	16	14	14	14	14	14	14
Water Fund										
Mains in miles	128	128	128	128	128	128	128	128	128	128
Storage tanks	4	4	4	4	4	4	5	5	5	5
Sewer Fund										
Lines in miles	140	140	140	140	140	140	140	140	140	140
Number of pumping stations	23	23	23	23	23	23	25	25	25	25
Transportation Fund										
Passenger buses	18	18	18	28	29	29	28	29	33	33

Source:
 Various City of Annapolis departments