

**CITY OF ANNAPOLIS,
MARYLAND**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2019**





COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2019

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CITY OF ANNAPOLIS, MARYLAND

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INTRODUCTORY SECTION



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CITY OF ANNAPOLIS, MARYLAND



January 31, 2020

The Honorable Mayor, Aldermen, Alderwomen, and Citizens of Annapolis:

Maryland state law requires that all general-purpose local governments publish a complete set of financial statements each year prepared 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 ended June 30, 2019.

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 the benefits associated with those controls, 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 CliftonLarsonAllen, 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 ended June 30, 2019, 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 unmodified opinion that the City's financial statements for the fiscal year ended June 30, 2019, 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.

The independent audit of the financial statements of the City of Annapolis is a part of a broader, federally mandated Single Audit designed to meet the special needs of Federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on fair presentation of the financial statements, but also on the audited governments' internal controls and 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 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, overseeing the day-to-day operations of the City, drafting the budget and submitting it to the city council for approval, and 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, watershed restoration, 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.

Budgetary Controls

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. 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 City prepares the budget by fund and department. Subsequently, department heads may request transfers within a department, however, transfers between departments or funds greater than \$25,000 and additional appropriations from additional revenue or reserves 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 as required supplementary information, whereas for individual funds with appropriated budgets, 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 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. regional economies, the City of Annapolis enjoys a stable economic environment. 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 waterfront, Annapolis attracts an estimated several 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 area's unemployment rate is currently 2.6%, lower than the County rate of 2.7%, the statewide rate of 3.6%, and the national rate of 3.5%. 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, the City remains optimistic relative to its real property tax base. The City continues to see new growth and permitting activity, there is favorable commercial activity along the West Street corridor, and

the City continues to review plans for new development within the City boundaries. In fiscal year 2018, the City realized a 3.9% increase in its assessed value. In fiscal year 2019, the City realized another 9% increase in property values because of the triennial real property valuation. This increase is being phased in over fiscal years 2019 - 2021. The County increased its piggyback income tax rate from \$.025 to \$.0281 effective January 1, 2020. The City should receive additional revenue from this change. The City projects its other sources of revenue to remain stable or grow at modest rates.

Financial Policies

The City's fund balance policy requires that the City retain 15% of its annual budgeted General Fund, Transportation Fund, and Parking Fund revenue as unassigned General Fund fund balance. Further, the policy requires the City use the remainder of any fund balance to build its budget stabilization fund up to a maximum of 3% of the same budgeted revenue and divide any further excess fund balance between its capital reserve fund and contingencies that are limited to nonrecurring expenditures. The City also maintains strong reserves in its water and sewer operations.

The City has a strong debt policy and continues to improve the capital planning process that has improved its long-term capital planning abilities related to infrastructure, road, utility and equipment replacement, and debt service analysis.

In this fiscal year 2019 report, the City separated several activities from the General Fund in order to increase transparency and track the spending of all City monies. This included several non-major governmental funds, fleet operations, and fleet replacement activity. The City also separated the Health Insurance and Self Insurance activities into two separate internal service funds.

Pension and other post-employment benefits

Generally, all regular City employees, except represented police and fire, participate in the Employees Retirement and Pension Systems. These systems are cost sharing multiple-employer defined benefit plans established by the Maryland General Assembly and administered by the State Retirement and Pension System of Maryland. Police and Fire personnel participate in a single employer defined benefit pension plan administered by the City by an eight-member police and fire retirement plan commission that oversees funding and investment decisions. The City Council has the authority to establish contribution provisions and amend benefit changes as part of labor negotiations. The Police and Fire System was established by City legislation.

Government Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*, became effective for the year ended June 30, 2014. This statement required the presentation of new information in the notes to the financial statements and in the 10-year Required Supplementary Information (RSI) schedules. GASB 68, *Accounting and Financial Reporting for Pensions*, became effective in fiscal year 2016. This statement established standards for measuring and recognizing liabilities, deferred outflows and inflows of resources, and expenses. The accompanying financial statements reflect the adoption of these changes.

The City of Annapolis also provides retirement health care benefits (OPEB) for certain retirees and their dependents, financed on an actuarial basis. General employees hired on or after July 1, 2014, may not participate in OPEB. Represented Police and Fire employees hired after this date may elect OPEB at the time of hire.

GASB No. 74, *Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans*, became effective for the City in fiscal year 2017. This statement was established in an effort to improve the usefulness of information about OPEB included in the general purpose financial reports of state and local governments. GASB No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*, was created to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. GASB No. 75 became effective for the years ended June 30, 2018. This statement established standards for measuring and recognizing liabilities, deferred outflows and inflows of resources, and expenses. The accompanying financial statements reflect the adoption of these changes.

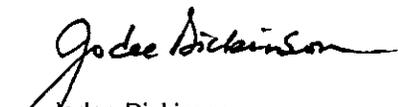
The City fully funds the annual contribution to the State plans and is fully funding the Police & Fire pension plan beginning in fiscal year 2019. The City plans to increase its OPEB funding each year until it reaches the actuary's determined annual contribution. Additional information on the City of Annapolis' pension arrangements and post-employment benefits can be found in Note 7 to the 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, 2018. This was the thirtieth 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.

Preparation of this report would not have been possible without 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. I also want to thank the City Manager, Mayor, and City Council for their support for maintaining the highest standards of professionalism in the City's finances.

Respectfully Submitted,


Jodee Dickinson
Director of Finance



Government Finance Officers Association

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

Presented to

**City of Annapolis
Maryland**

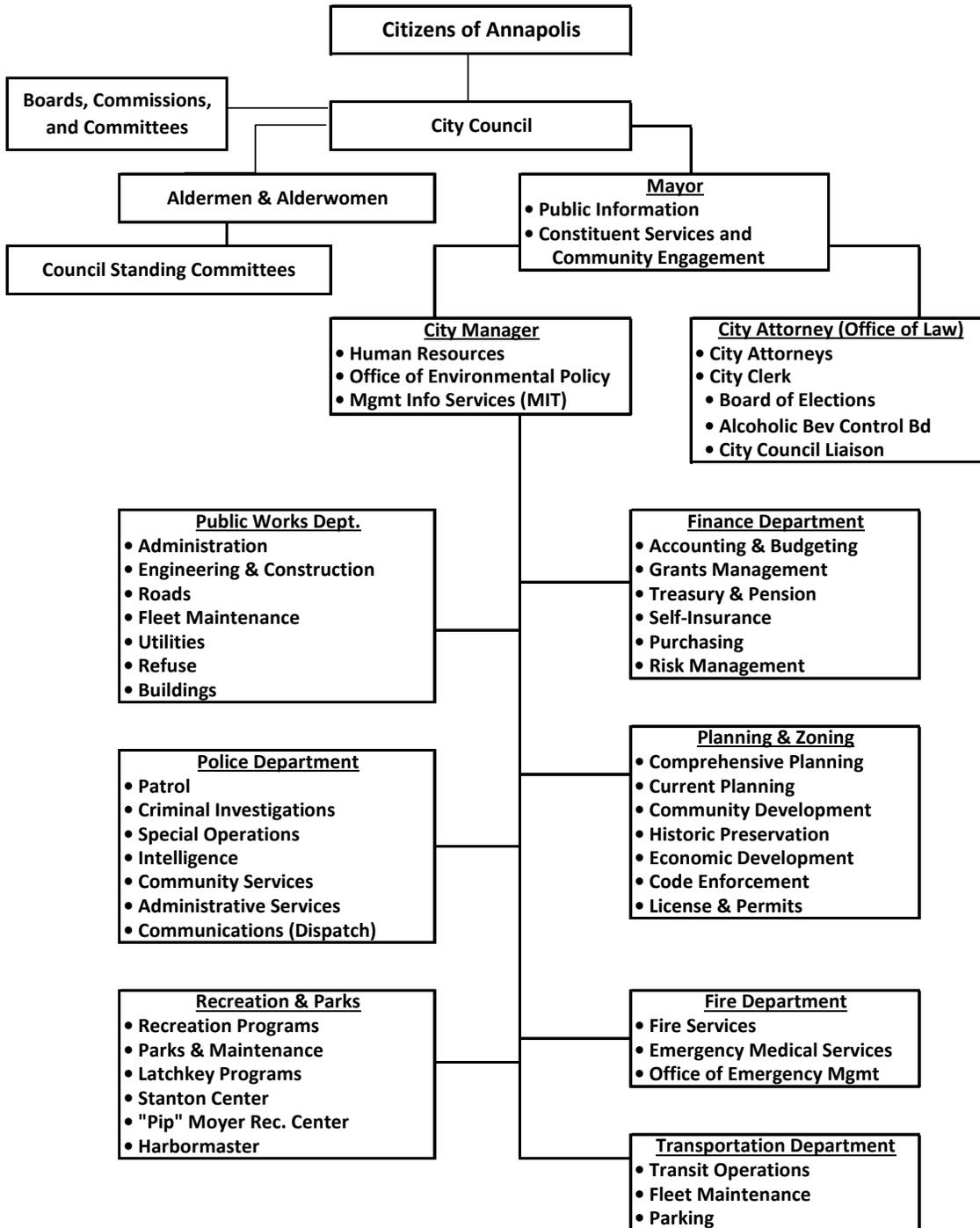
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morill

Executive Director/CEO

CITY OF ANNAPOLIS, MARYLAND ORGANIZATIONAL CHART



CITY OF ANNAPOLIS, MARYLAND

LIST OF PRINCIPAL OFFICIALS

City Council

Gavin Buckley, Mayor

Ward Aldermen and Alderwomen

- 1 Eleanor Tierney
- 2 Frederick M. Paone
- 3 Rhonda Pindell-Charles
- 4 Sheila M. Finlayson
- 5 Marc Rodriguez
- 6 DaJuan Gay
- 7 Robert Savidge
- 8 Ross H. Arnett, III

Management Team

<u>Title</u>	<u>Name</u>
City Manager	Teresa Sutherland, CPA
Finance Director	Jodee Dickinson, CPA
Director of Public Works	David Jarrell, P.E.
Director of Planning and Zoning	Sally Nash, (Acting)
Chief of Police	Edward C. Jackson
Fire Chief	Douglas Remaley
Director of Transportation	James E. (Rick) Gordon
Director of Recreation and Parks	Archie Trader
City Attorney	D. Michael Lyles, Esq.

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CITY OF ANNAPOLIS, MARYLAND



INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor, Alderman, Alderwomen and Citizens of the
City of Annapolis, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Annapolis, Maryland (the City), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary schedules of net pension liability, the other post-employment benefit plan, and budgetary information for the General fund as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and schedules, introductory section, and statistical section, listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

The Honorable Mayor, Alderman, Alderwomen and Citizens of the
City of Annapolis, Maryland

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2020, 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 result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Baltimore, Maryland
January 31, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS
(MD&A)



CITY OF ANNAPOLIS, MARYLAND

**CITY OF ANNAPOLIS, MARYLAND
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2019**

As management of the City of Annapolis (the City), we offer readers the City's basic financial statements. This narrative overview and analysis of the financial activities of the City is for the fiscal year ended June 30, 2019. 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 may be found on pages 1-4 of this report.

Financial Highlights

- The net position of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$56,587,976 (*net position*) an increase of \$8,717,338. Governmental activities saw an increase of \$2,199,879 and business-type activities saw an increase of \$6,517,459.
- The City separated several restricted activities from its General Fund as nonmajor governmental funds, including funds that track grants, Community Legacy funds, police seizures, sprinkler loans, reforestation fees, cable fees, and housing assistance. All of these sources are restricted for a particular purpose. Additionally, the City separated public works' fleet operations and fleet replacement activities from the General Fund into internal service funds and separated the self-insurance activities into two internal service funds: self-insurance and health insurance.
- As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$35,592,041, a net decrease of \$1,118,743 in comparison with the prior year. The General Fund decreased by \$5.6 million because of the separation of restricted sources as noted above, and sent \$5.9 million of General Fund reserves to capital projects. This decrease was offset by similar increases in the Capital Project Fund and the nonmajor funds.
- The decrease in the governmental fund balances was relatively small; however, the City drew down a substantial amount of its unspent bond proceeds during fiscal year 2019. The restricted cash decreased from \$21.7 million to \$9.1 million. This draw resulted in a decrease in the interfund payable from the capital projects fund from \$14.2 million to \$1.2 million.
- Governmental activities debt increased \$253,365 and business-type debt decreased by \$344,927. The City did not issue any new bonds in fiscal year 2019 and paid approximately \$5 million of principal on its governmental activities debt and \$3.1 million on business-type debt. This pay down was offset by an equipment loan of \$5.5 million that the City is using to purchase vehicles for police, fire, and public works. The City also drew down on its BANS line of credit of \$468,605. The City also drew the remaining \$2.2 million from its State loan for Water plant improvements.
- The City's triennial real property assessment took effect for fiscal year 2019. A 9% increase in assessed values is being phased in over fiscal years 2019, 2020, and 2021. This increase, coupled with a Council approved tax rate increase from \$.65 per \$100 of assessed value to \$.74 per \$100, which was the primary reason for the \$7 million increase in property taxes. The City's portion of State income taxes declined by \$1.8 million due to one-time capital gains income received in fiscal year 2018.
- The City's Fiduciary Funds (Benefit Trust Funds) increased by \$2,767,275. Benefits and expenses of \$15.2 million offset contributions and subsidies totaling \$8.5 million, and investment income of \$9.5 million.

**CITY OF ANNAPOLIS, MARYLAND
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2019**

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 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.

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 Position* presents information on all of the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as *net position*. Over time increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Consequently, 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, land use, public safety, public works, community services, and community development. The business-type activities of the City include the water and sewer utilities, parking facilities, transportation, watershed restoration, 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 may be found on pages 22-23 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 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for 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.

**CITY OF ANNAPOLIS, MARYLAND
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2019**

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 now maintains ten 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 and Capital Projects Fund, both of which are considered to be major funds, and five smaller special revenue and three capital projects funds, which is considered to be nonmajor funds.

The City adopts annual operating and capital budgets. A budgetary comparison statement for the General Fund has been provided in the required supplementary information to demonstrate compliance with this budget.

The Governmental Fund Financial Statements may found on pages 24-27 of this report.

Proprietary Funds

The City maintains ten different 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 sewer utilities, water utilities, parking facilities, transportation, watershed restoration, and refuse collection services. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally for the City's self-insurance, health insurance, fleet operations, and fleet replacement 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 four of six enterprise funds, which are considered to be major funds of the City, and the remaining two funds are combined into a single, aggregated presentation. Individual fund data for the enterprise funds is provided in the form of *combining statements* later in this report. The internal service funds are presented in the proprietary fund financial statements in a combined column and individual fund data for these four funds are provided as combining statements later in this report. The proprietary fund financial statements may be found on pages 28-30 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 fiduciary funds to account for the police and fire pension plan and other postemployment benefit plan. The fiduciary fund financial statements may be found on pages 31-32 of this report. Individual statements for pension and OPEB trust funds are provided as combining statements later in this report.

**CITY OF ANNAPOLIS, MARYLAND
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2019**

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 33-72 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 and other postemployment benefits to retirees. Required supplementary information may be found on pages 73-79 of this report.

The combining statements for the nonmajor enterprise funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules may be found on pages 80-108 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$56,587,976 at the close of the most recent fiscal year. The table on the following page presents a condensed statement of net assets for the City.

The largest portion of the City's net position reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any outstanding related debt used to acquire those assets. 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.

Restricted net assets include grants, other restricted resources, unused bonds proceeds restricted for capital improvements, and the City's reserve funds for capital improvements and budget stabilization.

The balance of *unrestricted net position* normally may be used to meet the City's ongoing obligations to citizens and creditors. However, the unrestricted portion of net position has a significant negative balance due to the unfunded net pension liability (NPL) and the NPL for other post-employment benefits (OPEB) as required by GASB 75. The City has begun fully funding the annually determined contribution (ADC) for pension in fiscal year 2019 and is increasing the contributions for OPEB. These measures should decrease this deficit in the future.

The net position for governmental activities increased by \$2.2 million and business-type activities increased \$6.5 million.

As shown below the City's revenues from governmental activities decreased by \$607,395 from fiscal year 2018 to 2019. Increases of \$7 million from the property reassessment and the increase in the property tax rate was offset by decreases in State income taxes of \$1.8 million; a \$1.5 million Program Open Space grant received in fiscal year 2018, and not in 2019; and decreases in Charges for Services Revenues from business-type activities decreased \$683,409.

**CITY OF ANNAPOLIS, MARYLAND
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2019**

City expenses increased by \$5,975,708 in fiscal year 2019. An \$8,271,167 increase in governmental activities expense was primarily caused by increases in pay for employees and increases in the police and fire pension contribution rate from 18% to 20%. Also, the administrative charges from the General Fund to the Enterprise Funds decreased from fiscal year 2018 (\$5.1 million) to 2019 (\$1.9 million) because the City revised its indirect cost allocation to better reflect the use of administrative services. Since these reimbursements are credited against expenses in governmental activities, the expenses if fiscal 2018 would be reduced by \$5.1 million and fiscal year 2019 were reduced by \$1.9 million.

City of Annapolis - Net Position

	Governmental Activities		Business-type Activities		Total	
	FY2019	FY2018	FY2019	FY2018	FY2019	FY2018
Current assets	\$ 59,057,558	\$ 51,130,764	\$ 36,403,998	\$ 33,568,832	\$ 95,461,556	\$ 84,699,596
Noncurrent assets:						
Restricted water and sewer capital facility assessments	-	-	5,773,366	6,111,492	5,773,366	6,111,492
Net capital assets	119,318,765	116,480,039	105,105,550	104,099,750	224,424,315	220,579,789
Total noncurrent assets	119,318,765	116,480,039	110,878,916	110,211,242	230,197,681	226,691,281
Total assets	178,376,323	167,610,803	147,282,914	143,780,074	325,659,237	311,390,877
Deferred outflows of resources	13,337,323	11,777,421	3,494,838	3,902,577	16,832,161	15,679,998
Current liabilities	18,114,737	13,469,368	7,142,886	10,090,145	25,257,623	23,559,513
Noncurrent liabilities	162,123,782	156,283,311	91,487,825	92,008,544	253,611,607	248,291,855
Total liabilities	180,238,519	169,752,679	98,630,711	102,098,689	278,869,230	271,851,368
Deferred inflows of resources	6,120,079	6,480,376	914,113	868,493	7,034,192	7,348,869
Net position						
Net investment in capital	54,420,461	64,772,139	23,418,155	39,278,976	77,838,616	104,051,115
Restricted	18,375,822	13,281,052	7,937,912	14,601,654	26,313,734	27,882,706
Unrestricted	(67,441,235)	(74,898,022)	19,876,861	(9,165,161)	(47,564,374)	(84,063,183)
Total net position	\$ 5,355,048	\$ 3,155,169	\$ 51,232,928	\$ 44,715,469	\$ 56,587,976	\$ 47,870,638

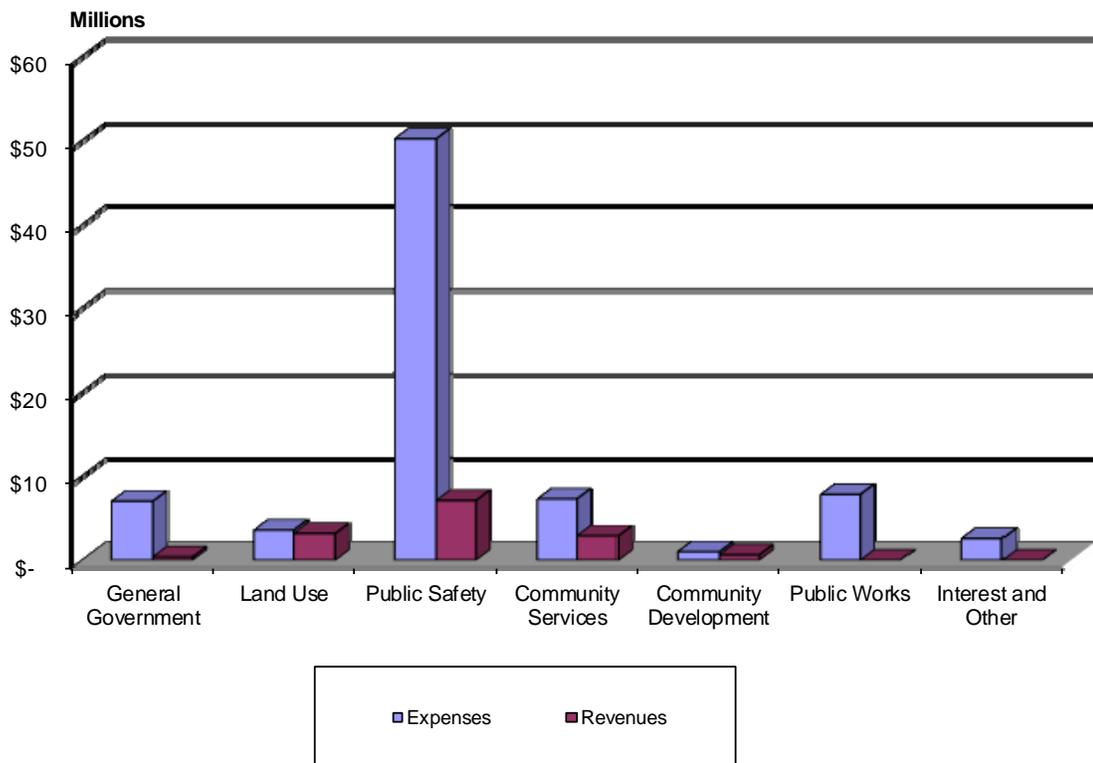
**City of Annapolis
Changes in Net Position**

	Governmental Activities		Business-type Activities		Total	
	FY2019	FY2018	FY2019	FY2018	FY2019	FY2018
Revenues:						
Program revenues:						
Charges for services	\$ 9,597,771	\$ 12,413,184	\$ 27,624,072	\$ 28,729,774	\$ 37,221,843	\$ 41,142,958
Operating grants and contributions	4,430,574	5,691,722	2,417,750	1,795,402	6,848,324	7,487,124
Capital grants and contributions	232,931	395,870	817,684	1,887,568	1,050,615	2,283,438
General revenues:						
Property and other taxes	64,710,792	59,973,687	-	-	64,710,792	59,973,687
Shared State taxes and other	2,636,678	3,741,678	1,291,838	422,009	3,928,516	4,163,687
Total revenues	81,608,746	82,216,141	32,151,344	32,834,753	113,760,090	115,050,894
Expenses:						
General government	6,935,024	3,436,940	-	-	6,935,024	3,436,940
Land use	3,647,947	3,795,364	-	-	3,647,947	3,795,364
Public safety	50,200,162	44,379,756	-	-	50,200,162	44,379,756
Community services	7,214,250	5,602,536	-	-	7,214,250	5,602,536
Community development	1,029,253	610,568	-	-	1,029,253	610,568
Public works	7,749,771	10,684,076	-	-	7,749,771	10,684,076
Interest	2,632,460	2,628,460	-	-	2,632,460	2,628,460
Sewer	-	-	7,474,122	8,010,034	7,474,122	8,010,034
Water	-	-	5,857,262	5,281,429	5,857,262	5,281,429
Off street parking	-	-	4,768,154	4,922,237	4,768,154	4,922,237
Transportation	-	-	5,148,923	6,326,514	5,148,923	6,326,514
Watershed Restoration	-	-	631,403	967,676	631,403	967,676
Refuse	-	-	1,754,021	2,420,454	1,754,021	2,420,454
Total expenses	79,408,867	71,137,700	25,633,885	27,928,344	105,042,752	99,066,044
Changes in net position	2,199,879	11,078,441	6,517,459	4,906,409	8,717,338	15,984,850
Net position at beginning of year	3,155,169	(7,923,272)	44,715,469	39,809,060	47,870,638	31,885,788
Net position at end of year	\$ 5,355,048	\$ 3,155,169	\$ 51,232,928	\$ 44,715,469	\$ 56,587,976	\$ 47,870,638

**CITY OF ANNAPOLIS, MARYLAND
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2019**

The graph below compares the expenses within the functions of the City's governmental activities to the program revenues earned within each function. Program revenues are fees, charges, and grants that offset the cost of those functions. Functions that are not supported by program revenues are supported by the City's general revenues, such as property and state shared taxes, interest earnings, and other revenue. As the graph shows, the City's public safety and public works functions are heavily supported by general revenues.

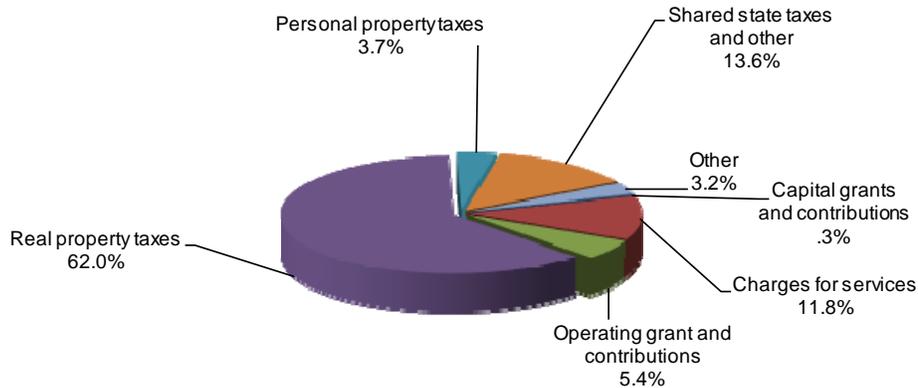
**Expenses and Program Revenues - Governmental Activities
For the year ended June 30, 2019**



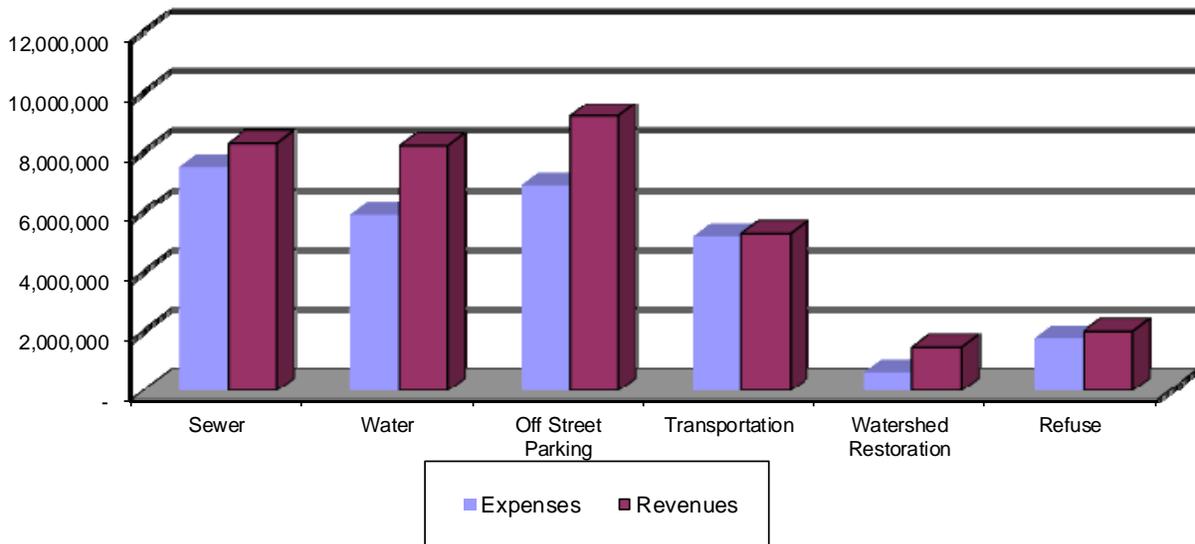
**CITY OF ANNAPOLIS, MARYLAND
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2019**

**Revenues by Source - Governmental Activities
For the year ended June 30, 2019**

The pie chart below shows that property, state shared, and local taxes make up 72.9% of the revenues within the governmental activities compared to 73.8% in the prior year.



**Expenses and Program Revenues - Business-type Activities
For the year ended June 30, 2019**

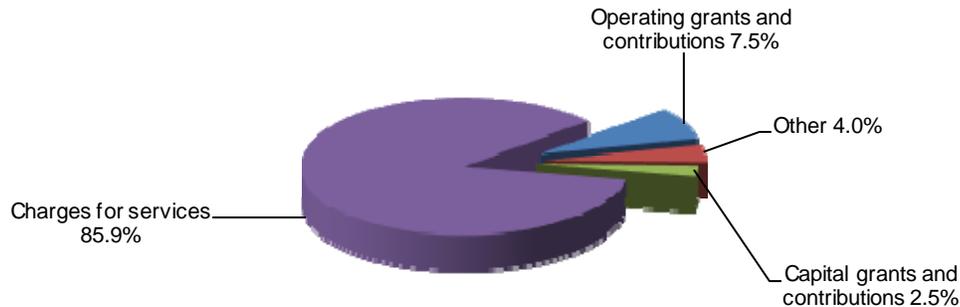


The chart above shows that program revenue in all of the enterprise funds exceeded the operational costs. Finally, the Transportation Fund spends more than the fees raised. The City's policy is to use surplus from the parking activities to offset the costs of the City's transit operations. The revenues in the Transportation Fund include a \$2.1 million subsidy from Off Street Parking.

The pie chart below shows that fees charged for services make up 85.9% of the revenues within the business-type activities compared to 87.5% in the prior year.

**CITY OF ANNAPOLIS, MARYLAND
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2019**

**Revenues by Source - Business-type Activities
For the year ended June 30, 2019**



Financial Analysis of the Government's Funds

The City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The following discussion highlights the significant activity in these funds.

Governmental Funds

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

At the end of fiscal year 2019, the City's governmental funds reported a combined ending fund balance of \$35,592,041, a net decrease of \$1,118,743. The fund balance has been restricted for public safety, community services, land use, and capital projects totaling \$10,617,480. The City has also restricted \$4,686,903 in a capital reserve and \$3,071,439 in a budget stabilization reserve. The nonspendable portion for inventories and other prepaid items is \$59,128.

Finally, the City has assigned fund balance of \$434,883 for encumbrances outstanding at the end of fiscal 2019 and set aside \$2,383,539 for contingencies and other one-time purposes as required by the City's fund balance policy. Of the amount for one-time purposes, \$521,000 was allotted for specific uses in the FY2020 budget and the remainder of \$1,862,539 is available.

Resolution 9-15 created the Budget Stabilization (BSF) and a Capital Reserve Fund (CRF) as restricted fund balance. A one-time contribution of \$5 million to the CRF and 50% of General Fund excess of revenues over expenditures built the balance in the CRF to the FY2018 total of \$7,695,663. The City used some of the CRF for capital projects during FY2019 and added excess from FY2019 activity, resulting in \$4,686,908 at the end of FY2019. The BSF currently exceeds the cap of \$2,867,734, thus additional contributions are prohibited.

The General Fund is the chief operating fund of the City, and its fund balance decreased by \$5,646,290 during the current fiscal year, primarily due to the transfer of restricted balances to separate funds and the use of the CRF. At the end of the current fiscal year, the unassigned fund balance of the General Fund accounted for \$14,338,669 of the total fund balance of \$29,984,369. As a measure of the General Fund's liquidity, it may be useful to compare both unrestricted fund balance and total fund

**CITY OF ANNAPOLIS, MARYLAND
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2019**

balance to total fund expenditures. Unassigned fund balance represents 20.0% of total General Fund expenditures, while total fund balance represents 34% of that same amount.

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 increase in net position of the six enterprise funds was \$6,517,461 with an ending balance of \$51,232,928. The net position that has been restricted for debt service in the amount of \$5,004,162, restricted for capital projects in the amount of \$2,933,750 and net investment in capital assets of \$26,013,958, leaving an unrestricted net position of \$17,232,928. The City has reduced the restricted cash balances by utilizing available bonds proceeds for capital spending with no additional debt issue.

The Off Street Parking and Transportation funds have significant balances due to the General Fund of \$2,049,459 and \$827,200, respectively. These balances compare to the prior year balances of \$4,172,726 and \$1,002,536. Thus, these funds have paid off some of this balance during fiscal year 2019. The Off Street Parking Fund provided a \$2.1 million subsidy to the Transportation Fund during fiscal year 2019.

General Fund Budgetary Highlights

The difference between the original General Fund operating budget and the Final Amended General Fund budget was an increase of \$2,839,045. The City approved supplemental allocations during fiscal 2019 due to additional grants, General Fund transfers, and other unplanned revenue. The City's General Fund spent \$3,791,147 less than its total budget appropriations. Only the Building & Maintenance division of Public Works overspent its budget by a total of \$18,506 due to electricity costs. See Required Supplementary Information for more details of the General Fund's budget performance.

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, 2019 is \$224,424,315, net of accumulated depreciation, an increase of \$3.8 million from the prior year. Water plant improvements were completed during FY2019 causing most of the \$34.5 million increase to the Improvements/Infrastructure category, offset by a \$31.7 million decrease in Construction in Progress. The capital projects include ongoing infrastructure projects, City facility improvements, vehicle replacements, and major improvements and upgrades to the water and sewer facilities. Additional information on the City's capital assets can be found in note 4 on pages 45-46 of this report.

**CITY OF ANNAPOLIS, MARYLAND
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2019**

**City of Annapolis Capital Assets
(Net of Depreciation)**

	Governmental Activities		Business-Type Activities		Total	
	FY2019	FY2018	FY2019	FY2018	FY2019	FY2018
Land	\$ 5,712,671	\$ 5,670,593	\$ 3,231,341	\$ 3,231,341	\$ 8,944,012	\$ 8,901,934
Buildings	30,893,491	31,794,433	28,404,431	29,798,901	59,297,922	61,593,334
Improvements/infrastructure other than buildings	56,239,097	54,148,604	55,570,183	21,016,802	111,809,280	75,165,406
Equipment	4,427,032	3,644,152	745,962	695,596	5,172,994	4,339,748
Construction in progress	22,046,474	21,222,257	17,153,633	49,357,110	39,200,107	70,579,367
Total	<u>\$ 119,318,765</u>	<u>\$ 116,480,039</u>	<u>\$ 105,105,550</u>	<u>\$ 104,099,750</u>	<u>\$ 224,424,315</u>	<u>\$ 220,579,789</u>

Long-Term Debt

At the end of the current fiscal year, the City had total general and revenue bonded debt outstanding of \$126,837,998, excluding premium and refunding losses. At June 30, 2019, other debt outstanding included \$5,487,764 for an equipment loan, \$25,662,143 for a State of Maryland loan, and \$685,595 for a short term bond anticipation note. The City used proceeds from previous bond issues and the related premiums and interest to fund its capital projects during FY2019. However, the City entered into an equipment loan to fund vehicle replacement and provide take-home vehicles to police officers. In FY2019 the City borrowed \$5.5 million on this loan, borrowed a 2nd tranche of \$2.4 million in FY2020 and plans a 3rd tranche in FY2021 of \$575,000. Repayment terms are structured based on the lives of the related assets.

**City of Annapolis
Outstanding Debt net of Premiums and Refunding Losses**

	Governmental Activities		Business-type Activities		Total	
	FY2019	FY2018	FY2019	FY2018	FY2019	FY2018
General obligation & revenue bonds	\$ 67,588,505	\$ 72,609,720	\$ 59,249,493	\$ 62,356,606	\$ 126,837,998	\$ 134,966,326
Bond anticipation notes	607,476	216,990	78,119	-	685,595	216,990
Equipment loan	5,487,764	-	-	-	5,487,764	-
Maryland Water Quality Loan	-	-	25,662,143	23,457,406	25,662,143	23,457,406
Total	<u>\$ 73,683,745</u>	<u>\$ 72,826,710</u>	<u>\$ 84,989,755</u>	<u>\$ 85,814,012</u>	<u>\$ 158,673,500</u>	<u>\$ 158,640,722</u>

The City's net total debt decreased by \$91,562 (.06%) during the current fiscal year. The City issued bond anticipation notes in the form of a line of credit during fiscal year 2018, drew \$216,990 on the line of credit in fiscal year 2018, and \$468,605 during fiscal year 2019. The City also borrowed \$5,487,764 for an equipment loan. The BANS draw, the new equipment loan, and the continued payment of existing debt, resulted in little change in the City's debt balance from 2018 to 2019.

The City maintains ratings of "AA+" from Fitch and Standard & Poor's, and "Aa2" from Moody's for its bonds. Additional information on the City's long-term debt can be found in note 5 on pages 47-51 of this report.

**CITY OF ANNAPOLIS, MARYLAND
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2019**

Economic Factors and Next Year's Budgets and Rates

The City's unemployment rate is currently 2.6%, a decrease from the rate of 3.2% a year ago. This compares favorably to the state's average unemployment rate of 3.6% and the national average rate of 3.5%. Inflationary trends in the region compare favorably to national rates based on information obtained from the U.S. Bureau of Labor Statistics.

The City's triennial real property assessment resulted in a 9% growth in assessed values and will affect fiscal years 2019-2021. That increase, coupled with the \$.09 increase in fiscal year 2019 tax rate, will allow the City to maintain service levels and provide for new union contract provisions.

The focus for fiscal year 2020 will be on fully funding pension liabilities; additional funding for OPEB liabilities; adherence to debt and fund balance policies; sale of long term bonds to liquidate the short term BANS line of credit and provide for capital funding for water and sewer projects; providing for four-year union contracts established in the spring of 2018; and addressing the City's backlog of vehicle replacements.

The City is pursuing financing options with private partners to fund capital improvements, including replacement of the Hillman Parking Garage and improvements to the City Dock. City management is also developing a plan to make Annapolis resilient against the effects of climate change and other factors.

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.

FINANCIAL SECTION



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CITY OF ANNAPOLIS, MARYLAND

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**



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CITY OF ANNAPOLIS, MARYLAND

CITY OF ANNAPOLIS, MARYLAND
STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 38,573,124	\$ 24,610,780	\$ 63,183,904
Cash and cash equivalents - restricted	11,509,304	9,200,348	20,709,652
Receivables, net of allowances	2,977,873	5,013,033	7,990,906
Internal balances	2,876,659	(2,876,659)	-
Inventories	120,273	456,496	576,769
Prepaid items	3,000,325	-	3,000,325
Total Current Assets	<u>59,057,558</u>	<u>36,403,998</u>	<u>95,461,556</u>
Non-current Assets:			
Restricted water and sewer capital facility assessments	-	5,773,366	5,773,366
Capital assets (net of accumulated depreciation)	119,318,765	105,105,550	224,424,315
Total Non-current Assets	<u>119,318,765</u>	<u>110,878,916</u>	<u>230,197,681</u>
Total Assets	<u>178,376,323</u>	<u>147,282,914</u>	<u>325,659,237</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred outflows related to pensions	11,569,321	898,035	12,467,356
Deferred outflows related to OPEB	989,745	125,755	1,115,500
Deferred loss on refunding	778,257	2,471,048	3,249,305
Total deferred outflow of resources	<u>13,337,323</u>	<u>3,494,838</u>	<u>16,832,161</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	2,863,462	1,688,946	4,552,408
Accrued payables and other liabilities	2,632,260	614,280	3,246,540
Customer deposits	8,000	-	8,000
Compensated absences	1,432,224	324,972	1,757,196
Unearned revenue	95,561	83,514	179,075
Escrowed funds	679,474	129,440	808,914
Accrued Interest	1,084,464	1,032,092	2,116,556
Current portion of claims	2,229,941	-	2,229,941
Current portion long-term debt	7,089,352	3,269,642	10,358,994
Total Current Liabilities	<u>18,114,738</u>	<u>7,142,886</u>	<u>25,257,624</u>
Non-current Liabilities:			
OPEB liability	42,402,564	5,387,560	47,790,124
Accrued self insurance costs, net of current portion	4,648,780	-	4,648,780
City pension liability - State pension system	11,686,318	3,896,799	15,583,117
Police & Fire pension liability	34,067,864	-	34,067,864
Long-term debt, net of current portion	69,318,255	82,203,466	151,521,721
Total Non-current Liabilities	<u>162,123,781</u>	<u>91,487,825</u>	<u>253,611,606</u>
Total Liabilities	<u>180,238,519</u>	<u>98,630,711</u>	<u>278,869,230</u>
DEFERRED INFLOW OF RESOURCES			
Deferred inflows related to pensions	3,110,298	531,698	3,641,996
Deferred inflows related to OPEB	3,009,781	382,415	3,392,196
Total deferred inflow of resources	<u>6,120,079</u>	<u>914,113</u>	<u>7,034,192</u>
NET POSITION			
Net investment in capital assets	55,198,718	26,013,958	81,212,676
Restricted for:			
Debt service	-	5,004,162	5,004,162
Capital projects	7,579,330	3,632,850	11,212,180
Land Use	1,750,811	-	1,750,811
Public Safety	1,209,856	-	1,209,856
Community services	77,483	-	77,483
Capital reserve fund	4,686,903	-	4,686,903
Budget stabilization fund	3,071,439	-	3,071,439
Unrestricted	(68,219,492)	16,581,958	(51,637,534)
Total net position	<u>\$ 5,355,048</u>	<u>\$ 51,232,928</u>	<u>\$ 56,587,976</u>

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

FUND FINANCIAL STATEMENTS



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CITY OF ANNAPOLIS, MARYLAND

**CITY OF ANNAPOLIS, MARYLAND
BALANCE SHEETS
GOVERNMENTAL FUNDS
JUNE 30, 2019**

	General	Capital Projects	Non-Major Governmental Funds	Totals
ASSETS				
Cash and cash equivalents	\$ 23,612,643	\$ -	\$ 2,570,441	\$ 26,183,084
Cash and cash equivalents - restricted	-	9,126,605	-	9,126,605
Receivables, net of allowances	1,669,100	-	1,286,240	2,955,340
Due from other funds	4,100,553	-	-	4,100,553
Inventories	50,956	-	-	50,956
Prepaid items	8,172	-	-	8,172
Total assets	<u>\$ 29,441,424</u>	<u>\$ 9,126,605</u>	<u>\$ 3,856,681</u>	<u>\$ 42,424,710</u>
LIABILITIES				
Accounts payable	\$ 1,754,023	\$ 739,345	\$ 235,950	\$ 2,729,318
Accrued expenses and other liabilities	1,714,134	21,513	124,171	1,859,818
Customer deposits	8,000	-	-	8,000
Due to General Fund	-	1,178,357	45,537	1,223,894
Unearned revenue	64,820	-	30,741	95,561
Escrowed funds	679,474	-	-	679,474
Total liabilities	<u>4,220,451</u>	<u>1,939,215</u>	<u>436,399</u>	<u>6,596,065</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	236,604	-	-	236,604
Total deferred inflows of resources	<u>236,604</u>	<u>-</u>	<u>-</u>	<u>236,604</u>
FUND BALANCE				
Non Spendable				
Inventories and prepaid items	59,128	-	-	59,128
Restricted for:				
Public Safety	-	-	1,209,856	1,209,856
Community Services	9,808	-	1,741,003	1,750,811
Land Use	-	-	77,483	77,483
Capital Projects	-	7,187,390	391,940	7,579,330
Capital Reserve Fund	4,686,903	-	-	4,686,903
Budget Stabilization Fund	3,071,439	-	-	3,071,439
Assigned for:				
Encumbrances				
General Government	81,375	-	-	81,375
Land Use and Permits	162,788	-	-	162,788
Public Safety	167,381	-	-	167,381
Public Works	1,164	-	-	1,164
Community services	22,175	-	-	22,175
Other	2,383,539	-	-	2,383,539
Unassigned	14,338,669	-	-	14,338,669
Total fund balances	<u>24,984,369</u>	<u>7,187,390</u>	<u>3,420,282</u>	<u>35,592,041</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 29,441,424</u>	<u>\$ 9,126,605</u>	<u>\$ 3,856,681</u>	<u>\$ 42,424,710</u>

See accompanying Notes to the Financial Statements.

CITY OF ANNAPOLIS, MARYLAND
RECONCILIATION OF THE BALANCE SHEETS OF THE GOVERNMENTAL FUNDS
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2019

Total Governmental Fund Balances		\$ 35,592,041
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.		118,499,668
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		236,604
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(1,432,224)	
Accrued interest	(1,084,464)	
OPEB	(41,748,442)	
Net pension liability	<u>(45,281,060)</u>	(89,546,190)
Long-term liabilities related to bonds payable are not due and payable in the current period and, therefore, are not reported in the funds.		
General obligation debt	(70,919,842)	
Loss on refunding deferred outflow	<u>778,257</u>	(70,141,585)
The net effect of the deferred outflows and deferred inflows of resources recorded in conjunction with the recognition of the pension liability is shown in the governmental activities but not included in the governmental statements.		8,414,546
The net effect of the deferred outflows and deferred inflows of resources recorded in conjunction with the recognition of the OPEB liability is shown in the governmental activities but not included in the governmental statements.		(1,988,874)
Internal service funds are used by management to charge the costs of self insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		<u>4,288,838</u>
Net position of Governmental Activities		<u>\$ 5,355,048</u>

CITY OF ANNAPOLIS, MARYLAND
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019

	General	Capital Projects	Non-Major Governmental Funds	Totals
Revenues				
Property taxes	\$ 53,646,314	\$ -	\$ -	\$ 53,646,314
Licenses and permits	3,132,235	-	-	3,132,235
Fines and forfeitures	356,145	-	-	356,145
Money and property	1,567,977	-	-	1,567,977
Intergovernmental	11,334,656	-	4,157,708	15,492,364
Charges for services	5,818,648	-	86,901	5,905,549
Other revenue	944,443	-	452,818	1,397,261
Interest Income	-	146,572	-	146,572
Total revenues	<u>76,800,418</u>	<u>146,572</u>	<u>4,697,427</u>	<u>81,644,417</u>
Expenditures				
Current:				
General Government	7,339,130	-	-	7,339,130
Land Use and Permits	4,114,944	-	12,301	4,127,245
Public Safety	40,271,930	-	3,966,226	44,238,156
Community Services	5,137,931	-	306,767	5,444,698
Community Development	329,200	-	-	329,200
Public Works	8,265,142	-	-	8,265,142
Debt service:				
Principal	5,009,765	-	-	5,009,765
Interest	2,738,461	-	-	2,738,461
Capital Outlays	405,790	5,075,422	180,637	5,661,849
Total expenditures	<u>73,612,293</u>	<u>5,075,422</u>	<u>4,465,931</u>	<u>83,153,646</u>
Excess (deficiency) of revenues over expenditures	<u>3,188,125</u>	<u>(4,928,850)</u>	<u>231,496</u>	<u>(1,509,229)</u>
Issuance of bond anticipation notes	100,000	290,486	-	390,486
Transfers in	880,754	5,942,029	4,096,946	10,919,729
Transfers out	(9,815,169)	-	(1,104,560)	(10,919,729)
Total other financing sources (uses)	<u>(8,834,415)</u>	<u>6,232,515</u>	<u>2,992,386</u>	<u>390,486</u>
Net change in fund balance	<u>(5,646,290)</u>	<u>1,303,665</u>	<u>3,223,882</u>	<u>(1,118,743)</u>
Fund balance at beginning of year	<u>30,630,659</u>	<u>5,883,725</u>	<u>196,400</u>	<u>36,710,784</u>
Fund balance at end of year	<u>\$ 24,984,369</u>	<u>\$ 7,187,390</u>	<u>\$ 3,420,282</u>	<u>\$ 35,592,041</u>

See accompanying Notes to the Financial Statements.

**CITY OF ANNAPOLIS, MARYLAND
RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019**

Net Change in Fund Balance - Total Governmental Funds \$ (1,118,743)

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 and loss on disposal in the current period.

Capital Outlay	5,552,093	
Depreciation Expense	<u>(3,505,667)</u>	2,046,426

In the statement of activities, only the gain or loss on capital assets is reported. However, in the governmental funds, all proceeds or losses are reported as financial resources. Thus, the change in net position differs from the change in fund balance by the value of disposed capital assets. (26,800)

Some revenues will not be collected for several months after the fiscal year ends. As such these revenues are not considered "available" and are deferred in the governmental funds. Deferred inflows increased this year. (35,671)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Debt issued or incurred:		
Bond anticipation note	(390,486)	
Amortization of premium	603,670	
Amortization of loss on refunding	(472,727)	
Principal repayments		
General obligation bonds	<u>5,021,215</u>	4,761,672

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.

Increase in compensated absences	(432,263)	
Increase in accrued interest payable	<u>(24,941)</u>	(457,204)

Long-term liabilities for pension and OPEB are presented in the government-wide statements but are not in the governmental fund statements.

Net effect of the expenses for recording pension liability from employee retirement plans.	(5,180,199)	
Net effect of the expenses for recording OPEB liability from the other post-employee benefit plan.	(485,060)	

Internal service fund is used by management to charge the costs of self insurance to individual funds.

The net expense of this internal service fund is reported with governmental-wide activities but not in the governmental funds.		2,695,458
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Change in Net Position of Governmental Activities		<u>\$ 2,199,879</u>
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**PROPRIETARY FUND
FINANCIAL STATEMENTS**



***CITY OF
ANNAPOLIS,
MARYLAND***

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CITY OF ANNAPOLIS, MARYLAND

CITY OF ANNAPOLIS, MARYLAND
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2019

	Business-Type Activities					Total	Governmental
	Sewer Fund	Water Fund	Off Street Parking Fund	Transportation Fund	Non-Major Enterprise Funds		Internal Service Funds
ASSETS							
Current Assets:							
Cash and cash equivalents	\$ 4,400,328	\$13,061,572	\$ 3,000	\$ 50	\$ 7,145,830	\$ \$ 24,610,780	\$ 12,390,040
Cash and cash equivalents - restricted	4,600,174	4,600,174	-	-	-	9,200,348	2,382,699
Accounts receivable:							
Service charges and penalties	1,783,202	1,591,015	627,566	289,539	721,711	5,013,033	-
Capital and other charges	-	-	-	-	-	-	22,533
Total accounts receivable, net	1,783,202	1,591,015	627,566	289,539	721,711	5,013,033	22,533
Inventories	-	343,930	-	112,566	-	456,496	69,317
Prepaid expenses	-	-	-	-	-	-	2,992,153
Total Current Assets	10,783,704	19,596,691	630,566	402,155	7,867,541	39,280,657	17,856,742
Noncurrent Assets:							
Restricted water and sewer capital facility assessments	2,837,764	2,935,602	-	-	-	5,773,366	-
Net capital assets	17,482,370	56,050,873	27,181,984	2,811,985	1,578,338	105,105,550	819,097
Total Noncurrent Assets	20,320,134	58,986,475	27,181,984	2,811,985	1,578,338	110,878,916	819,097
Total Assets	31,103,838	78,583,166	27,812,550	3,214,140	9,445,879	150,159,573	18,675,839
DEFERRED OUTFLOWS OF RESOURCES							
Deferred outflows related to pensions	108,901	246,664	7,818	446,085	88,567	898,035	109,033
Deferred outflows related to OPEB	15,250	34,541	1,095	62,467	12,402	125,755	15,268
Deferred loss on refunding	389,184	986,505	1,095,359	-	-	2,471,048	-
Total deferred outflows of resources	513,335	1,267,710	1,104,272	508,552	100,969	3,494,838	124,301
LIABILITIES							
Current Liabilities:							
Accounts payable	367,303	675,100	13,838	67,297	565,408	1,688,946	134,144
Accrued expenses and other liabilities	315,773	94,122	2,866	162,767	38,752	614,280	772,441
Accrued self insurance costs - current portion	-	-	-	-	-	-	2,229,941
Accrued Interest	179,924	551,003	294,614	1,476	5,075	1,032,092	-
Due to General Fund	-	-	2,049,459	827,200	-	2,876,659	-
Compensated absences-current portion	31,331	144,117	-	141,168	8,356	324,972	-
Unearned revenue	4,848	5,000	66,802	5,388	1,476	83,514	-
Escrowed funds	98,278	26,751	-	-	4,411	129,440	-
Current portion of long-term debt	311,201	1,638,908	1,265,001	1,150	53,382	3,269,642	609,182
Total Current Liabilities	1,308,658	3,135,001	3,692,580	1,206,446	676,860	10,019,545	3,745,708
Noncurrent Liabilities:							
Accrued self insurance costs, net of current portion	-	-	-	-	-	-	473,123
Net OPEB Liability	653,329	1,479,808	46,898	2,676,192	531,333	5,387,560	654,122
Net Pension Liability	472,550	1,070,339	33,921	1,935,678	384,311	3,896,799	473,123
Long-term debt, net of current portion	11,973,518	50,886,195	19,005,143	24,276	314,334	82,203,466	4,878,584
Total Noncurrent Liabilities	13,099,397	53,436,342	19,085,962	4,636,146	1,229,978	91,487,825	6,478,952
Total Liabilities	14,408,055	56,571,343	22,778,542	5,842,592	1,906,838	101,507,370	10,224,660
DEFERRED INFLOWS OF RESOURCES							
Deferred inflows related to pensions	64,477	146,042	4,628	264,114	52,437	531,698	64,555
Deferred inflows related to OPEB	46,374	105,038	3,329	189,959	37,715	382,415	46,430
Total deferred outflows of resources	110,851	251,080	7,957	454,073	90,152	531,698	64,555
NET POSITION							
Net investment in capital assets	7,620,431	6,266,001	8,085,317	2,786,560	1,255,649	26,013,958	(2,285,970)
Restricted for capital projects	-	1,939,462	-	51,269	1,642,119	3,632,850	-
Restricted for debt service	2,502,081	2,502,081	-	-	-	5,004,162	-
Unrestricted	6,975,755	12,320,909	(1,954,994)	(5,411,802)	4,652,090	16,581,958	6,574,808
Total net position	<u>\$17,098,267</u>	<u>\$23,028,453</u>	<u>\$ 6,130,323</u>	<u>\$ (2,573,973)</u>	<u>\$ 7,549,858</u>	<u>\$ 51,232,928</u>	<u>\$ 4,288,838</u>

See accompanying Notes to the Financial Statements.

CITY OF ANNAPOLIS, MARYLAND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2019

	Business-Type Activities					Governmental	
	Sewer Fund	Water Fund	Off Street Parking Fund	Transportation Fund	Non-Major Enterprise Funds	Total	Internal Service Funds Total
Operating revenues							
Charges for services	\$ 8,047,050	\$ 7,296,730	\$ 8,390,470	\$ 473,029	\$ 3,416,793	\$ 27,624,072	\$ 15,734,785
Grant income	-	-	-	2,417,750	-	2,417,750	-
Other	-	639,877	-	-	16,047	655,924	25,009
Total operating revenues	<u>8,047,050</u>	<u>7,936,607</u>	<u>8,390,470</u>	<u>2,890,779</u>	<u>3,432,840</u>	<u>30,697,746</u>	<u>15,759,794</u>
Operating expenses							
Salaries	975,941	2,269,472	55,719	3,973,087	437,066	7,711,285	2,037,960
Utilities	240,638	295,314	140,046	29,368	1,661	707,027	-
Repairs and maintenance	201,514	338,750	80,570	195,092	11,589	827,515	-
Materials and supplies	26,550	263,869	4,116	417,408	124,647	836,590	497,742
Contractual services	4,067,823	331,867	2,683,339	16,887	1,433,900	8,533,816	420,386
Administrative charge from General Fund	621,208	422,815	263,172	317,641	283,701	1,908,537	-
Depreciation	733,281	488,571	946,064	194,245	82,947	2,445,108	22,371
Claim payments	-	-	-	-	-	-	9,369,961
Other	3,000	4,853	-	3,518	935	12,306	1,030,077
Total operating expenses	<u>6,869,955</u>	<u>4,415,511</u>	<u>4,173,026</u>	<u>5,147,246</u>	<u>2,376,446</u>	<u>22,982,184</u>	<u>13,378,497</u>
Operating (loss) income	<u>1,177,095</u>	<u>3,521,096</u>	<u>4,217,444</u>	<u>(2,256,467)</u>	<u>1,056,394</u>	<u>7,715,562</u>	<u>2,381,297</u>
Non-operating revenues (expenses)							
Interest income and other	202,840	233,664	1,718	197,692	-	635,914	192,120
Interest expense	(604,167)	(1,441,749)	(595,128)	(1,677)	(8,978)	(2,651,699)	-
Bond Issuance Cost	-	-	-	-	-	-	(34,500)
Total non-operating revenues (expenses), net	<u>(401,327)</u>	<u>(1,208,085)</u>	<u>(593,410)</u>	<u>196,015</u>	<u>(8,978)</u>	<u>(2,015,785)</u>	<u>157,620</u>
Income (loss) before contributions and transfers	<u>775,768</u>	<u>2,313,011</u>	<u>3,624,034</u>	<u>(2,060,452)</u>	<u>1,047,416</u>	<u>5,699,777</u>	<u>2,538,917</u>
Capital contributions	-	-	770,000	47,684	-	817,684	156,541
Transfers in	-	-	-	2,100,000	-	2,100,000	-
Transfers out	-	-	(2,100,000)	-	-	(2,100,000)	-
Change in net position	775,768	2,313,011	2,294,034	87,232	1,047,416	6,517,461	2,695,458
Net position at beginning of year	16,322,499	20,715,442	3,836,289	(2,661,205)	6,502,442	44,715,467	1,593,380
Net position at end of year	<u>\$ 17,098,267</u>	<u>\$ 23,028,453</u>	<u>\$ 6,130,323</u>	<u>\$ (2,573,973)</u>	<u>\$ 7,549,858</u>	<u>\$ 51,232,928</u>	<u>\$ 4,288,838</u>

See accompanying Notes to the Financial Statements.

CITY OF ANNAPOLIS, MARYLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
JUNE 30, 2019

	Business-type Activities					Governmental	
	Sewer Fund	Water Fund	Off Street Parking Fund	Transportation Fund	Non-Major Enterprise Funds	Total	Internal Service Funds Total
Cash flows from operating activities							
Receipts from customers and users	\$ 8,442,129	\$ 7,232,876	\$ 8,629,328	\$ 452,264	\$ 3,369,921	\$ 28,126,518	\$ 15,857,723
Receipts from contributions and other sources	61,358	639,877	-	2,280,549	16,047	2,997,831	25,009
Payments to suppliers for goods and services	(4,663,660)	(1,010,608)	(2,909,902)	(720,017)	(1,398,487)	(10,702,674)	(9,135,279)
Payments to employees for services	(925,427)	(2,164,532)	(62,717)	(3,614,555)	(747,043)	(7,514,274)	(1,405,900)
Payments for interfund services uses	(641,210)	(446,815)	(263,172)	(317,641)	(288,701)	(1,957,539)	(884,744)
Net cash provided by (used for) operating activities	<u>2,273,190</u>	<u>4,250,798</u>	<u>5,393,537</u>	<u>(1,919,400)</u>	<u>951,737</u>	<u>10,949,862</u>	<u>4,456,809</u>
Cash flows from noncapital financing activities							
Effect of change from due from General Fund	-	-	(2,123,267)	(175,336)	-	(2,298,603)	-
Other nonoperating revenues	-	-	1,717	97,599	-	99,316	-
Transfer from other funds	-	-	-	-	-	-	1,446,931
Transfer to other funds	-	-	(2,100,000)	2,100,000	-	-	(1,446,931)
Net cash used for noncapital financing activities	<u>-</u>	<u>-</u>	<u>(4,221,550)</u>	<u>2,022,263</u>	<u>-</u>	<u>(2,199,287)</u>	<u>-</u>
Cash flows from capital and related financing activities							
Acquisition of capital assets	(1,063,877)	(5,084,186)	(10,510)	(148,557)	(523,825)	(6,830,955)	(3,075,022)
Proceeds from sale of capital assets	-	-	-	-	-	-	64,563
Proceeds from issuance of long term debt	-	3,158,797	-	-	-	3,158,797	5,487,766
Principal payments of long term debt	(285,330)	(1,520,125)	(649,265)	(1,096)	(50,429)	(2,506,245)	-
Capital grant proceeds	-	-	-	47,684	-	47,684	-
Interest	(464,935)	(1,321,708)	(574,634)	(894)	(15,168)	(2,377,339)	-
Bond issuance costs	-	-	-	-	-	-	(34,500)
Net cash provided by (used for) capital and related	<u>(1,814,142)</u>	<u>(4,767,222)</u>	<u>(1,234,409)</u>	<u>(102,863)</u>	<u>(589,422)</u>	<u>(8,508,058)</u>	<u>2,442,807</u>
Cash flows from investing activities:							
Interest received	<u>202,841</u>	<u>233,665</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>436,506</u>	<u>127,557</u>
Net cash provided by (used for) investing activities	<u>202,841</u>	<u>233,665</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>436,506</u>	<u>127,557</u>
Net increase (decrease) in cash and cash equivalents	661,889	(282,759)	(62,422)	-	362,315	679,023	7,027,173
Cash and cash equivalents at beginning of year	8,338,613	17,944,505	65,422	50	6,783,515	33,132,105	7,745,566
Cash and cash equivalents at end of year	<u>\$ 9,000,502</u>	<u>\$ 17,661,746</u>	<u>\$ 3,000</u>	<u>\$ 50</u>	<u>\$ 7,145,830</u>	<u>\$ 33,811,128</u>	<u>\$ 14,772,739</u>
Reconciliation of operating income (loss) to net cash							
provided by (used for) operating activities							
Operating income (loss)	\$ 1,177,095	\$ 3,521,096	\$ 4,217,444	\$ (2,256,467)	\$ 1,056,394	\$ 7,715,562	\$ 2,381,297
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:							
Depreciation	733,281	488,571	946,064	194,245	82,947	2,445,108	22,371
Capital Contributions	-	-	-	-	-	-	156,540
Effect of changes in non-cash operating assets and liabilities:							
Accounts receivable	225,237	(93,567)	174,568	(157,966)	(48,347)	99,925	122,938
Restricted cash	-	-	-	-	632	632	-
Restricted water and sewer capital facility assessments	168,236	169,890	-	-	-	338,126	-
Inventories	-	46,672	-	(4,139)	-	42,533	(82,632)
Accounts payable	49,444	(24,053)	(1,830)	(169,353)	166,315	20,523	75,936
Accrued expenses and other liabilities	(186,319)	7,279	127	(3,188)	2,045	(180,056)	(273,093)
Compensated absences	347	8	-	130,990	(26,496)	104,849	-
Unearned revenue	1,604	2,962	64,290	-	1,333	70,189	-
Escrowed funds	61,358	26,751	-	-	142	88,251	-
Deferred outflows	(43,766)	(99,924)	(2,134)	(196,164)	(4,125)	(346,113)	(136,439)
Net pension liability	73,756	170,044	1,490	365,771	(58,619)	552,442	473,123
Deferred inflows	32,712	74,867	1,361	150,522	(4,197)	255,265	136,439
Other post employment benefits	(19,795)	(39,798)	(7,843)	26,349	(216,287)	(257,374)	654,122
Claims payable	-	-	-	-	-	-	926,207
Total adjustments	<u>1,096,095</u>	<u>729,702</u>	<u>1,176,093</u>	<u>337,067</u>	<u>(104,657)</u>	<u>3,234,300</u>	<u>2,075,512</u>
Net cash provided by (used for) operating activities	<u>\$ 2,273,190</u>	<u>\$ 4,250,798</u>	<u>\$ 5,393,537</u>	<u>\$ (1,919,400)</u>	<u>\$ 951,737</u>	<u>\$ 10,949,862</u>	<u>\$ 4,456,809</u>

See accompanying Notes to the Financial Statements.

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CITY OF ANNAPOLIS, MARYLAND

**FIDUCIARY FUND
FINANCIAL STATEMENTS**



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ANNAPOLIS,
MARYLAND***

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CITY OF ANNAPOLIS, MARYLAND

**CITY OF ANNAPOLIS, MARYLAND
STATEMENT OF FIDUCIARY NET POSITION
BENEFIT TRUST FUNDS
JUNE 30, 2019**

ASSETS	
Cash	\$ 304,500
Investments, at fair value:	
Pooled investments	5,355,680
Common stocks	79,332,105
Corporate bonds	6,724,827
Money market	4,076,455
U.S. agency securities	13,194,293
Limited partnerships and alternative investments	35,347,505
Common and collective funds	20,352,169
Real estate	10,338,367
Total investments	<u>174,721,401</u>
Investment proceeds receivable	6,027,746
Interest and dividends receivable	136,373
Total assets	<u>181,190,020</u>
LIABILITIES	
Accounts payable	8,838
Total liabilities	<u>8,838</u>
NET POSITION	
Total net position restricted for pension benefits and OPEB	<u><u>\$ 181,181,182</u></u>

**CITY OF ANNAPOLIS, MARYLAND
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
BENEFIT TRUST FUNDS
YEAR ENDED JUNE 30, 2019**

ADDITIONS

Contributions	
Employer	\$ 6,084,194
Employer - subsidy	832,161
Plan member	1,567,559
Total Contributions	8,483,914
Investment Income:	
Dividends	2,899,582
Net increase in fair value of investments	7,251,647
Real estate operating income	248,551
	10,399,780
Less: Investment expense	(924,795)
Net investment income	9,474,985
Total additions	17,958,899

DEDUCTIONS

Benefits	14,676,132
Administrative expenses	515,492
Total deductions	15,191,624
Change in net position	2,767,275
Net position as of beginning of year	178,413,907
Net position as of end of year	\$ 181,181,182

**NOTES TO BASIC
FINANCIAL STATEMENTS**



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ANNAPOLIS,
MARYLAND***

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CITY OF ANNAPOLIS, MARYLAND

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Annapolis (the City) is an incorporated municipality governed by the City Council. The City Council comprises the mayor and eight aldermen and alderwomen. 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 Housing Authority of the City of Annapolis, 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:

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 that 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 internal service funds. The City has two fiduciary funds which comprise a pension trust fund and other post-employment benefit trust fund.

BASIS OF ACCOUNTING

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all nonfiduciary 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 duplicating revenues and expenses. Fiduciary funds are excluded from the government-wide financial statements.

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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-wide statements and the statements for governmental funds. The primary effect of internal activity has been eliminated from the government-wide financial statements. An exception 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 position is reported as restricted when constraints placed on net position 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 restriction for debt service represents cash held by trustee to pay debt service on the City's revenue bonds. Restrictions for capital projects represents bond proceeds and other special sources restricted for capital purposes. Restrictions for land use, public safety, and community services represent grant and other restricted sources. The budget stabilization and capital reserves are restricted by City County legislation that legally restricts the use of the funds and requires Council approval and appropriation to spend.

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. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements.

**CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 accounted for in another fund.

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 funds are:

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

Grants Fund - The Grants Fund is used to account for all federal, state, and other grants received and expended that are not accounted for in another fund.

Community Legacy Fund - The Community Legacy Fund accounts for the remainder of the City's prior community legacy programs. The City must use these funds for community development and revitalization.

Police Forfeiture & Asset Seizure Fund - The Police Forfeiture and Seizure Fund accounts for proceeds from property seized by the City or allocated to the City from the regional public safety groups. These funds must be spent on public safety initiatives.

Sprinkler Fund - The Sprinkler Fund accounts for City funds loaned to property owners for the installation of sprinklers in their home or business. The applicant must meet all requirements established in the City Code to participate in this loan program.

Capital Project Funds:

- Reforestation Fund - The Reforestation Fund accounts for critical area fees received by the City from developers in accordance with 17.09.070 of the City Code.
- Public Education and Governmental (PEG) Fund - The Public Education and Governmental (PEG) Fund accounts for the fees paid by cable subscribers that the City uses for its public television studio.

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Housing Assistance Fund - The Homeownership Assistance Fund accounts for monies received from developers who do not provide moderately priced dwelling units in accordance with City Code requirements. The funds must be used to purchase land or buildings for other affordable housing; provide settlement expense, down payment, and mortgage write-down assistance to eligible persons or households; construct housing units; purchase or rehabilitate rental housing for conversion to homeownership; rehabilitate residential units; provide funds to match other State or Federal homeownership programs; administrative costs; and to contract with nonprofit developers for development of housing units for sale to eligible low or moderate income buyers.

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 unassigned 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, 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 taxes, admission taxes, and rent payments are all major revenue sources susceptible to accrual that have been recognized as revenues in the current year.

Licenses and permits, charges for nonenterprise 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.

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 position is segregated into net investment in capital assets, restricted, and unrestricted. Proprietary funds operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net position.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 nonoperating revenues and expenses.

The major proprietary funds are:

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 50% ownership of the property, plant and equipment, but does not have joint control of the financial or operating policies; therefore the arrangement is not considered a joint venture. The current agreement calls for the City to share in actual costs for 50% of capital improvements and a flow-based percentage of operational costs.

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, operating, maintaining, and repairing the distribution system.

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Off Street Parking Fund - To account for all financial activity associated with the operation of the City's municipal parking facilities and parking enforcement. The parking facilities include four 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.

The nonmajor proprietary funds shown aggregated are:

Watershed Restoration Fund - To account for all financial activity associated with the maintenance of public storm drainage systems, which include pipes, inlets, manholes, drainage ways, and watershed restoration 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 has four internal service funds:

Self Insurance Fund - To account for the City's self-insurance activities for general liability, workers compensation, and other insurance coverage. An actuary estimates the liability for unpaid claims based on the claims reported as of June 30, 2019 and calculates an estimate for claims incurred but not reported the current claims and historical experience.

Health Insurance Fund - To account for the City's health insurance and related claims, and administrative expenses. The City is self insured for its health care, prescription, dental, and vision benefits. An outside administrator processes the claims and the City pays in advance weekly for estimated claims. Therefore, there are no material accruals for claims liability at year end.

Fleet Operations Fund - In fiscal year 2019 the City moved its fleet operations activity out of the General Fund to better account for fleet activities, increase transparency, and allocate these costs to each fund and department based on the vehicles used.

Fleet Replacement Fund - In fiscal year 2019, the City created this fund to accumulate contributions from participating funds to pay for the replacement of City vehicles, including police vehicles, fire apparatus, and public works equipment. The City uses the fund to purchase vehicles, to record debt for its equipment, and repay amounts borrowed for fleet purchases.

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

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FIDUCIARY FUNDS

The City currently has two fiduciary funds: the Pension Trust Fund and the Other Post-employment Liability (OPEB) Trust Fund, which are used to account for the pension and other post-employment liability assets held by the City in a trustee capacity. These funds are accounted for and reported in a manner similar to proprietary funds since capital maintenance is critical.

Pension Trust Fund - For the purpose of measuring the net pension liability, deferred outflows and inflows related to pensions, pension expense, and information about fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Trust Fund – For the purpose of measuring the net OPEB liability related to postemployment benefits and information related to the fiduciary net position of the Maryland Association of Counties Pooled OPEB Trust. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are report at fair value.

BUDGETARY PROCESS

The City annually adopts and follows these procedures in establishing its budgets for the General Fund, Capital Projects Fund, and Enterprise Funds.

1. By the second Monday in April, 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 that establishes spending authority by fund and department for the operations of the City.
5. All supplemental appropriations and transfers between departments and funds greater than \$25,000 must be reviewed 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 non-GAAP budgetary basis of accounting as used for reporting purposes. Unencumbered appropriations lapse at June 30 for all funds, except the Capital Projects Fund.

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 expenditures classifications greater than \$25,000 or between funds, must be reviewed by the Finance Committee and approved by the City Council. Any transfers between expenditure classifications within the same fund \$25,000 or less require approval by the City Manager, who must report the transfer to City Council at the following City Council meeting. For the General Fund, the total amendments were a net increase of \$2,839,045, increasing the original budget from \$84,731,925 to a revised budget of \$87,570,970.

The City's Public Works' Building and Maintenance Division exceeded its budgetary authority by \$18,506 because the electricity costs exceeded management's projections.

Investments

Short-term investments of the City are recorded at fair value. Investments in the Pension and Other Postemployment Benefit Trust Funds represent the plans' ownership interests in the net position of various investment funds. The investments in these funds are recorded at fair value.

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. These prepaid items are recorded using the consumption method under which expenditures/expenses are recorded as the items are used.

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.

Capital assets in the proprietary funds are capitalized in the fund in which the assets 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 acquisition 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: buildings 20 to 50 years; improvement/infrastructure, 5 to 50 years; and equipment, 2 to 15 years. Land is not subject to depreciation because of its inexhaustible life.

**CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2019.

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.

Deferred outflows/inflows of resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Fund Balance Reporting

The City follows the requirements of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement established 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.

1. Nonspendable – amounts that cannot be spent because the amounts are either not in spendable form or 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
JUNE 30, 2019

NOTE 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 City Council, the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through ordinances 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 or by resolution.
5. Unassigned – all other spendable amounts. The General Fund is the only fund allowed to have an unassigned fund balance unless the fund balance is negative.

The City has established a fund balance spending policy for those instances where an expenditure is incurred for a purpose for which amounts in any of the restricted or unrestricted fund balance classifications (committed, assigned, or unassigned) could be used. The City will apply expenditures against restricted amounts first, followed by committed, assigned, and unassigned amounts.

Net Position Flow Assumption

At times the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. To calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position.

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 (Miscellaneous Billing)	\$ 5,141
General Fund (Personal Property)	34,863
General Fund (Real Estate)	2,440
	<u>\$ 42,444</u>

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2 – PROPERTY TAX

The City's property tax is levied each July 1 on the assessed value of real and personal 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. A revaluation of all property is required to be completed every three years. For owner-occupied residential property, owners can choose to pay one payment due September 30th or two installments due on September 30th and December 31st. Property taxes are due from all other taxpayers on September 30th. Once the due date has passed, interest is charged each month or fraction thereof (at an interest rate of 18% per year), until such taxes are paid. Property with delinquent taxes, are included in the tax sale each May or June conducted by Anne Arundel County. The assessed market value of taxable real property and personal property as of July 1, 2019, was approximately \$6,867,460,560 and \$164,275,220 respectively.

NOTE 3 – DEPOSITS AND INVESTMENTS

City's Cash and Investments

The City records all operating cash in a pooled fund separate from other City funds except the Pension and Other Postemployment Benefit Trust Funds, which holds investments separate from other City funds and controls its own cash transactions. The pooled cash fund is combined with the General Fund for reporting purposes and amounts applicable to other funds are transferred through the interfund receivable and payable accounts.

Custodial Credit Risk –

Deposits: In the case of deposits, custodial credit risk 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 \$1,401,908; and the bank balances were \$1,929,597 as of June 30, 2019. As of June 30, 2019, \$341,508 of the City's bank balance was exposed to custodial credit risk as it was uninsured and uncollateralized.

Teller and petty cash totaled \$6,575 at June 30, 2019.

Money Markets: The City invests some operating and all bond proceeds in short-term money market funds that are not subject to custodial credit risk. The total amount invested in these short-term money market funds was \$39,211,560 as of June 30, 2019. These funds are unrated.

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 of Maryland's local government investment pool.

The investments of the Police and Fire Pension Plan are described in note 7 to the financial statements.

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

The Retiree Health Trust investments are invested in the Maryland Association of Counties Pooled OPEB Trust (MACO Trust). The MACO Trust is administered by Davenport & Company LLC, and is a wholly-owned instrumentality of its members. The assets of the Trust are managed by a Board of Trustees and consist of U.S. Treasury obligations, U.S. government agencies, corporate and foreign bonds, municipal obligations, taxable fixed income securities, mutual funds, global funds, and international equity securities. The City's investment in the MACO Trust was \$5,355,680 as of June 30, 2019.

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 \$43,273,513 as of June 30, 2019.

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 "AAAm" 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.

Investments and Valuation - The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below

- *Level 1* – Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;
- *Level 2* – Valuations based on quoted prices for similar assets or liabilities in active markets or identical assets or liabilities in less active markets, such as dealer or broker markets; and
- *Level 3* – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

Transactions are recorded on the trade date. Realized gains and losses are determined using the identified cost method. Any change in net unrealized gain or loss from the preceding period is reported in the statement of revenues, expenses, and changes in net position. Dividends are recorded on the ex-dividend date. Interest is recorded on the accrual basis.

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

	Level 1	Level 2	Level 3	Balance June 30, 2019
Investments by fair value level				
MACO OPEB Trust	\$ -	\$ -	\$ 5,355,680	\$ 5,355,680
Total Investment by fair value level	<u>-</u>	<u>-</u>	<u>5,355,680</u>	5,355,680
Cash and Investments carried at amortized cost:				
Cash on hand				6,575
Deposits				1,401,908
Money Market Mutual Funds				39,211,560
MLGIP				43,273,513
Total Cash and Investments at amortized cost				<u>83,893,556</u>
Total Cash and Investments				<u>\$ 89,249,236</u>

NOTE 4 – CAPITAL ASSETS AND DEPRECIATION

Capital assets at June 30, 2019 consist of the following:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 5,670,593	\$ 42,078	\$ -	\$ 5,712,671
Construction in process	21,222,257	2,114,700	(1,290,482)	22,046,475
Total capital assets not being depreciated	<u>26,892,850</u>	<u>2,156,778</u>	<u>(1,290,482)</u>	<u>27,759,146</u>
Capital assets being depreciated:				
Buildings	49,950,084	-	-	49,950,084
Improvements/infrastructure	95,961,168	3,595,665	-	99,556,833
Equipment	18,666,289	1,953,975	(916,951)	19,703,313
Subtotal	<u>164,577,541</u>	<u>5,549,640</u>	<u>(916,951)</u>	<u>169,210,230</u>
Less accumulated depreciation:				
Buildings	(18,155,651)	(900,943)	-	(19,056,594)
Improvements/infrastructure	(41,812,564)	(1,505,169)	-	(43,317,733)
Equipment	(15,022,137)	(1,144,298)	890,151	(15,276,284)
Subtotal	<u>(74,990,352)</u>	<u>(3,550,410)</u>	<u>890,151</u>	<u>(77,650,611)</u>
Total capital assets being depreciated, net	<u>89,587,189</u>	<u>1,999,230</u>	<u>(26,800)</u>	<u>91,559,619</u>
Net capital assets	<u>\$ 116,480,039</u>	<u>\$ 4,156,008</u>	<u>\$ (1,317,282)</u>	<u>\$ 119,318,765</u>

**CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 4 – CAPITAL ASSETS AND DEPRECIATION (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 3,231,341	\$ -	\$ -	\$ 3,231,341
Construction in process	49,357,110	2,962,976	(35,166,456)	17,153,630
Total capital assets not being depreciated	<u>52,588,451</u>	<u>2,962,976</u>	<u>(35,166,456)</u>	<u>20,384,971</u>
Capital assets being depreciated:				
Buildings	61,180,458	-	-	61,180,458
Improvements/infrastructure	37,275,994	35,357,728	-	72,633,722
Equipment	8,551,989	296,660	(1,753,115)	7,095,534
Subtotal	<u>107,008,441</u>	<u>35,654,388</u>	<u>(1,753,115)</u>	<u>140,909,714</u>
Less accumulated depreciation:				
Buildings	(31,381,557)	(1,394,470)	-	(32,776,027)
Improvements/infrastructure	(16,259,192)	(804,346)	-	(17,063,538)
Equipment	(7,856,393)	(246,292)	1,753,115	(6,349,570)
Subtotal	<u>(55,497,142)</u>	<u>(2,445,108)</u>	<u>1,753,115</u>	<u>(56,189,135)</u>
Total capital assets being depreciated, net	<u>51,511,299</u>	<u>33,209,280</u>	<u>-</u>	<u>84,720,579</u>
Net capital assets	<u>\$ 104,099,750</u>	<u>\$ 36,172,256</u>	<u>\$ (35,166,456)</u>	<u>\$ 105,105,550</u>

Depreciation was charged as follows:

Governmental activities:	
General government	\$ 74,686
Public safety	748,580
Community services	2,064,383
Public works	640,390
Fleet	22,371
Total depreciation expense	<u>\$ 3,550,410</u>

Business-type activities:	
Water	\$ 488,571
Sewer	733,281
Off street parking	946,064
Transportation	194,245
Non-major funds	82,947
Total depreciation expense	<u>\$ 2,445,108</u>

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 5 - 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 are reported in the proprietary funds if the bonds 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. Refunding debt is repaid by either the General Fund or proprietary fund based on the debt that was refunded.

In prior years, the City defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements.

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 thereof constitute an indebtedness or contingent liability of the City and, accordingly, these bonds are not included in the City's basic financial statements. During fiscal years 1998, 2007, and 2016, the City issued \$7,835,000, \$13,445,000 and \$24,460,000, respectively of these bonds on behalf of St. John's College, a Maryland nonprofit educational corporation. In fiscal year 2016, St. John's College refunded the 1998 bonds and a portion of the 2007 bonds. The amount of conduit debt outstanding as of June 30, 2019 was \$15,830,775 for the 2007A and 2016 issuances.

On August 30, 2017, the City entered into a \$5,000,000 tax exempt Bond Anticipation Note (BAN) in the form of a bank line of credit. The City used the the proceeds to design, plan, renovate, and construct City capital projects. Interest on the amount is payable on July 1 and December 1 and is equal to the one-month LIBOR rate plus 0.20%. The BAN is set to mature on June 1, 2020; however, the City plans to convert the BAN to long-term bonds before that date. As of June 30, 2019, the City had drawn \$685,595 on the line of credit.

In fiscal year 2019, the City entered into an equipment loan with Bank of America. The City borrowed \$5,487,764 in the first tranche of the loan. The City is using the proceeds to purchase vehicles for public safety and public works. Payment terms include 3.044% annually paid over five to ten years based on the lives of the related assets. The loan is secured by a lien on the vehicles.

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 5 - DEBT (CONTINUED)

The following is a summary of changes in long-term liabilities by type of the City for the year ended June 30, 2019:

	Beginning Balance	Additions and Adjustments	Reductions	Ending Balance	Amount due within one year
Governmental activities:					
General obligation bonds	\$ 72,609,720	\$ (11,451)	\$ (5,009,764)	\$ 67,588,505	\$ 5,270,788
Unamortized premium	3,327,532	-	(603,670)	2,723,862	601,906
Bond anticipation notes	216,990	390,486	-	607,476	607,476
Other Debt/Capital Lease	-	5,487,764	-	5,487,764	609,182
Total long-term debt	<u>76,154,242</u>	<u>5,866,799</u>	<u>(5,613,434)</u>	<u>76,407,607</u>	<u>7,089,352</u>
Net OPEB liability	41,224,124	1,178,440	-	42,402,564	-
Compensated absences	999,961	679,990	(247,727)	1,432,224	1,432,224
Net pension liability	37,760,503	7,993,679	-	45,754,182	-
Total long-term liabilities	<u>\$ 156,138,830</u>	<u>\$ 15,718,908</u>	<u>\$ (5,861,161)</u>	<u>\$ 165,996,577</u>	<u>\$ 8,521,576</u>
	Beginning Balance	Additions and Adjustments	Reductions	Ending Balance	Amount due within one year
Business-type activities:					
General obligation bonds	\$ 31,192,755	\$ -	\$ (2,138,262)	\$ 29,054,493	\$ 1,849,212
Revenue bonds	30,470,625	-	(275,625)	30,195,000	250,000
Unamortized premium	697,248	-	(213,895)	483,353	129,597
Bond anticipation notes	-	78,119	-	78,119	78,119
Other debt	23,457,406	3,158,864	(954,127)	25,662,143	962,714
Total long-term debt	<u>85,818,034</u>	<u>3,236,983</u>	<u>(3,581,909)</u>	<u>85,473,108</u>	<u>3,269,642</u>
Net OPEB liability	5,644,934	-	(257,374)	5,387,560	-
Compensated absences	337,174	-	(12,202)	324,972	324,972
Net pension liability	3,344,357	552,442	-	3,896,799	-
Total long-term liabilities	<u>\$ 95,144,499</u>	<u>\$ 3,789,425</u>	<u>\$ (3,851,485)</u>	<u>\$ 95,082,439</u>	<u>\$ 3,594,614</u>

The liability for pension-related debt is fully liquidated by the General Fund. The liability for the OPEB is expected to be liquidated by the general and proprietary funds.

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 and Sewer Fund debt because this is debt paid solely by user fees from the respective fund. As of June 30, 2019, the debt margin of the City was as follows:

Assessed value of taxable real and property, July 1, 2019	<u>\$ 7,031,735,780</u>
Debt limit: 10% of assessable basis	703,173,578
Debt subject to limitation	<u>127,792,905</u>
Debt margin	<u>\$ 575,380,673</u>

**CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 5 - DEBT (CONTINUED)

Long-term debt comprises the following amounts as of June 30, 2019:

Governmental activities:

General obligation bonds:

Public Improvement Bonds of 2009: \$19,418,400; interest 2.0%; due serially to 2029	\$ 956,809
Public Improvements and Refunding Bonds of 2011: \$22,738,856; interest 2.0% to 5.0%; due serially to 2040	5,884,947
Public Improvements and Refunding Bonds of 2012: \$11,357,343; interest 2.0% to 5.0%; due serially to 2040	10,302,350
Public Improvement Bonds of 2013: \$5,336,000; interest 4.25%; due serially to 2022	4,600,000
Public Improvement Bonds of 2015: \$11,500,000; interest 3.0 to 4.0%; due serially to 2035	10,265,000
Public Refunding Bonds of 2015: \$15,088,643; interest 3.0% to 4.0%; due serially to 2028	13,414,647
Public Refunding Bonds of 2017: \$8,969,907; interest 3.0% to 5.0%; due serially to 2036	8,765,000
Public Refunding Bonds of 2017: \$3,337,750; interest 2.06%; due serially to 2024	2,484,752
Public Improvement Refunding Bonds of 2017, Series B & C: \$11,030,000 interest 1.3% to 5.0%; due serially to 2033	<u>10,915,000</u>

Total general obligation bonds	<u>\$ 67,588,505</u>
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Vehicle Loan 2018, 3.044%; due 2029	5,487,764
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Bond Anticipation Note 2017, Interest 1.44 %; due 2020	607,476
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Total governmental activities long-term debt	<u><u>\$ 73,683,745</u></u>
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CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 5 - DEBT (CONTINUED)

Business-type activities:

General obligation bonds:

Public Improvement Bonds of 2009: \$7,551,600; interest 2.0%; due serially to 2029	\$ 348,191
Public Improvements and Refunding Bonds of 2011: \$13,081,144; interest 2.0% to 5.0%; due serially to 2040	1,765,053
Public Improvements and Refunding Bonds of 2012: \$7,887,657; interest 2.0% to 5.0%; due serially to 2040	1,262,650
Refunding Bonds of 2013: \$20,035,000; interest 2.54% to 3.89%; due serially to 2035	4,268,000
Public Improvement Bonds of 2013: \$9,814,000; interest 3.5%; due serially to 2025	2,360,000
Public Refunding Bonds of 2015: \$4,876,357; interest 3.0% to 4.0%; due serially to 2028	4,335,352
Public Refunding Bonds of 2017: \$530,093; interest 3.0% to 5.0%; due serially to 2036	419,931
Public Refunding Bonds of 2017: \$197,250; interest 2.06%; due serially to 2024	155,316
Public Improvement Refunding Bonds of 2017, Series B & C: \$14,520,000 interest 1.3% to 5.0%; due serially to 2033	14,140,000
Total general obligation bonds	<u>\$ 29,054,493</u>

Revenue bonds:

Public Refunding Bonds of 2016: \$13,755,000; interest 3.0% to 4.0%; due serially to 2046	13,225,000
Public Refunding Bonds of 2016: \$17,000,000; interest 3.0% to 4.0%; due serially to 2046	16,970,000
Total revenue bonds	<u>\$ 30,195,000</u>

Other debt:

State of Maryland Water Quality loan: \$28,500,000; interest 0.900%; due semiannually to 2043	25,662,143
Bond Anticipation Note 2017, Interest 1.44 %; due 2020	78,119
Total business-type activities debt	<u>\$ 54,794,755</u>

Interest costs incurred on general obligation bonds allocated to the business-type activities were \$2,651,699 for the year ended June 30, 2019.

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 5 - DEBT (CONTINUED)

Long-term debt maturities, excluding the unamortized loss on refunding of \$778,257 and \$2,471,048 in governmental and business-type activities, respectively, are scheduled as follows:

	General Obligation Bonds		Vehicle Loan		Bond Anticipation Note		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
Governmental activities:							
2020	\$ 5,270,788	\$ 2,444,574	\$ 609,182	\$ 174,930	\$ 607,476	\$ 24,920	\$ 9,131,870
2021	5,416,033	2,218,664	635,612	148,499	-	-	8,418,808
2022	5,548,214	1,997,565	654,961	129,152	-	-	8,329,892
2023	5,712,470	1,773,204	674,897	109,215	-	-	8,269,787
2024	5,181,831	1,553,560	695,440	88,672	-	-	7,519,504
2025 - 2029	24,174,133	4,924,499	2,217,672	170,351	-	-	31,486,654
2030 - 2034	12,690,216	1,656,069	-	-	-	-	14,346,285.00
2035 - 2039	3,344,820	235,461	-	-	-	-	3,580,281.00
2040 - 2044	250,000	8,162	-	-	-	-	258,162.00
Total	<u>\$67,588,505</u>	<u>\$ 16,811,758</u>	<u>\$ 5,487,764</u>	<u>\$ 820,819</u>	<u>\$ 607,476</u>	<u>\$ 24,920</u>	<u>\$ 91,341,242</u>

	General Obligation Bonds		Revenue Bonds		Bond Anticipation Note		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
Business-type activities:							
2020	\$ 1,849,212	\$ 1,220,218	\$ 250,000	\$ 1,170,190	\$ 78,119	\$ 3,080	\$ 4,570,819
2021	1,898,967	1,139,329	305,000	1,161,148	-	-	4,504,444
2022	1,686,786	1,065,570	625,000	1,146,728	-	-	4,524,084
2023	1,772,529	993,842	645,000	1,124,901	-	-	4,536,273
2024	1,928,169	914,902	670,000	1,101,421	-	-	4,614,491
2025 - 2029	9,925,867	3,295,827	3,670,000	5,135,913	-	-	22,027,607
2030 - 2034	8,862,784	1,336,466	2,525,000	4,585,070	-	-	17,309,319
2035 - 2039	990,179	97,888	7,585,000	3,648,102	-	-	12,321,168
2040 - 2044	140,000	4,696	9,505,000	1,931,566	-	-	11,581,262
2045 - 2049	-	-	4,415,000	184,954	-	-	4,599,954
Total	<u>\$29,054,493</u>	<u>\$ 10,068,736</u>	<u>\$30,195,000</u>	<u>\$21,189,992</u>	<u>\$ 78,119</u>	<u>\$ 3,080</u>	<u>\$ 90,589,420</u>

Debt schedule does not include the MDE Water Quality Loan in the amount of 25,662,076. This is only a portion of the original note in the amount of \$28,500,000, which is still in service until the project is completed. Once the project is completed, the loan will be closed and the principal and interest will be calculated and disclosed at that time. Additional Payment received for \$3,158,797. Next interest amount due \$962,714.

**CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 6 – OPERATING LEASES

City as Lessor

The City leases a portion of its closed landfill to Annapolis Solar Park, LLC (ASP) to construct and operate solar energy generation equipment at the site. The term of the lease began August 2015 and ends on June 1, 2038, 20 years after construction was complete. The lease requires an annual base rent of \$10,000 in the first year that escalates at 2% each year thereafter; an additional fee of \$15,000 per month for each megawatt of capacity, increasing 2% each year; and an offset of \$13,179 each month for the excess cost of construction.

Construction of the solar park was completed in June 2018, and in fiscal year ended June 30, 2019, the City received base rent totaling \$10,608. At July 1, 2019, the base rent was 10,824, the additional rent is \$195,744, and the offset is \$87,948, for a total annual cost of \$118,620. The future payments are as follows.

The City also leases space on its water tower on Janwal Street to ATT for cellular transmission equipment. The lease term began in fiscal year 2009. The initial term of the lease was five years, and the lessee has the option to extend the agreement for an additional three terms of five years each. Currently, the agreement is extended through fiscal year 2024. The annual payment in fiscal year 2019 was \$65,793, and the payment escalates 5% each year. The future lease payments due to the City are as follows.

Landfill		Water Tower	
<u>For Year Ending, June 30,</u>	<u>Annual Lease Payment</u>	<u>For Year Ending, June 30,</u>	<u>Annual Lease Payment</u>
2020	\$ 118,620	2020	\$ 69,083
2021	122,760	2021	72,537
2022	126,972	2022	76,164
2023	131,268	2023	79,972
2024	135,648	2024	83,971
After 2025	3,291,132	After 2025	88,169
	<u>\$ 3,926,400</u>		<u>\$ 469,895</u>

City as Lessee

On June 29, 2015, the City entered into an agreement with KDBA, LLC as the property owner of 145 Gorman Street, Annapolis. The City leases the three-story property including the entire second floor, third floor, first floor lobby, stairway, and equipment room. The City uses the premises for several departments including Planning and Zoning, Public Works, Office of Environmental Policy, and Human Resources.

The lease term is from July 1, 2016 to June 2029. The City paid an *option to extend* fee of \$625,000 that provides the City with a single option to extend the term of the lease to July 1, 2094.

**CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 6 – OPERATING LEASES (CONTINUED)

Commencing on the effective date, and continuing through June 30, 2016, the base rent was \$378,308 payable in monthly installments of \$31,526, with 3% increase each year. The agreement also requires the City to pay expenses, including its share of common expense within 30 days after the owner gives the City notice of the amounts. The owner may revise the estimate of the City's share of the expenses once each year.

Rent expense paid for the building at 145 Gorman totaled \$482,365 in 2019, including the base rent of \$413,387 and additional expense of \$68,978. Future annual rent lease payment are as follows:

<u>For Year Ending, June 30,</u>	<u>Annual Base Rent Payment</u>
2020	\$ 425,789
2021	438,563
2022	451,720
2023	465,271
2024	479,229
	<u>\$ 3,192,847</u>

The City entered into an agreement with Shoregate of Chinquapin, LLC for a portion of the building at 209 Chinquapin Round Road, Annapolis. The lease term is from August 2015 to July 2022. Commencing on the effective date and continuing through July 31, 2022, the annual rent changes per a schedule provided in the agreement. In addition to the base rent, the City must pay a portion of all costs and expenses incurred by the owner for management, maintenance, repair, and operations of the premises. The City may terminate the agreement with six months' notice. The total paid for base rent in 2019 was \$81,744. Total paid for expense was \$20,420.

The follow are the future annual rent payments:

<u>For the Year Ending, June 30,</u>	<u>Annual Payment</u>
2020	\$ 103,752
2021	108,940
2022	114,387
	<u>\$ 327,079</u>

**CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 7 – BENEFIT PLANS

A) Maryland State Retirement and Pension System

Plan Descriptions

Generally, all regular City employees, except police and fire personnel, participate in the Employees Retirement and Pension System (the System), a cost sharing multiple-employer defined benefit plan sponsored and administered by the State Retirement and Pension System of Maryland. The System was created by the Maryland General Assembly. The Police and Fire Pension Plan was established by the City Council through legislation. Police and fire personnel participate in the single employer defined benefit pension plan, which is administered by the City's Human Resources Manager. 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.

General Information about the Employees Retirement and Pension System

Plan description. Employees of the City, except uniformed police and fire personnel, are covered by the Maryland State Retirement and Pension System (the System), which is a cost sharing employer public employee retirement system. While there are five retirement and pension systems under the System, employees of the City are a member of the Employees' Retirement and Pension Systems. The System was established pursuant to State Personnel and Pensions Article of the Annotated Code of Maryland to provide retirement allowances and other benefits to State employees, teachers, police, judges, legislators, and employees of participating government units. The System is administered by the State Retirement Agency. Responsibility for the System's administration and operation is vested in a 15-member Board of Trustees. The System issues a publicly available financial report that can be obtained at <http://www.sra.state.md.us>.

Benefits provided. The System provides retirement allowances to employees of participating governmental units. For individuals who become members of the Employees' Retirement and Pension Systems on or before June 30, 2011, retirement/pension allowances are computed using both the highest three years Average Final Compensation (AFC) and the actual numbers of years of accumulated creditable service. For individuals who become members of the Employees' Pension System on or after July 1, 2011, pension allowances are computed using both the highest five years AFC and the actual number of years of accumulated creditable service. Various retirement options are available under each system which ultimately determines how a retiree's benefits allowance will be computed. Some of these options require actuarial reductions based on the retiree's and/or designated beneficiary's attained age and similar actuarial factors.

A member of the Employees' Pension System is generally eligible for full retirement benefits upon the earlier of attaining age 60 or accumulating 30 years of creditable service, regardless of age. The annual retirement allowance equals 1/55 (1.81%) of the member's average final compensation (AFC) multiplied by the number of years of accumulated creditable service.

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 7 – BENEFIT PLANS (CONTINUED)

A member of the Employees' Pension System on or before June 30, 2011, is eligible for full retirement benefits upon the earlier of attaining age 62 with specified years of eligibility service or accumulating 30 years of eligibility service, regardless of age. An individual who becomes a member of the Employees' Pension System on or after July 1, 2011, is eligible for full retirement benefits if the member's combined age and eligibility service equals at least 90 years or if the member is at least 65 and has accrued at least 10 years of eligibility service.

For most individuals who retired from the Employees' Pension System on or before June 30, 2006, the annual pension allowance equals 1.2% of the members AFC multiplied by the number of years of credible service accumulated prior to July 1, 1998, plus 1.4% of the members AFC multiplied by the number of years of credible service accumulated subsequent to June 30, 1998. With certain exceptions, for individuals who are members of the Employees' Pension System on or after July 1, 2006, the annual pension allowance equals 1.2% of the member's AFC multiplied by the number of years of credible service accumulated prior to July 1, 1998, plus 1.8% of the members AFC multiplied by the number of years of credible service accumulated subsequent to June 30, 1998. Beginning July 1, 2011, any new member of the Employees' Pension System shall earn an annual pension allowance equal to 1.5% of the member's AFC multiplied by the number of years of creditable service accumulated as a member of the Employees' Pension System.

Contributions. The City and covered members are required by State statute to contribute to the System. Members of the Employees' Pension System are required to contribute 5-7% annually, depending on the retirement option selected. The contribution requirements of the participating governmental employers are established and may be amended by the Board of Trustees for the System.

The City's contractually required contribution rate for the Employees' Retirement and Pension System for the year ended June 30, 2019, was 9.00% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City paid its required contributions, of \$1,557,162, during the year ended June 30, 2019.

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

At June 30, 2019, the City reported a liability of \$15,583,117 for its proportionate share of the net pension liability of the System. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on actual employer contributions billed to participating government units for the year ended June 30, 2018. The contributions were increased to adjust for differences between actuarial determined contributions and actual contributions by the State of Maryland. As of June 30, 2018, the City's proportionate share was 0.0742%.

**CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 7 – BENEFIT PLANS (CONTINUED)

For the year ended June 30, 2019, the City recognized pension expense of \$1,680,992. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual experience	\$ -	\$ 1,180,286
Changes in assumptions	359,343	-
Change in proportion	717,366	945,952
Net difference between projected and actual earnings on pension plan investments	399,396	-
Change in proportionate share of contribution	557,924	-
City contributions subsequent to the measurement date	1,557,162	-
Total	\$ 3,591,191	\$ 2,126,238

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

For Year Ending, June 30,	Amount
2020	\$ 374,782
2021	(38,374)
2022	(412,810)
2023	(103,330)
2024	87,523
	\$ (92,209)

Actuarial assumptions. The total pension liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60% general, 3.10% wages
Salary increases	3.10% to 9.10%, including inflation
Investment rate of return	7.45%

Mortality rates were based on RP-2014 Combined Healthy Mortality Table with projected generational mortality improvements based on the MP-2014 2 dimensional mortality improvement rates.

**CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 7 – BENEFIT PLANS (CONTINUED)

The economic and demographic actuarial assumptions used in the June 30, 2018 valuation were adopted by the System’s Board of Trustees based upon review of the System’s experience study for the period 2010-2014, which was completed during fiscal year 2014. Certain assumptions from the experience study, including mortality rates, retirement rates, withdrawal rates, disability rates, and rates of salary increase, were adopted by the Board for the first use in the actuarial valuation as of June 30, 2016. As a result, an investment return assumption of 7.45% and an inflation assumption of 2.60% were used for the June 30, 2018 valuation. The cost of living adjustment, salary increase and payroll growth assumptions have also changed as a result of the change in the inflation assumption.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-range expected rate of return by weighting the expected future real rates by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the Board after considering input from the System’s investment consultants and actuaries. For each major asset class that is included in the System’s target asset allocation, these best estimates are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Public Equity	37.00 %	5.80 %
Private Equity	13.00 %	6.70
Rate Sensitive	19.00 %	1.10
Credit Opportunity	9.00 %	3.60
Real Assets	14.00 %	4.80
Absolute Return	8.00 %	3.20
Total	<u>100.00 %</u>	

The above was the System’s Board of Trustees adopted asset allocation policy and best estimate of geometric real rates for each major asset class as of June 30, 2019.

For the year ended June 30, 2019, the annual money-weighted rate of return on pension plan investments, net of the pension plan expense was 8.08%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 7 – BENEFIT PLANS (CONTINUED)

Discount rate. The single discount rate used to measure the total pension liability was 7.45%. This single discount rate was based on the expected rate of return on pension plan investments of 7.45%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and the employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension plan fiduciary net position. Detailed information about the pension plans' fiduciary net position is available in the separately issued System's financial report.

Sensitivity of the Net Pension Liability. Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the City's net pension liability, calculated using a single discount rate of 7.45%, as well as what the City's net pension liability would be if it were calculated using a single discount rate that is one percentage point lower or one percentage point higher:

	Discount Rate	
1% Decrease	Current	1% Increase
(6.45%)	(7.45%)	(8.45%)
\$ 22,445,038	\$ 15,583,117	\$ 9,888,218

B) General Information about the Police and Fire Pension Plan

Single Employer Plan.

The Police and Fire System is a single-employer defined benefit plan that covers the sworn police and fire personnel of the City. The plan provides retirement, disability, and death benefits to its members and beneficiaries. The plan has four subplans: Old Plan, Old Plan Revised, New Plan, and New Plan Revised. Plan membership is determined by date of hire and, in some cases, voluntary selection.

All current active members participate in the New Plan Revised. Normal retirement date for participants hired before July 1, 2012, is the completion of 20 years of active service, while the normal retirement date for those hired on or after July 1, 2012, is the completion of 25 years of active service. The normal retirement benefit is 50% of final earnings at 20 years of service plus 2.25% of final earnings for each year of active service between 20 and 24 years and 2.5% of final earnings for each year in excess 24 years with a maximum benefit is 70%. Cost of living increases are 2% annually, and employee contributions are 8% of salary. Participants may choose to participate in a Deferred Retirement Option Program (DROP) upon becoming eligible for normal retirement. Additional benefit accruals cease upon enrollment in the DROP.

**CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 7 – BENEFIT PLANS (CONTINUED)

Participants in the original plan are required to contribute 3% of their annual salary, and the revised plan participants are required to contribute 8% of their annual salary. The City funds the remaining cost of the plan through employer contributions. 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, 2019, the City had an actuarially determined contribution of \$3,898,543 or 20.30% of covered payroll, and the City made a contribution of \$3,953,630, which is in accordance with the actuary's recommendation. The City's contribution is 20.56% of covered payroll. Pension payments and the administrative costs of the plan are financed through investment earnings and liquidation of investments and contributions from the City and participants. 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 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 debt securities and their related weighted-average maturities:

Investment Type	Fair Value	Investment Maturities in Years			
		Less than 1	1-5	5-10	Over 10
Corporate bonds	\$ 6,724,827	\$ 1,390,041	\$ 3,815,728	\$ 1,519,058	\$ -
U.S. Agency securities	13,194,293	-	6,176,449	5,787,134	1,230,710
	<u>\$ 19,919,120</u>	<u>\$ 1,390,041</u>	<u>\$ 9,992,177</u>	<u>\$ 7,306,192</u>	<u>\$ 1,230,710</u>

Credit Risk/Concentration of Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's investment policies and guidelines indicate bonds must have a rating of "Baa/BBB" or equivalent by two of the three primary rating agencies.

The City does not have investments in any one company that represents 5% or more of net position held for pension benefits.

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 7 – BENEFIT PLANS (CONTINUED)

As of June 30, 2019, the City's fixed income investments had the following risk characteristics:

SP Rating or Comparable	Percent of Total Investments	Fair Value
A	3.38 %	\$ 673,238
A-	12.69	2,528,358
A+	1.86	370,702
AA-	2.48	493,260
AA+	12.17	2,424,710
BBB+	5.69	1,132,974

Custodial Credit Risk – Wilmington Trust invests in a money market fund on behalf of the Plan. As of June 30, 2019, the amount in the money market fund was \$4,076,455. This fund is uninsured and uncollateralized. All other investments of the fund are held by Wilmington Trust as trustee in the Plan's name.

	Level 1	Level 2	Level 3	June 30, 2018
Investments by fair value level:				
Debt securities:				
Corporate bonds	\$ -	\$ 6,724,827	\$ -	\$ 6,724,827
U.S. agency securities	13,194,293	-	-	13,194,293
Total Debt securities	13,194,293	6,724,827	-	19,919,120
Equity Securities:				
Common stocks	79,332,105	-	-	79,332,105
Total Equity securities	79,332,105	-	-	79,332,105
Total investments measured at fair value level	\$ 92,526,398	\$ 6,724,827	\$ -	99,251,225
Investments measured at the net asset value (NAV)				
Limited partnerships & Alternative investments ¹				35,347,505
Common and Collective Funds				20,352,169
Real estate investment trust ²				10,338,367
Total investments measured at the NAV				66,038,041
Total investments measured at fair value				\$ 165,289,266
Cash and Investments carried at amortized cost:				
Money market mutual funds				4,076,455
Total Cash and Investments				\$ 169,365,721

The valuation for investments measured at the net asset value (NAV) per share or its equivalent is presented on the following table.

¹ Limited partnerships & alternative investments – This type includes seven limited partnership and alternative investment funds. These funds invest primarily in U.S. common stock, real estate investment trusts, commodities, offshore investment funds, investment partnerships, and pooled investment vehicles. The fair values of the investments in this type have been determined using the NAV per share of the investments. Redemption frequencies range from monthly to quarterly. There are no plans to liquidate the total portfolio.

² Real estate investment trusts – This type includes two real estate funds that investment primarily in U.S. commercial real estate. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the Plan's ownership interest in partners' capital. Real estate investments include opportunistic, stabilized and development assets within multi-family and senior housing, industrial, retail, office, and self-storage, with a U.S. focus. These investments have an approximate life of 7 to 10 years and are generally illiquid. Subject to market conditions, redemption restrictions are in place throughout the life of the investment. Distributions are received as investments are realized. There are no plans to liquidate the portfolio.

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 7 – BENEFIT PLANS (CONTINUED)

Plan Membership:	
Nonactive Members	
Retirees and beneficiaries receiving benefits	252
Terminated employees not yet receiving benefits	38
Total nonactive members	290
Active Members	
	240
Total	530

The City's Pension Trust fund has an investment policy 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 employed State Street Bank as trustee for the assets through February 2019 and transferred to Wilmington Trust in March 2019.

Investment Policy:

The City's investment managers are contractually 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 following was the Plan's adopted asset allocation policy as of June 30, 2019:

Asset Class	Minimum	Maximum	Target
Equities	36%	66%	51%
Fixed Income	10%	20%	15%
GTAA	6%	12%	9%
Private Debt/ Equity	3%	7%	5%
Real Estate	4%	8%	6%
Alternatives	9%	15%	12%
Cash	0%	4%	2%

Concentrations:

The Plan held investments (other than those issued or explicitly guaranteed by the U.S. Government) in any one organization that represented 5% or more of the pension plan's fiduciary net position, as follows, as of June 30, 2019:

Investments	% of Pension Fiduciary Net Position	Fair Value
Aberdeen Emerging Markets	5.0%	\$ 8,802,788
Grosvenor Institutional	9.3%	16,312,286
Wellington CTF Global Opportunities	11.6%	20,352,169
Total		\$ 45,467,243

**CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 7 – BENEFIT PLANS (CONTINUED)

At June 30, 2019, the City reported a liability of \$34,067,864 for the Plan's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Net Pension Liability:

The net pension liability of the trust as of June 30, 2019, for measurement date June 30, 2019, is as follows:

Total pension liability	\$ 209,597,704
Plan fiduciary net position	<u>(175,529,840)</u>
Net pension liability	<u>\$ 34,067,864</u>
Plan fiduciary net position as a percentage of the total pension liability	83.7%

In the year ended, June 30, 2019, the City recognized pension expense of \$5,967,669.

At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 4,011,914	\$ 1,515,758
Net difference between projected and actual earnings on pension plan investments	3,791,168	-
Changes in actuarial assumptions	1,073,083	-
Total	<u>\$ 8,876,165</u>	<u>\$ 1,515,758</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2020	\$ 3,357,955
2021	469,218
2022	1,635,780
2023	1,306,664
2024	590,790
	<u>\$ 7,360,407</u>

**CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 7 – BENEFIT PLANS (CONTINUED)

Actuarial assumptions. The total pension liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Inflation	3.50%
Salary increases	4.00% to 10.00%, based on service classification and years of service
Investment rate of return	7.50%, net of investment expense and including inflation

Mortality rates were based on RP-2000 Combined Healthy Mortality Table with Blue Collar adjustments projected to the year 2016, using scale AA. Rates set forward 5 years for disabled lives.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rate of return for each major asset class included in the pension plan's target asset allocation are summarized in the following table:

The Police and Fire Retirement Commission's adopted asset allocation policy and best estimate of geometric real rates for each major asset class as of June 30, 2019, is as follows:

<u>Asset Class/Style</u>	<u>Target</u>	<u>Return</u>
Equity - U.S.	32%	5.80%
Equity - Global	10	6.10
Equity - Emerging Markets	5	8.10
Fixed Income - U.S.	14	1.65
Alternatives - Commodities	10	2.00
Alternatives - Hedge Funds	12	2.55
Alternatives - Real Estate	6	4.80
Alternatives - Private Equity	11	8.00
Fixed Income - Cash	-	0.40
Total	<u>100%</u>	

Discount Rate. The discount rate used to measure the total pension liability was 7.40%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will continue to be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be exhausted in the year 2074. Therefore, the discount rate represents the single equivalent rate resulting from discounting at the long-term expected rate of return until 2074, and discounting with the 20-year municipal bond index rate of 3.13% thereafter.

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 7 – BENEFIT PLANS (CONTINUED)

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balance at June 30, 2018	\$ 199,708,327	\$ 173,959,408	\$ 25,748,919
<u>Changes for the year</u>			
Service Cost	3,795,564	-	3,795,564
Interest	14,628,780	-	14,628,780
Difference between expected and actual experience	852,740	-	852,740
Changes in assumptions	3,068,330	-	3,068,330
Contributions - City	476,398	3,953,630	(3,477,232)
Contributions - Employee	-	1,536,440	(1,536,440)
Net investment income	-	9,185,462	(9,185,462)
Benefit payments	(12,932,435)	(12,932,435)	-
Administrative expenses	-	(172,665)	172,665
Net changes	<u>9,889,377</u>	<u>1,570,432</u>	<u>8,318,945</u>
Balance at June 30, 2019	<u>\$ 209,597,704</u>	<u>\$ 175,529,840</u>	<u>\$ 34,067,864</u>

Sensitivity of Net Pension Liability to Changes in the Discount Rate:

The following presents the net pension liability of the City calculated using the discount rate of 7.40%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.40%), or one percentage point higher (8.40%) than the current rate:

	<u>Discount Rate</u>		
	<u>1% Decrease (6.40%)</u>	<u>Current (7.40%)</u>	<u>1% Increase (8.40%)</u>
Net Pension Liability	\$ 59,240,614	\$ 34,067,864	\$ 12,912,896
Percentage of the Total Pension Liability	74.8%	83.7%	93.1%

Rate of Return on Investments:

The annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, for the year ended June 30, 2019 was 5.40%. The money-weighted rate of return expresses investment performance, net of expenses, adjusted for the changing amounts actually invested.

**CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 7 – BENEFIT PLANS (CONTINUED)

C) Other Postemployment Benefits

Plan Description:

The City provides a postemployment health insurance program in addition to the pension benefits. These postemployment 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 postemployment 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 postemployment benefit plan report.

The OPEB liability was based on an actuarial valuation as of July 1, 2018, rolled forward to June 30, 2019.

The components of the net OPEB liability of the City at June 30, 2019, were as follows:

Total OPEB Liability	\$ 53,441,466
Plan fiduciary net position	<u>5,651,342</u>
City's OPEB liability	<u>\$ 47,790,124</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>10.6%</u>

Employees covered by benefit terms. At June 30, 2019, the following employees were covered by the benefit terms:

	Police and Fire	General	Total
Active	225	195	420
Retired	77	20	97
Spouses	<u>46</u>	<u>11</u>	<u>57</u>
Total	<u>348</u>	<u>226</u>	<u>574</u>

Contributions. The City currently funds the plan on a paygo basis with additional funds provided to establish and maintain a trust for future benefit payments. The contributions to the plan are based on a portion of the Actuarially Determined Employer Contribution.

**CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 7 – BENEFIT PLANS (CONTINUED)

Net OPEB Liability

The City’s net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019. Actuarial assumptions. The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Investment rate of return	7.00%
Healthcare trend rates	Medical & Pharmacy - 7.5% and Dental/Vision 3.5%, all trending over 15 years to 3.75% ultimate
Mortality rates	
General Employees	RP2014 Combined Healthy Mortality Table projected to 2024 with Scale SSA for males and females.
Police/Fire Employees	RP2014, Blue Collar Combined Healthy Moortality Table projected to 2024 with Scale SSA for males and females. Projected to 2024 with Scale SSA; Disabled Members - RP2000 (5,5) For pre-retirement deaths, 50% of these rates apply. For disabled lives, the tables are set forward by 5 years.

There were no changes in actuarial assumptions since the prior year.

The long-term expected rate of return on OPEB plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2019, are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Weight</u>
Domestic Equity	5.80%	33.50%
International Funds	7.25	24.50
Fixed Income - U.S.	1.65	35.00
Global Funds	4.80	7.00
Cash Equivalents	0.40	0.00
		<u>100.00%</u>
Total Weighted Average real Return	4.63	
Plus Inflation	2.50	
Total Return w/o adjustment	7.13	
Risk Adjustment	(0.13)	
Total Expected Return	<u>7.00%</u>	

**CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 7 – BENEFIT PLANS (CONTINUED)

Discount rate:

The discount rate used to measure the total OPEB liability was 4.78%. The City does not have a formal funding policy, but funds a portion of the actuarially determined contribution to the OPEB trust fund. It is expected that benefits will be paid from the Trust when a 50% funding level is reached. Based on this information, the City projects that benefits will be financed on a pay as you go basis until 2024, then paid from the trust until depletion. Therefore, the expected trust return of 7.00% is blended with the 20-year Aa bond rate of 3.13% resulting in a blended rate of 4.78%. The prior rate was 4.64%.

	Total OPEB Liability (a)	Plan fiduciary net position (b)	Net OPEB Liability (a)-(b)
Balances as of June 30, 2018	\$ 51,323,557	\$ 4,454,499	\$ 46,869,058
Change for the year:			
Service cost	1,768,122	-	1,768,122
Interest	2,423,459	-	2,423,459
Net investment income	-	289,523	(289,523)
Differences between expected and actual experience	(1,421,369)	-	(1,421,369)
Contributions	-	2,993,844	(2,993,844)
Changes in assumptions	1,091,394	-	1,091,394
Benefit payments, including implicit subsidy	(1,743,697)	(1,743,697)	-
Administrative expense	-	(342,827)	342,827
Net Changes	2,117,909	1,196,843	921,066
Balances as of June 30, 2019	<u>\$ 53,441,466</u>	<u>\$ 5,651,342</u>	<u>\$ 47,790,124</u>

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate:

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.78%) or one percentage point higher (5.78%) than the current discount rate:

	1% Decrease (3.78%)	Current Discount Rate (4.78%)	1% Increase (5.78%)
Total OPEB Liability	\$ 59,045,091	\$ 53,441,466	\$ 48,539,356
Plan Net Position	5,651,342	5,651,342	5,651,342
Net OPEB Liability	<u>\$ 53,393,749</u>	<u>\$ 47,790,124</u>	<u>\$ 42,888,014</u>
Ratio of Plan Net Position to Total OPEB Liability	<u>9.57%</u>	<u>10.57%</u>	<u>11.64%</u>

**CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 7 – BENEFIT PLANS (CONTINUED)

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates:

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (2.75%) or one percentage point higher (4.75%) than the current healthcare cost trend rates:

	<u>1% Decrease (2.75%)</u>	<u>Current Trend Rate (3.75%)</u>	<u>1% Increase (4.75%)</u>
Total OPEB Liability	\$ 47,328,995	\$ 53,441,466	\$ 60,655,484
Plan Net Position	5,651,342	5,651,342	5,651,342
Net OPEB Liability	<u>\$ 41,677,653</u>	<u>\$ 47,790,124</u>	<u>\$ 55,004,142</u>
Ratio of Plan Net Position to Total OPEB Liability	<u>11.9%</u>	<u>10.6%</u>	<u>9.3%</u>

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

For the year ended June 30, 2019, the City recognized OPEB expense of \$3,854,638. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual experience	\$ 73,285	\$ 1,263,439
Changes in assumptions	970,128	2,128,757
Net difference between projected and actual earnings on pension plan investments	<u>72,087</u>	<u>-</u>
Total	<u>\$ 1,115,500</u>	<u>\$ 3,392,196</u>

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

<u>For Year Ending, June 30,</u>	<u>Amount</u>
2020	\$ (309,577)
2021	(309,577)
2022	(309,579)
2023	(320,392)
2024	(330,303)
After 2024	<u>(697,268)</u>
	<u>\$ (2,276,696)</u>

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 7 – BENEFIT PLANS (CONTINUED)

D) Summarized Financial Information for Benefit Plans

Condensed Statements of Fiduciary Net Position

	<u>Pension Trust Fund</u>	<u>OPEB Trust Fund</u>	<u>Total Benefit Trust Funds</u>
Assets:			
Cash	\$ -	\$ 304,500	\$ 304,500
Investments, at fair value	169,365,721	5,355,680	174,721,401
Accounts Receivable	6,027,746	-	6,027,746
Interest and Dividends Receivable	136,373	-	136,373
Total Assets	<u>175,529,840</u>	<u>5,660,180</u>	<u>181,190,020</u>
Liabilities:			
Accounts payable	-	8,838	8,838
Total liabilities	<u>-</u>	<u>8,838</u>	<u>8,838</u>
Net Position	<u>\$ 175,529,840</u>	<u>\$ 5,651,342</u>	<u>\$ 181,181,182</u>

Condensed Statements of Changes in Fiduciary Net Position

	<u>Pension Trust Fund</u>	<u>OPEB Trust Fund</u>	<u>Total Benefit Trust Funds</u>
Additions:			
Contributions	\$ 5,490,070	\$ 2,993,844	\$ 8,483,914
Investment income	9,185,462	289,523	9,474,985
Total Additions	<u>14,675,532</u>	<u>3,283,367</u>	<u>17,958,899</u>
Deductions:			
Benefits	12,932,435	1,743,697	14,676,132
Administrative expenses	172,665	342,827	515,492
Total Deductions	<u>13,105,100</u>	<u>2,086,524</u>	<u>15,191,624</u>
Change in Net Position	<u>\$ 1,570,432</u>	<u>\$ 1,196,843</u>	<u>\$ 2,767,275</u>

**CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 8 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables, represent temporary balances between other funds and the General Fund where cash is pooled, comprise the following at June 30, 2019:

	Payable Fund				Total
	Capital Projects	Grants	Off Street Parking	Transportation	
<u>Receivable Fund</u>					
General Fund	\$ 1,178,357	\$ 45,537	\$ 2,049,459	\$ 827,200	\$ 4,100,553

Transfers between other funds and the general fund consist of the following as of June 30, 2019:

Transfer to	Transfer From				Total
	General	Community Development Block Grant	Sprinkler	Off Street Parking	
General	\$ -	\$ -	\$ 880,754	\$ -	\$ 880,754
Capital Projects	5,942,029	-	-	-	5,942,029
Nonmajor:					
Grants	716,884	-	-	-	716,884
Community Legacy	-	223,806	-	-	223,806
Police Forfeiture and Asset Seizure	448,639	-	-	-	448,639
Sprinkler	1,251,403	-	-	-	1,251,403
Reforestation	82,484	-	-	-	82,484
PEG	492,976	-	-	-	492,976
Housing Assistance	880,754	-	-	-	880,754
Enterprise:					
Transportation	-	-	-	2,100,000	2,100,000
	<u>\$ 9,815,169</u>	<u>\$ 223,806</u>	<u>\$ 880,754</u>	<u>\$ 2,100,000</u>	<u>\$ 13,019,729</u>

Transfers are used to move unrestricted revenues to fund various programs, provide subsidies, and support pay-go funding.

NOTE 9 - 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.

During fiscal year 2019 the State conducted a review of the City's participation in the Maryland State Pension System. The State concluded that certain contractual employees should have been enrolled in the Maryland State Retirement System. The City has reviewed the State's findings and has legitimate concerns about the State's interpretation of the law and the amount of any obligation. Discussions with the State to resolve this matter are ongoing.

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 10 – 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 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.

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.

NOTE 11 - GRANTS

The City receives grants from various federal, state, and local sources. 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.

NOTE 12 – 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 that includes coverage for general liability, and workers compensation, and a Health Insurance Fund that includes coverage for health, dental, prescription and vision benefits. The City also participates in the Maryland Local Government Insurance Trust (LGIT), a public entity risk pool, that provides insurance for claims in excess of coverage provided by the City's Self Insurance Fund.

LGIT is a total risk and cost sharing pool for all participants. In the event that LGIT's General Fund falls into a deficit that cannot be satisfied by transfers from 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.

**CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 12 – RISK MANAGEMENT (CONTINUED)

The City accounts for the current financial operations of the Self Insurance Fund in an 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 that 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 position. 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 2019 and 2018 were as follows:

	<u>FY 2019</u>	<u>FY 2018</u>
Beginning accrued payables and other liabilities	\$ 5,952,514	\$ 4,070,710
Incurred claims and changes in estimates	2,433,800	3,056,738
Claim payments	<u>(1,507,593)</u>	<u>(1,174,934)</u>
Ending accrued payables and other liabilities	<u>\$ 6,878,721</u>	<u>\$ 5,952,514</u>

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

NOTE 13 – LANDFILL CLOSURE

On June 30, 1993, the City's landfill operations were terminated. As of March 31, 1998, the landfill was 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 monitoring costs and any post closure care requirements exceeding the original estimates will be covered by future tax revenues.

REQUIRED SUPPLEMENTARY INFORMATION



***CITY OF
ANNAPOLIS,
MARYLAND***

**CITY OF ANNAPOLIS, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY AND RELATED RATIOS
MARYLAND STATE RETIREMENT AND PENSION SYSTEM
YEAR ENDED JUNE 30, 2019**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	0.07427040%	0.07101440%	0.07505470%	0.07855730%	0.07421533%
City's proportionate share of the net pension liability	\$ 15,583,128	\$ 15,355,940	\$ 17,708,426	\$ 16,325,552	\$ 131,707,894
City's covered payroll	\$ 19,233,068	\$ 16,430,407	\$ 18,256,495	\$ 16,430,407	\$ 10,803,631
City's proportionate share of the net pension liability as a percentage of its covered payroll	81.02 %	93.46 %	97.00 %	99.36 %	121.91 %
Plan fiduciary net position as a percentage of the total pension liability	68.36 %	66.71 %	62.97 %	68.78 %	71.87 %

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

**CITY OF ANNAPOLIS, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY CONTRIBUTIONS
MARYLAND STATE RETIREMENT AND PENSION SYSTEM
YEAR ENDED JUNE 30, 2019**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 1,557,162	\$ 1,889,096	\$ 1,813,039	\$ 1,462,128
Contributions in relation to the contractually required contribution	<u>(1,557,162)</u>	<u>(1,889,096)</u>	<u>(1,813,039)</u>	<u>(1,462,128)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 19,233,068	\$ 19,073,607	\$ 16,430,408	\$ 16,529,127
Contributions as a percentage of covered-employee payroll	8.10%	9.90%	11.03%	8.85%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

**CITY OF ANNAPOLIS, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
POLICE AND FIRE RETIREMENT PENSION FUND
YEAR ENDED JUNE 30, 2019**

<u>Total Pension Liability</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Service cost	\$ 3,795,564	\$ 3,590,260	\$ 3,751,539	\$ 3,651,655	\$ 3,673,745	\$ 3,821,288
Interest (includes interest on service cost)	14,628,780	14,206,287	13,652,377	13,302,868	12,768,894	12,349,153
Changes of benefit terms	852,740	-	-	-	(5,211,445)	-
Differences between expected and actual experience	3,068,330	1,433,627	(3,733,644)	(66,901)	3,568,771	-
Changes in assumptions	476,398	-	1,902,569	-	-	-
Benefit payments, including refunds of member contributions	(12,932,435)	(11,705,270)	(11,222,586)	(9,327,917)	(9,070,882)	(8,654,196)
Net change in total pension liability	9,889,377	7,524,904	4,350,255	7,559,705	5,729,083	7,516,245
Total pension liability - beginning	199,708,327	192,183,423	187,833,168	180,273,463	174,544,380	167,028,135
Total pension liability - ending	\$ 209,597,704	\$ 199,708,327	\$ 192,183,423	\$ 187,833,168	\$ 180,273,463	\$ 174,544,380
<u>Plan fiduciary net position</u>						
Contributions - employer	\$ 3,953,630	\$ 3,389,348	\$ 3,430,988	\$ 2,877,922	\$ 2,451,163	\$ 1,535,001
Contributions - member	1,536,440	1,458,763	1,445,592	1,324,069	1,220,879	1,138,427
Net investment income	9,185,462	12,181,913	17,937,648	1,649,833	5,896,989	22,156,263
Benefit payments, including refunds of member contributions	(12,932,435)	(11,705,270)	(11,222,586)	(9,327,917)	(9,070,882)	(8,654,196)
Administrative expense	(172,665)	(128,075)	(67,677)	(1,606,930)	(961,324)	-
Net change in plan fiduciary net position	\$ 1,570,432	\$ 5,196,679	\$ 11,523,965	\$ (5,083,023)	\$ (463,175)	\$ 16,175,495
Plan fiduciary net position - beginning	173,959,408	168,762,729	157,238,764	162,321,787	162,784,962	146,609,467
Plan fiduciary net position - ending	\$ 175,529,840	\$ 173,959,408	\$ 168,762,729	\$ 157,238,764	\$ 162,321,787	\$ 162,784,962
Net pension liability - ending	\$ 34,067,864	\$ 25,748,919	\$ 23,420,694	\$ 30,594,404	\$ 17,951,676	\$ 11,759,418
Plan fiduciary net position as a percentage of the total pension liability	83.7 %	87.1 %	87.8 %	83.7 %	90.0 %	93.3 %
Covered payroll	\$ 19,233,068	\$ 18,821,279	\$ 18,256,495	\$ 16,430,407	\$ 16,529,127	\$ 16,269,256
Net pension liability as a percentage of covered employee payroll	177.1%	136.8%	128.3%	186.2%	108.6%	72.3%

**CITY OF ANNAPOLIS, MARYLAND
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
 POLICE AND FIRE RETIREMENT PENSION FUND
 YEAR ENDED JUNE 30, 2019**

Notes to Schedule

Valuation Date	July 1, 2018
Timing	Actuarially determined contribution rates are calculated based on the actuarial valuation at the beginning of the plan year

Key Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry Age
Asset valuation method	3-year smoothing
Amortization method	The UAL is amortized over an open 30-year period as a level dollar amount
Discount rate	7.40%
Amortization growth rate	0.00%
Price inflation	3.50%
Salary increases	4.00% to 10.00%, based on service
Mortality	RP-2000 Combined Mortality tables, with Blue Collar adjustments, projected to 2016 using Scale AA

**CITY OF ANNAPOLIS, MARYLAND
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULES OF EMPLOYER CONTRIBUTIONS AND INVESTMENT RETURNS
 POLICE AND FIRE RETIREMENT PENSION FUND
 YEAR ENDED JUNE 30, 2019**

Schedule of Employer Contributions

Fiscal Year Ended June 30	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency Excess	Covered Payroll	Actual Contribution as a % of Covered Payroll
2019	\$ 3,898,543	\$ 3,953,630	\$ (55,087)	\$ 19,233,068	20.56 %
2018	3,935,529	3,389,348	546,181	18,821,279	18.01 %
2017	3,817,433	3,430,988	386,445	18,256,495	18.79 %
2016	3,740,905	2,877,922	862,983	16,430,407	17.52 %
2015	3,234,493	2,451,163	783,330	16,529,127	14.83 %
2014	3,989,791	1,535,001	2,454,790	16,269,356	09.43 %
2013	4,032,514	1,570,000	2,462,514	15,949,484	09.84 %
2012	6,488,344	200,000	6,288,344	15,651,875	01.28 %
2011	8,128,420	-	8,128,420	14,826,326	-
2010	4,466,076	-	4,466,076	16,586,365	-

**Schedule of Investment Returns*
 Police and Fire Retirement Pension Fund
 Year Ended June 30,**

2019	5.40%
2018	7.37%
2017	11.60%
2016	0.06%
2015	5.00%
2014	17.90%

*Actual money-weighted rate of return,
 net of investment expense

**CITY OF ANNAPOLIS, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
CHANGE IN NET OPEB LIABILITY
YEAR ENDED JUNE 30, 2019**

<u>Total net OPEB Liability</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Service cost	\$ 1,768,122	\$ 1,535,462	\$ 1,495,451
Interest	2,423,459	2,167,486	2,100,266
Differences between expected and actual experience	(1,421,369)	94,223	-
Changes in assumptions	1,091,394	(2,736,973)	-
Benefit payments, including implicit subsidy	(1,743,697)	(2,112,144)	(1,882,596)
Net change in total OPEB liability	<u>2,117,909</u>	<u>(1,051,946)</u>	<u>1,713,121</u>
Total OPEB liability - beginning of year	51,323,557	52,375,503	50,662,382
Total OPEB liability - end of year	<u>\$ 53,441,466</u>	<u>\$ 51,323,557</u>	<u>\$ 52,375,503</u>
 <u>Plan fiduciary net position</u>			
Contributions - employer	\$ 2,962,725	\$ 3,053,624	\$ 2,552,284
Contributions - member	31,119	21,162	-
Net investment income	289,523	216,547	175,799
Benefit payments, including refunds of member contributions	(1,743,697)	(2,112,144)	(1,882,596)
Administrative expense	(342,827)	(305,948)	(10,480)
Net change in plan fiduciary net position	<u>\$ 1,196,843</u>	<u>\$ 873,241</u>	<u>\$ 835,007</u>
Plan fiduciary net position - beginning	4,454,499	3,581,258	2,746,251
Plan fiduciary net position - ending	<u>\$ 5,651,342</u>	<u>\$ 4,454,499</u>	<u>\$ 3,581,258</u>
Net OPEB liability - beginning of year	46,869,058	48,794,245	47,919,758
Net OPEB liability - end of year	<u>\$ 47,790,124</u>	<u>\$ 46,869,058</u>	<u>\$ 48,794,245</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>10.6 %</u>	<u>8.7 %</u>	<u>6.8 %</u>
Covered payroll	<u>40,233,840</u>	<u>38,249,323</u>	<u>32,155,763</u>
Net OPEB liability as a percentage of covered payroll	<u>118.8%</u>	<u>122.5%</u>	<u>151.7%</u>

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

**CITY OF ANNAPOLIS, MARYLAND
 REQUIRED SUPPLEMENTARY INFORMATION
 OPEB CONTRIBUTIONS AND SCHEDULE OF INVESTMENT RETURNS
 YEAR ENDED JUNE 30, 2019**

Fiscal Year	Actuarially Determined Employer Contribution	Actual Employer Contribution	Contribution Deficiency/ Excess	Covered Payroll	Contribution as a Percent of Payroll
2019	\$ 4,112,000	\$ 2,993,844	\$ 1,149,000	\$ 40,234,000	7.40%
2018	3,119,000	3,053,000	66,000	38,249,000	7.98
2017	3,983,000	2,552,000	1,431,000	32,156,000	7.94
2016	3,925,000	1,985,000	1,940,000	33,762,000	5.88
2015	4,060,000	2,084,000	1,976,000	32,262,000	6.46
2014	4,852,000	2,926,000	1,926,000	32,345,000	9.05
2013	4,575,000	1,254,000	3,321,000	32,445,000	3.87
2012	4,660,000	1,250,000	3,410,000	31,842,000	3.93
2011	6,189,000	1,621,000	4,568,000	31,350,000	5.17
2010	5,817,000	1,356,000	4,461,000	30,230,000	4.48

**Schedule of Investment Returns*
 OPEB Fund
 Year Ended June 30,**

2018	5.60%
2019	4.63%

*Actual money-weighted rate of return,
 net of investment expense

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

CITY OF ANNAPOLIS, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL - GENERAL FUND (NONGAAP - BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2019

	General Fund			
	Original Budget	Amended Budget	Actual	Under (Over) Budget
Revenues				
Taxes				
Real Property	\$ 50,001,298	\$ 50,001,298	\$ 50,457,045	\$ (455,747)
Personal Property	3,619,500	3,619,500	3,189,268	430,232
	<u>53,620,798</u>	<u>53,620,798</u>	<u>53,646,314</u>	<u>(25,516)</u>
Local Receipts				
Licenses and Permits	3,331,000	3,331,000	3,141,128	189,872
Fines and Forfeitures	431,320	431,320	356,267	75,053
Money and Property	915,500	955,852	2,695,605	(1,739,753)
Charges for Services	5,355,000	5,356,380	5,566,260	(209,880)
	<u>10,032,820</u>	<u>10,074,552</u>	<u>11,759,259</u>	<u>(1,684,707)</u>
Intergovernmental	13,028,141	13,028,141	11,336,234	1,691,907
Transfers and other Sources	2,583,537	2,829,737	2,408,846	420,891
Total Revenues	<u>79,265,296</u>	<u>79,553,228</u>	<u>79,150,653</u>	<u>402,575</u>
Expenditures				
Current:				
General Government				
Mayor and City Council				
Boards and Commissions	\$ 109,986	\$ 129,986	\$ 118,977	\$ 11,009
Mayor and City Council	1,355,883	1,487,283	1,407,637	79,646
Office of Law	1,295,674	1,321,674	1,223,646	98,029
	<u>2,761,543</u>	<u>2,938,943</u>	<u>2,750,260</u>	<u>188,683</u>
City Manager				
MIT	1,838,743	1,863,743	1,819,938	43,805
Human Resources	890,610	906,110	839,547	66,563
Office of Environmental Policy	366,628	406,028	390,407	15,621
	<u>3,095,981</u>	<u>3,175,881</u>	<u>3,049,892</u>	<u>125,989</u>
Finance				
Financial Administration	2,652,255	2,676,755	2,553,339	123,416
	<u>2,652,255</u>	<u>2,676,755</u>	<u>2,553,339</u>	<u>123,416</u>
Land Use and Permits				
Planning and Zoning	4,005,293	4,043,549	3,938,319	105,231
Public Safety				
Police	20,231,534	20,420,773	19,214,256	1,206,517
Fire	17,363,920	17,752,450	16,951,496	800,954
	<u>37,595,454</u>	<u>38,173,223</u>	<u>36,165,751</u>	<u>2,007,472</u>

**CITY OF ANNAPOLIS, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL - GENERAL FUND (NONGAAP - BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2019**

	General Fund			
	Original Budget	Amended Budget	Actual	Over (Under) Budget
Public Works				
Bureau of Administration	737,593	757,593	745,221	12,372
Engineering and Construction	1,008,206	1,018,206	975,756	42,450
Roadways	3,682,973	3,707,973	3,515,651	192,322
Traffic Control	304,060	309,560	298,990	10,570
Snow and Ice removal	167,290	138,790	137,966	824
Buildings and Maintenance	1,772,247	1,806,247	1,824,753	(18,506)
	<u>7,672,369</u>	<u>7,738,369</u>	<u>7,498,337</u>	<u>240,032</u>
Community Services				
Recreation and Parks	4,504,939	5,196,938	4,894,282	302,656
Community Assistance Grants	319,200	326,700	323,200	3,500
	<u>4,824,139</u>	<u>5,523,638</u>	<u>5,217,482</u>	<u>306,156</u>
Non Allocated	5,063,322	5,063,322	4,779,505	283,817
Debt Service	7,748,960	7,748,960	7,748,225	735
Transfers	9,312,609	10,488,329	9,676,137	812,191
Total Expenditures	<u>84,731,925</u>	<u>87,570,970</u>	<u>83,377,248</u>	<u>4,193,722</u>
Excess (Deficiencies) of Revenues over Expenditures	<u>\$ (5,466,629)</u>	<u>\$ (8,017,742)</u>	<u>\$ (4,226,595)</u>	<u>\$ 3,791,147</u>

CITY OF ANNAPOLIS, MARYLAND
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2019

1) Budgetary Presentation

The general fund statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual has been prepared on the legally prescribed budgetary basis of accounting to demonstrate compliance with the legally adopted budget. The basis used to prepare the legally adopted budget differs from GAAP as follows:

- Revenues and expenditures related to grants and other certain activities are not part of the legally adopted budget.
- For budgetary purposes, administrative charges (interfund sources) to proprietary funds are included with transfers in as revenues; however, these administrative charges are a reduction of expenditures for GAAP purposes.
- Bond issuance costs are not part of the legally adopted budget.

Adjustments to reconcile the budgetary statement to the GAAP fund statement are as follows:

Revenues (non-GAAP budgetary basis)	\$ 79,150,653
Revenues in nonbudgeted funds	8,611
Prior Year Encumbrances Liquidated in Fiscal Year 2019	(252,234)
Interfund Reimbursements Reducing Expenditures in GAAP	<u>(2,106,612)</u>
Revenues (GAAP basis)	<u><u>\$ 76,800,418</u></u>
Expenditures (non-GAAP budgetary basis)	\$ 83,377,248
Interfund Reimbursements Reducing Expenditures in GAAP	(2,106,612)
Expenditures in Nonbudgeted Funds	1,598,460
Fiscal Year 2019 Encumbrance Open at Year End	(434,884)
Less Prior Year Expended in Fiscal Year 2019	<u>12,496</u>
Expenditures (GAAP basis)	<u><u>\$ 82,446,708</u></u>

**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 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.

**CITY OF ANNAPOLIS, MARYLAND
GENERAL FUND
DETAILED SCHEDULE OF REVENUES COMPARED TO BUDGET
(NON-GAAP BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2019**

	2019		
	Amended Budget	Actual	Under (Over) Budget
Taxes			
Real and personal property			
Real property	\$ 50,001,298	\$ 50,457,045	\$ (455,747)
Personal	3,483,000	2,989,277	493,723
Total	<u>53,484,298</u>	<u>53,446,323</u>	<u>37,975</u>
Penalties and interest	136,500	199,991	(63,491)
Total Taxes	<u>53,620,798</u>	<u>53,646,314</u>	<u>(25,516)</u>
Licenses and Permits			
Street Use			
Street privileges	200,000	205,586	(5,586)
Sidewalk	14,000	13,620	380
Total street use	<u>214,000</u>	<u>219,206</u>	<u>(5,206)</u>
Business			
Alcoholic beverages	475,000	466,512	8,488
Traders	71,000	67,856	3,144
Vendors	82,000	74,420	7,580
Total Business	<u>628,000</u>	<u>608,788</u>	<u>19,212</u>
Other			
Building	1,200,000	1,069,220	130,780
Certificate of occupancy	17,000	21,750	(4,750)
Real Property Transfer Fee	85,000	79,200	5,800
Use permits	150,000	170,620	(20,620)
Cable television franchise fees	945,000	867,264	77,736
Towing	20,000	235	19,765
Other	72,000	104,845	(32,845)
Total Other	<u>2,489,000</u>	<u>2,313,134</u>	<u>175,866</u>
Total Licenses and Permits	<u>3,331,000</u>	<u>3,141,128</u>	<u>189,872</u>
Fines and Forfeitures			
Municipal Infractions	32,000	53,310	(21,310)
Speed enforcement program	210,120	135,112	75,008
Auto Traffic Signal	187,400	156,248	31,153
Other fines	1,800	11,598	(9,798)
Total Fines and Forfeitures	<u>431,320</u>	<u>356,267</u>	<u>75,053</u>
Money and Property			
Interest and dividends	385,000	1,110,596	(725,596)
Rents and concessions	90,000	203,840	(113,840)
Payments in lieu of taxes	208,000	228,431	(20,431)
Other revenue	272,852	1,152,737	(879,885)
Total Money and Property	<u>955,852</u>	<u>2,695,605</u>	<u>(1,739,753)</u>

**CITY OF ANNAPOLIS, MARYLAND
GENERAL FUND
DETAILED SCHEDULE OF REVENUES COMPARED TO BUDGET
(NON-GAAP BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2019**

	2019		
	Amended Budget	Actual	Under (Over) Budget
Intergovernmental			
Payments In lieu of taxes	367,000	367,000	-
Utility tax	505,000	444,466	60,534
Hotel/motel tax	1,940,000	2,026,853	(86,853)
Admissions	940,000	1,041,541	(101,541)
Income	8,000,000	6,173,728	1,826,272
Highway	1,273,141	1,278,131	(4,990)
Fuel	2,000	1,362	638
Collection fee	1,000	1,578	(578)
Federal reimbursement	-	1,575	(1,575)
Total Intergovernmental	<u>13,028,141</u>	<u>11,336,234</u>	<u>1,691,907</u>
Charges for Services			
Ambulance Fees	1,800,000	1,771,768	28,232
Recreation Fees	1,285,000	1,375,887	(90,887)
Filing Fees	125,000	153,662	(28,662)
Rental Fees	1,030,000	1,071,713	(41,713)
Dock Charges & Boat Show Fees	1,110,000	1,151,632	(41,632)
Other	6,380	41,599	(35,219)
Total Charges for Services	<u>5,356,380</u>	<u>5,566,260</u>	<u>(209,880)</u>
Other Revenues			
Transfers in	2,583,537	2,106,612	476,925
Other Finances Sources & Uses	246,200	302,234	(56,034)
Total Other Revenues	<u>2,829,737</u>	<u>2,408,846</u>	<u>420,891</u>
Total Revenues	<u>\$ 79,553,228</u>	<u>\$ 79,150,653</u>	<u>\$ 402,575</u>
Fiscal Year 2019 Revenues (GAAP Basis)			\$ 76,800,418
Revenues in nonbudgeted funds			(8,611)
Prior Year Encumbrances Liquidated in Fiscal Year 2019			252,234
Interfund Reimbursements Reducing Expenditures in GAAP			2,106,612
			<u>\$ 79,150,653</u>

**CITY OF ANNAPOLIS, MARYLAND
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES COMPARED TO BUDGET
(NONGAAP BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2019**

	2019		
	Amended Budget	Actual	Under (Over) Budget
General Government			
Mayor and City Council			
Boards and Commissions			
Salaries	\$ 92,673	\$ 83,891	\$ 8,782
Employee benefits	32,313	30,281	2,032
Materials and supplies	5,000	4,806	194
Total Boards and Commissions	<u>129,986</u>	<u>118,977</u>	<u>11,009</u>
Mayor and City Council			
Salaries	959,096	936,674	22,422
Employee benefits	270,437	265,671	4,766
Materials and supplies	15,100	10,098	5,002
Utilities	6,450	4,291	2,159
Contractual services	207,500	169,004	38,496
Other	25,500	18,700	6,800
Capital Outlay	3,200	3,199	1
Total Mayor and City Council	<u>1,487,283</u>	<u>1,407,637</u>	<u>79,646</u>
Office of Law			
Salaries	807,004	797,032	9,971
Employee benefits	348,817	329,135	19,682
Materials and supplies	8,600	7,272	1,328
Utilities	1,100	1,036	64
Contractual services	147,053	83,239	63,815
Other	9,100	5,932	3,168
Total Office of Law	<u>1,321,674</u>	<u>1,223,646</u>	<u>98,029</u>
Total Mayor and City Council	<u>2,938,943</u>	<u>2,750,260</u>	<u>188,683</u>
City Manager			
MIT			
Salaries	802,717	792,164	10,553
Employee benefits	330,686	304,468	26,218
Materials and supplies	5,400	5,052	348
Utilities	2,600	2,092	508
Contractual services	420,000	419,926	74
Repair and maintenance	60,000	59,147	853
Other	2,000	1,883	117
Capital Outlay	240,340	235,207	5,133
Total MIT	<u>1,863,743</u>	<u>1,819,938</u>	<u>43,805</u>
Human Resources			
Salaries	562,445	558,872	3,573
Employee benefits	210,255	170,997	39,258
Materials and supplies	14,870	10,825	4,045
Utilities	130	-	130
Contractual services	115,210	97,400	17,811
Repair and maintenance	200	186	14
Other	3,000	1,267	1,733
Total Human Resources	<u>906,110</u>	<u>839,547</u>	<u>66,563</u>

**CITY OF ANNAPOLIS, MARYLAND
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (CONTINUED)
(NONGAAP BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2019**

	2019		
	Amended Budget	Actual	Under (Over) Budget
Office of Environmental Policy			
Salaries	252,398	248,778	3,620
Employee benefits	107,180	102,549	4,631
Materials and supplies	1,500	986	514
Utilities	1,550	1,293	257
Other	43,400	36,800	6,600
Total Office of Environmental Policy	406,028	390,407	15,621
Total City Manager's Office	3,175,881	3,049,892	125,989
Finance			
Salaries	1,520,499	1,504,392	16,107
Employee benefits	647,006	554,334	92,672
Materials and supplies	46,650	43,993	2,657
Utilities	2,800	1,773	1,027
Contractual services	442,565	435,072	7,493
Repair and maintenance	6,735	6,176	559
Other	10,500	7,600	2,900
Total Finance	2,676,755	2,553,339	123,416
Total General Government	8,791,579	8,353,492	438,087
Land Use and Permits			
Planning and Zoning			
Salaries	2,580,342	2,535,620	44,722
Employee benefits	969,451	914,170	55,281
Materials and supplies	34,000	33,605	395
Utilities	14,000	14,159	(159)
Contractual services	402,156	398,444	3,713
Repair and maintenance	3,100	3,032	68
Other	40,500	39,289	1,211
Total Planning and Zoning	4,043,549	3,938,319	105,231
Total Land Use and Permits	4,043,549	3,938,319	105,231
Public safety			
Police			
Salaries	12,267,531	11,664,111	603,420
Employee benefits	5,840,617	5,321,405	519,212
Training/Special Programs	67,000	59,546	7,454
Materials and supplies	735,000	720,951	14,049
Utilities	235,000	231,188	3,812
Contractual services	1,026,625	993,242	33,383
Repair and maintenance	11,000	7,439	3,561
Rents and Leases	40,000	36,502	3,498
Capital Outlay	188,000	173,786	14,214
Other	10,000	6,086	3,914
Total Police	20,420,773	19,214,256	1,206,517

**CITY OF ANNAPOLIS, MARYLAND
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (CONTINUED)
(NONGAAP BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2019**

	2019		
	Amended Budget	Actual	Under (Over) Budget
Fire & OEM			
Salaries	11,515,093	11,014,136	500,957
Employee benefits	5,283,389	4,995,459	287,930
Training/Education	23,000	17,990	5,010
Materials and supplies	475,051	474,183	869
Utilities	145,000	129,202	15,798
Contractual services	163,667	150,373	13,294
Rents and Leases	15,000	15,000	-
Repair and maintenance	70,900	94,516	(23,616)
Other	5,350	4,637	713
Capital Outlay	56,000	56,000	-
Total Fire & OEM	<u>17,752,450</u>	<u>16,951,496</u>	<u>800,954</u>
Total Public Safety	<u>38,173,223</u>	<u>36,165,751</u>	<u>2,007,472</u>
Public Works			
Bureau of Administration			
Salaries	526,548	526,211	337
Training/Education	4,000	3,876	124
Employee benefits	174,195	167,018	7,177
Materials and supplies	3,750	2,747	1,004
Utilities	2,100	1,835	265
Repair and maintenance	500	629	(129)
Contractual services	44,399	40,804	3,595
Other	2,101	2,101	-
Total Bureau of Administration	<u>757,593</u>	<u>745,221</u>	<u>12,372</u>
Engineering and Construction			
Salaries	726,505	704,932	21,573
Employee benefits	242,101	228,153	13,948
Training/Education	4,500	4,376	124
Materials and supplies	22,400	20,614	1,786
Contractual services	16,400	13,018	3,382
Repair and maintenance	1,500	-	1,500
Utilities	3,700	3,663	37
Other	1,100	1,000	100
Total Engineering and Construction	<u>1,018,206</u>	<u>975,756</u>	<u>42,450</u>
Roadways			
Salaries	1,837,415	1,792,746	44,669
Employee benefits	958,618	858,011	100,607
Materials and supplies	202,540	178,069	24,471
Utilities	542,900	542,676	224
Contractual services	20,000	19,667	333
Repair and maintenance	145,000	123,732	21,268
Other	1,500	750	750
Total Roadways	<u>3,707,973</u>	<u>3,515,651</u>	<u>192,322</u>

**CITY OF ANNAPOLIS, MARYLAND
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (CONTINUED)
(NONGAAP BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2019**

	2019		
	Amended Budget	Actual	Under (Over) Budget
Traffic Control			
Salaries	156,907	173,956	(17,049)
Employee benefits	94,853	72,825	22,028
Materials and supplies	31,500	26,151	5,349
Contractual services	9,000	9,000	-
Repair and maintenance	15,000	14,828	172
Utilities	300	-	300
Other	2,000	2,229	(229)
Total Traffic Control	309,560	298,990	10,570
Snow and Ice Removal			
Salaries	35,000	28,501	6,500
Employee benefits	4,590	8,071	(3,481)
Materials and supplies	42,500	55,041	(12,541)
Contractual services	56,700	46,353	10,347
Total Snow and Ice Removal	138,790	137,966	824
Buildings and Maintenance			
Salaries	328,249	332,991	(4,742)
Employee benefits	155,998	145,967	10,031
Materials and supplies	15,000	13,442	1,558
Utilities	177,000	210,533	(33,533)
Contractual services	426,345	422,824	3,520
Rents and Leases	488,655	488,655	-
Repair and maintenance	215,000	210,340	4,660
Total Buildings and Maintenance	1,806,247	1,824,753	(18,506)
Total Public Works	7,738,369	7,498,337	240,032
Community Services			
Recreation and Parks			
Salaries	3,129,741	2,968,059	161,682
Employee benefits	824,695	770,678	54,017
Materials and supplies	429,739	396,609	33,130
Utilities	245,000	260,010	(15,010)
Contractual services	187,906	157,098	30,808
Repair and maintenance	141,856	117,866	23,990
Rents and Leases	24,550	22,641	1,909
Other	122,229	110,382	11,847
Capital Outlay	91,222	90,939	283
Total Recreation and Parks	5,196,938	4,894,282	302,656
Community Assistance Grants	326,700	323,200	3,500
Total Community Services	5,523,638	5,217,482	306,156
Nonallocated	5,063,322	4,779,505	283,817
Debt service			
Bond principal	7,748,960	7,748,225	735
Total Principal Debt Service	7,748,960	7,748,225	735
Total Debt Service	7,748,960	7,748,225	735
Transfers	10,488,329	9,676,137	812,191
Total Expenditures	\$ 87,570,970	\$ 83,377,248	\$ 4,193,722

CITY OF ANNAPOLIS, MARYLAND GOVERNMENTAL FUNDS

The City has two major governmental funds, including the General Fund and the Capital Projects Fund. These funds have been discretely presented in the basic financial statements. These combining statements include several non-major governmental funds.

Special Revenue funds account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The City considers its Community Development Block Grants, Grants, Community Legacy, Police Forfeiture & Asset Seizure, and Sprinkler Loan funds as special revenue because the assets are restricted to a particular use.

Capital Projects Funds account for financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities or other capital assets. The City considers its Reforestation, PEG, and Housing Assistance funds as capital project funds because these assets are restricted for capital outlay.

**CITY OF ANNAPOLIS, MARYLAND
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2019**

	Special Revenue Funds					Capital Projects Funds			Total
	Community Development Block Grant	Grants	Community Legacy	Police Forfeiture & Asset Seizure	Sprinkler Loan	Reforestation	PEG	Housing Assistance	
ASSETS									
Cash and cash equivalents	\$ 62,620	\$ -	\$ 217,866	\$ 383,656	\$ 370,649	\$ 81,753	\$ 375,283	\$ 1,078,614	\$ 2,570,441
Receivables, net of allowances	75,361	1,191,222	-	-	-	-	19,657	-	1,286,240
Total assets	<u>\$ 137,981</u>	<u>\$ 1,191,222</u>	<u>\$ 217,866</u>	<u>\$ 383,656</u>	<u>\$ 370,649</u>	<u>\$ 81,753</u>	<u>\$ 394,940</u>	<u>\$ 1,078,614</u>	<u>\$ 3,856,681</u>
LIABILITIES									
Accounts payable	\$ 47,416	\$ 152,486	\$ -	\$ 12,087	\$ -	\$ 4,270	\$ 3,000	\$ 16,691	\$ 235,950
Accrued payables and other liabilities	-	124,171	-	-	-	-	-	-	124,171
Due to General Fund	-	45,537	-	-	-	-	-	-	45,537
Unearned revenue	-	30,741	-	-	-	-	-	-	30,741
Total liabilities	<u>47,416</u>	<u>352,935</u>	<u>-</u>	<u>12,087</u>	<u>-</u>	<u>4,270</u>	<u>3,000</u>	<u>16,691</u>	<u>436,399</u>
FUND BALANCE									
Restricted for:									
Public Safety	-	838,287	-	371,569	-	-	-	-	1,209,856
Community Services	90,565	-	217,866	-	370,649	-	-	1,061,923	1,741,003
Land Use	-	-	-	-	-	77,483	-	-	77,483
Capital Projects	-	-	-	-	-	-	391,940	-	391,940
Total fund balances	<u>90,565</u>	<u>838,287</u>	<u>217,866</u>	<u>371,569</u>	<u>370,649</u>	<u>77,483</u>	<u>391,940</u>	<u>1,061,923</u>	<u>3,420,282</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 137,981</u>	<u>\$ 1,191,222</u>	<u>\$ 217,866</u>	<u>\$ 383,656</u>	<u>\$ 370,649</u>	<u>\$ 81,753</u>	<u>\$ 394,940</u>	<u>\$ 1,078,614</u>	<u>\$ 3,856,681</u>

**CITY OF ANNAPOLIS, MARYLAND
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2019**

	Special Revenue Funds					Capital Projects Funds			Total
	Community Development Block Grant	Grants	Community Legacy	Police Forfeiture & Asset Seizure	Sprinkler	Reforestation	PEG	Housing Assistance	
Revenues									
Intergovernmental	\$ 207,099	\$ 3,950,609	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,157,708
Charges for services	-	-	-	-	-	7,300	79,601	-	86,901
Other revenue	116,265	-	-	103,622	-	-	-	232,931	452,818
Total revenues	<u>323,364</u>	<u>3,950,609</u>	<u>-</u>	<u>103,622</u>	<u>-</u>	<u>7,300</u>	<u>79,601</u>	<u>232,931</u>	<u>4,697,427</u>
Expenditures									
Current:									
Land Use	-	-	-	-	-	12,301	-	-	12,301
Public Safety	-	3,785,534	-	180,692	-	-	-	-	3,966,226
Community Services	205,393	43,672	5,940	-	-	-	-	51,762	306,767
Capital Outlay	-	-	-	-	-	-	180,637	-	180,637
Total expenditures	<u>205,393</u>	<u>3,829,206</u>	<u>5,940</u>	<u>180,692</u>	<u>-</u>	<u>12,301</u>	<u>180,637</u>	<u>51,762</u>	<u>4,465,931</u>
Excess (deficiency) of revenues over expenditures	117,971	121,403	(5,940)	(77,070)	-	(5,001)	(101,036)	181,169	231,496
Other financing sources (uses)									
Transfers in	-	716,884	223,806	448,639	1,251,403	82,484	492,976	880,754	4,096,946
Transfers out	(223,806)	-	-	-	(880,754)	-	-	-	(1,104,560)
Total other financing sources (uses)	<u>(223,806)</u>	<u>716,884</u>	<u>223,806</u>	<u>448,639</u>	<u>370,649</u>	<u>82,484</u>	<u>492,976</u>	<u>880,754</u>	<u>2,992,386</u>
Net change in fund balance	(105,835)	838,287	217,866	371,569	370,649	77,483	391,940	1,061,923	3,223,882
Fund balance at beginning of year	196,400	-	-	-	-	-	-	-	196,400
Fund balance at end of year	<u>\$ 90,565</u>	<u>\$ 838,287</u>	<u>\$ 217,866</u>	<u>\$ 371,569</u>	<u>\$ 370,649</u>	<u>\$ 77,483</u>	<u>\$ 391,940</u>	<u>\$ 1,061,923</u>	<u>\$ 3,420,282</u>

**CITY OF ANNAPOLIS, MARYLAND
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES
COMPARED TO BUDGET (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2019**

	2019		Under (Over) Budget
	Amended Budget	Actual	
Community Development Block Grant Fund			
Intergovernmental	\$ 273,996	\$ 323,364	\$ (49,368)
Total Community Development Block Grant Fund	<u>\$ 273,996</u>	<u>\$ 323,364</u>	<u>\$ (49,368)</u>
Community Legacy Fund			
Operating transfers	\$ 223,806	\$ 223,806	\$ -
Total Community Legacy Fund	<u>\$ 223,806</u>	<u>\$ 223,806</u>	<u>\$ -</u>
Police Forfeiture & Asset Seizure Fund			
Fines and forfeitures	\$ 238,590	\$ 103,622	\$ (134,968)
Operating transfers	-	448,639	448,639
Total Police Forfeiture & Asset Seizure Fund	<u>\$ 238,590</u>	<u>\$ 552,261</u>	<u>\$ 313,671</u>
Sprinkler Loan Fund			
Operating transfers	\$ -	\$1,251,403	\$ 1,251,403
Total Sprinkler Loan Fund	<u>\$ -</u>	<u>\$1,251,403</u>	<u>\$ 1,251,403</u>
Reforestation Fund			
Charges for services	\$ 22,672	\$ 7,300	\$ 15,372
Operating transfers	82,484	82,484	-
Total Reforestation Fund	<u>\$ 105,156</u>	<u>\$ 89,784</u>	<u>\$ 15,372</u>
PEG Fund			
Charges for services	\$ 61,269	\$ 79,601	\$ (18,332)
Operating transfers	492,976	492,976	-
Total PEG Fund	<u>\$ 554,245</u>	<u>\$ 572,577</u>	<u>\$ (18,332)</u>
Housing Assistance Fund			
Charges for services	\$ 156,000	\$ 232,931	\$ (76,931)
Operating transfers	-	880,754	(880,754)
Total Housing Assistance Fund	<u>\$ 156,000</u>	<u>\$ 1,113,685</u>	<u>\$ (957,685)</u>

**CITY OF ANNAPOLIS, MARYLAND
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF EXPENDITURES
COMPARED TO BUDGET (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2019**

	2019		Under (Over) Budget
	Amended Budget	Actual	
Community Development Block Grant Fund			
Community services	\$ 390,220	\$ 388,844	\$ 1,376
Total Community Development Block Grant Fund	<u>\$ 390,220</u>	<u>\$ 388,844</u>	<u>\$ 1,376</u>
Community Legacy Fund			
Community services	\$ 223,806	\$ 20,000	\$ 203,806
Total Community Legacy Fund	<u>\$ 223,806</u>	<u>\$ 20,000</u>	<u>\$ 203,806</u>
Police Forfeiture & Asset Seizure Fund			
Public safety	\$ 175,000	\$ 180,692	\$ (5,692)
Total Police Forfeiture & Asset Seizure Fund	<u>\$ 175,000</u>	<u>\$ 180,692</u>	<u>\$ (5,692)</u>
Sprinkler Loan Fund			
Contractual services	\$ 259,219	\$ -	\$ 259,219
Operating transfers	-	880,754	(880,754)
Total Sprinkler Loan Fund	<u>\$ 259,219</u>	<u>\$ 880,754</u>	<u>\$ (621,535)</u>
Reforestation Fund			
Contractual services	\$ 105,156	\$ 12,301	\$ 92,855
Total Reforestation Fund	<u>\$ 105,156</u>	<u>\$ 12,301</u>	<u>\$ 92,855</u>
PEG Fund			
Capital outlay	\$ 554,245	\$ 180,637	\$ 373,608
Total PEG Fund	<u>\$ 554,245</u>	<u>\$ 180,637</u>	<u>\$ 373,608</u>
Housing Assistance Fund			
Contractual services	\$ 808,877	\$ 171,366	\$ 637,511
Total Housing Assistance Fund	<u>\$ 808,877</u>	<u>\$ 171,366</u>	<u>\$ 637,511</u>

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 earned and expenses are recognized when incurred.

Enterprise funds are used to account for those activities of the City: (1) that 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 sanitary sewage collection and treatment system, water system, off-street parking facilities, transportation system, watershed restoration and refuse collection operations.

The nonmajor funds consist of the Watershed Restoration and Refuse funds.

**CITY OF ANNAPOLIS, MARYLAND
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2019**

	Watershed Restoration Fund	Refuse Fund	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 2,413,061	\$ 4,732,769	\$ 7,145,830
Accounts receivable			
Service charges and penalties	299,223	422,488	721,711
Total accounts receivable, net	<u>299,223</u>	<u>422,488</u>	<u>721,711</u>
Total current assets	2,712,284	5,155,257	7,867,541
Noncurrent assets			
Net capital assets	1,150,142	428,196	1,578,338
Total noncurrent assets	<u>1,150,142</u>	<u>428,196</u>	<u>1,578,338</u>
Total assets	<u>3,862,426</u>	<u>5,583,453</u>	<u>9,445,879</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	69,741	18,826	88,567
Deferred outflows related to OPEB	9,766	2,636	12,402
Total deferred outflows of resources	<u>79,507</u>	<u>21,462</u>	<u>100,969</u>
LIABILITIES			
Current liabilities			
Accounts payable	187,760	377,648	565,408
Accrued expenses and other liabilities	24,918	13,834	38,752
Accrued interest	2,933	2,142	5,075
Compensated absences-current portion	7,285	1,071	8,356
Unearned revenue	-	1,476	1,476
Escrowed funds	4,411	-	4,411
Current portion of long-term debt	24,800	28,582	53,382
Total current liabilities	<u>252,107</u>	<u>424,753</u>	<u>676,860</u>
Noncurrent liabilities			
Net OPEB liability	418,389	112,944	531,333
Net pension liability	302,619	81,692	384,311
Long-term debt, net of current portion	180,173	134,161	314,334
Total noncurrent liabilities	<u>901,181</u>	<u>328,797</u>	<u>1,229,978</u>
Total liabilities	<u>1,153,288</u>	<u>753,550</u>	<u>1,906,838</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	41,291	11,146	52,437
Deferred inflows related to OPEB	29,698	8,017	37,715
Total deferred outflows of resources	<u>70,989</u>	<u>19,163</u>	<u>90,152</u>
NET POSITION			
Net investment in capital assets	962,684	292,965	1,255,649
Restricted for capital projects	928,600	713,519	1,642,119
Unrestricted	826,372	3,825,718	4,652,090
Total net position	<u>\$ 2,717,656</u>	<u>\$ 4,832,202</u>	<u>\$ 7,549,858</u>

**CITY OF ANNAPOLIS, MARYLAND
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2019**

	Watershed Restoration Fund	Refuse Fund	Non-Major Enterprise Total
Operating revenues			
Charges for services	\$ 1,442,156	\$ 1,974,637	\$ 3,416,793
Other	16,047	-	16,047
Total operating revenues	<u>1,458,203</u>	<u>1,974,637</u>	<u>3,432,840</u>
Operating expenses			
Salaries	450,079	(13,013)	437,066
Utilities	589	1,072	1,661
Repairs and maintenance	11,079	510	11,589
Materials and supplies	49,139	75,508	124,647
Contractual services	45,757	1,388,143	1,433,900
Administrative charge from General Fund	55,682	228,019	283,701
Depreciation	17,638	65,309	82,947
Other	935	-	935
Total operating expenses	<u>630,898</u>	<u>1,745,548</u>	<u>2,376,446</u>
Operating (loss) income	<u>827,305</u>	<u>229,089</u>	<u>1,056,394</u>
Non-operating revenues (expenses)			
Interest expense	(505)	(8,473)	(8,978)
Total non-operating revenues (expenses), net	<u>(505)</u>	<u>(8,473)</u>	<u>(8,978)</u>
Income (loss) before contributions and transfers	<u>826,800</u>	<u>220,616</u>	<u>1,047,416</u>
Capital contributions	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
Change in net position	<u>826,800</u>	<u>220,616</u>	<u>1,047,416</u>
Net position at beginning of year	<u>1,890,856</u>	<u>4,611,586</u>	<u>6,502,442</u>
Net position at end of year	<u>\$ 2,717,656</u>	<u>\$ 4,832,202</u>	<u>\$ 7,549,858</u>

**CITY OF ANNAPOLIS, MARYLAND
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2019**

	Watershed Restoration Fund	Refuse Fund	Total
Cash flows from operating activities			
Receipts from customers and users	\$ 1,422,902	\$ 1,947,019	\$ 3,369,921
Receipts from contributions and other sources	16,047	-	16,047
Payments to suppliers for goods and services	(111,153)	(1,287,334)	(1,398,487)
Payments to employees for services	(539,457)	(207,586)	(747,043)
Payments for interfund services uses	(60,682)	(228,019)	(288,701)
Net cash provided by (used for) operating activities	<u>727,657</u>	<u>224,080</u>	<u>951,737</u>
Cash flows from noncapital financing activities			
Transfer to other funds	-	-	-
Net cash provided by (used for) noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from capital and related financing activities			
Acquisition of capital assets	(325,382)	(198,443)	(523,825)
Principal payments of long term debt	(23,516)	(26,913)	(50,429)
Interest on long-term debt	(8,132)	(7,036)	(15,168)
Net cash used for capital and related financing activities	<u>(357,030)</u>	<u>(232,392)</u>	<u>(589,422)</u>
Cash flows from investing activities:			
Interest received	-	-	-
Net cash provided by investing activities	<u>-</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	370,627	(8,312)	362,315
Cash and cash equivalents at beginning of year	<u>2,042,434</u>	<u>4,741,081</u>	<u>6,783,515</u>
Cash and cash equivalents at end of year	<u>\$ 2,413,061</u>	<u>\$ 4,732,769</u>	<u>\$ 7,145,830</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities			
Operating income (loss)	\$ 827,305	\$ 229,089	\$ 1,056,394
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	17,638	65,309	82,947
Effect of changes in non-cash operating assets and liabilities:			
Accounts receivable	(19,396)	(28,951)	(48,347)
Restricted cash	632	-	632
Accounts payable	(8,653)	174,968	166,315
Accrued expenses and other liabilities	(886)	2,931	2,045
Compensated absences	(19,014)	(7,482)	(26,496)
Unearned revenue	-	1,333	1,333
Escrowed funds	142	-	142
Deferred outflows	(18,374)	14,249	(4,125)
Net pension liability	10,850	(69,469)	(58,619)
Deferred inflows	11,500	(15,697)	(4,197)
Other post employment benefits	(74,087)	(142,200)	(216,287)
Total adjustments	<u>(99,648)</u>	<u>(5,009)</u>	<u>(104,657)</u>
Net cash provided by (used for) operating activities	<u>\$ 727,657</u>	<u>\$ 224,080</u>	<u>\$ 951,737</u>

**CITY OF ANNAPOLIS, MARYLAND
ENTERPRISE FUNDS
SCHEDULE OF REVENUES AND OTHER SOURCES
COMPARED TO BUDGET (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2019**

	2019		Under (Over) Budget
	Amended Budget	Actual	
Water Fund			
Charges for services	\$7,892,500	\$7,296,730	\$595,770
Interest	14,000	233,665	(219,665)
Other	845,000	642,136	202,864
Total Water Fund	<u>\$8,751,500</u>	<u>\$8,172,531</u>	<u>\$578,969</u>
Sewer Fund			
Charges for services	\$8,543,500	\$8,047,050	\$496,450
Other	23,000	202,840	(179,840)
Total Sewer Fund	<u>\$8,566,500</u>	<u>\$8,249,890</u>	<u>\$316,610</u>
Off Street Parking Fund			
Charges for services	\$8,616,000	\$8,390,470	\$225,530
Other	770,000	771,717	(1,717)
Total Off Street Parking Fund	<u>\$9,386,000</u>	<u>\$9,162,187</u>	<u>\$223,813</u>
Transportation Fund			
Charges for services	\$ 589,000	\$ 473,029	\$115,971
Grants	2,748,065	2,417,750	330,315
Transfer from Off Street Parking Fund	2,500,000	2,100,000	400,000
Other	100,096	197,692	(97,596)
Total Transportation Fund	<u>\$5,937,161</u>	<u>\$5,188,471</u>	<u>\$748,690</u>
Watershed Restoration Fund			
Charges for services	\$ 1,500,000	\$ 1,442,156	\$ 57,844
Other	-	16,047	(16,047)
Total Stormwater Management Fund	<u>\$ 1,500,000</u>	<u>\$ 1,458,203</u>	<u>\$ 41,797</u>
Refuse Fund			
Charges for services	\$2,166,500	\$1,974,637	\$191,863
Other	-	182,325	(182,325)
Total Refuse Fund	<u>\$ 2,166,500</u>	<u>\$ 2,156,962</u>	<u>\$ 9,538</u>

**CITY OF ANNAPOLIS, MARYLAND
ENTERPRISE FUNDS
SCHEDULE OF EXPENSES AND OTHER USES
COMPARED TO BUDGET (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2019**

	2019		Under (Over) Budget
	Amended Budget	Actual	
Water Fund			
Salaries	\$ 2,345,994	\$ 2,269,472	\$ 76,522
Utilities	309,550	295,314	14,236
Repairs and maintenance	322,882	311,175	11,707
Materials and supplies	292,000	263,869	28,131
Contractual services	326,068	331,867	(5,799)
Administrative charge from General Fund	422,815	422,815	-
Depreciation	440,000	488,571	(48,571)
Interest expense	2,775,630	1,441,749	1,333,881
Other	5,000	4,855	145
Paygo transfer	1,101,250	1,101,250	-
Total Water Fund	<u><u>\$8,341,189</u></u>	<u><u>\$6,930,936</u></u>	<u><u>\$1,410,253</u></u>
Sewer Fund			
Salaries	\$ 215,490	\$ 200,104	\$ 15,386
Adjustments to Pension & OPEB	-	(213,117)	213,117
Utilities	1,200	1,072	128
Repairs and maintenance	2,000	510	1,490
Materials and supplies	93,640	75,508	18,132
Contractual services	1,758,330	1,388,142	370,188
Administrative charge from General Fund	223,019	223,019	-
Depreciation	75,760	65,309	10,451
Interest expense	33,949	8,473	25,476
Other	5,000	5,000	-
Paygo Transfers	380,000	380,000	-
Total Sewer Fund	<u><u>\$2,788,388</u></u>	<u><u>\$2,134,020</u></u>	<u><u>\$ 654,368</u></u>
Off Street Parking Fund			
Salaries	\$ 65,568	\$ 55,719	\$ 9,849
Utilities	88,000	140,046	(52,046)
Repairs and maintenance	93,000	80,570	12,430
Materials and supplies	5,000	4,116	884
Contractual services	2,680,974	2,683,339	(2,365)
Administrative charge from General Fund	263,172	263,172	-
Depreciation	943,100	946,064	(2,964)
Interest expense	2,001,975	595,128	1,406,847
Principal on debt	292,739	-	292,739
Transfer to transportation	2,100,000	2,100,000	-
Total Off Street Parking Fund	<u><u>\$8,533,528</u></u>	<u><u>\$6,868,154</u></u>	<u><u>\$1,665,374</u></u>

**CITY OF ANNAPOLIS, MARYLAND
ENTERPRISE FUNDS
SCHEDULE OF EXPENSES AND OTHER USES
COMPARED TO BUDGET (BUDGETARY BASIS) (CONTINUED)
YEAR ENDED JUNE 30, 2019**

	2019		
	Amended Budget	Actual	Under (Over) Budget
Transportation Fund			
Salaries	\$3,818,290	\$3,973,089	\$ (154,799)
Utilities	25,600	29,368	(3,768)
Repairs and maintenance	301,283	195,092	106,191
Materials and supplies	537,497	417,994	119,503
Contractual services	17,642	18,551	(909)
Administrative charge from General Fund	317,641	317,641	-
Depreciation	433,500	194,245	239,255
Other	12,349	3,518	8,831
Interest expense	2,100	1,677	423
Principal on debt	1,000	-	1,000
Total Transportation Fund	<u>\$5,466,902</u>	<u>5,151,175</u>	<u>\$ 315,727</u>
Watershed Restoration Fund			
Salaries	\$ 545,000	\$ 450,078	\$ 94,922
Utilities	650	589	61
Repairs and maintenance	6,000	6,079	(79)
Materials and supplies	51,700	49,452	2,248
Contractual services	44,150	45,757	(1,607)
Administrative charge from General Fund	55,682	55,682	-
Depreciation	13,310	17,638	(4,328)
Other	1,000	935	65
Interest expense	7,944	497	7,447
Principal payments	22,199	8	22,191
Transfers	815,000	815,000	-
Total Watershed Restoration Fund	<u>\$1,562,635</u>	<u>\$1,441,715</u>	<u>\$ 120,920</u>
Refuse Fund			
Salaries	\$ 215,490	\$ 200,104	\$ 15,386
Adjustments to Pension & OPEB	-	(213,117)	213,117
Utilities	1,200	1,072	128
Repairs and maintenance	2,000	510	1,490
Materials and supplies	93,640	75,508	18,132
Contractual services	1,758,330	1,388,142	370,188
Administrative charge from General Fund	223,019	223,019	-
Depreciation	75,760	65,309	10,451
Interest expense	33,949	8,473	25,476
Other	5,000	5,000	-
Paygo transfer	380,000	380,000	-
Total Refuse Fund	<u>\$2,788,388</u>	<u>\$2,134,020</u>	<u>\$ 654,368</u>

CITY OF ANNAPOLIS, MARYLAND
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2019

	<u>Self Insurance</u>	<u>Health Insurance</u>	<u>Fleet Replacement</u>	<u>Fleet Operations</u>	<u>Total</u>
ASSETS					
Current assets					
Cash and cash equivalents	\$ 7,193,160	\$ 4,026,572	\$ 1,015,478	\$ 154,830	\$ 12,390,040
Restricted cash	-	-	2,382,699	-	2,382,699
Accounts receivable:					
Capital and other charges	-	22,533	-	-	22,533
Total accounts receivable, net	-	22,533	-	-	22,533
Prepays	-	-	2,992,153	-	2,992,153
Inventories	-	-	-	69,317	69,317
Total current assets	<u>7,193,160</u>	<u>4,049,105</u>	<u>6,390,330</u>	<u>224,147</u>	<u>17,856,742</u>
Noncurrent assets					
Net capital assets	-	-	819,097	-	819,097
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>819,097</u>	<u>-</u>	<u>819,097</u>
Total assets	<u>7,193,160</u>	<u>4,049,105</u>	<u>7,209,427</u>	<u>224,147</u>	<u>18,675,839</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to pensions	-	-	-	109,033	109,033
Deferred outflows related to OPEB	-	-	-	15,268	15,268
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>124,301</u>	<u>124,301</u>
LIABILITIES					
Current liabilities					
Accounts payable	65,307	9,542	17,393	41,902	134,144
Accrued expenses and other liabilities	-	131,095	602,058	39,288	772,441
Accrued self insurance costs - current portion	2,229,941	-	-	-	2,229,941
Current portion of long-term debt	-	-	609,182	-	609,182
Total current liabilities	<u>2,295,248</u>	<u>140,637</u>	<u>1,228,633</u>	<u>81,190</u>	<u>3,745,708</u>
Noncurrent liabilities					
Net OPEB liability	-	-	-	654,122	654,122
Accrued self insurance costs, net of current portion	4,648,780	-	-	-	4,648,780
Net pension liability	-	-	-	473,123	473,123
Long-term debt, net of current portion	-	-	4,878,584	-	4,878,584
Total noncurrent liabilities	<u>4,648,780</u>	<u>-</u>	<u>4,878,584</u>	<u>1,127,245</u>	<u>10,654,609</u>
Total liabilities	<u>6,944,028</u>	<u>140,637</u>	<u>6,107,217</u>	<u>1,208,435</u>	<u>14,400,317</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pensions	-	-	-	64,555	64,555
Deferred inflows related to OPEB	-	-	-	46,430	46,430
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>110,985</u>	<u>110,985</u>
NET POSITION					
Net investment in capital assets	-	-	(2,285,970)	-	(2,285,970)
Restricted for capital projects	-	-	-	-	-
Unrestricted	249,132	3,908,468	3,388,180	(970,972)	6,574,808
Total net position	<u>\$ 249,132</u>	<u>\$ 3,908,468</u>	<u>\$ 1,102,210</u>	<u>\$ (970,972)</u>	<u>\$ 4,288,838</u>

**CITY OF ANNAPOLIS, MARYLAND
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2019**

	Self Insurance	Health Insurance	Fleet Replacement	Fleet Operations	Total
Operating revenues					
Charges for services	\$ 2,599,722	\$ 10,229,860	\$ 1,027,000	\$ 1,878,203	\$ 15,734,785
Other	-	-	-	25,009	25,009
Total operating revenues	<u>2,599,722</u>	<u>10,229,860</u>	<u>1,027,000</u>	<u>1,903,212</u>	<u>15,759,794</u>
Operating expenses					
Salaries	81,904	-	-	1,956,056	2,037,960
Materials and supplies	-	-	-	497,742	497,742
Contractual services	-	-	-	420,386	420,386
Claims incurred	2,433,799	6,936,162	-	-	9,369,961
Other	108,893	832,161	89,023	-	1,030,077
Depreciation	-	-	22,371	-	22,371
Total operating expenses	<u>2,624,596</u>	<u>7,768,323</u>	<u>111,394</u>	<u>2,874,184</u>	<u>13,378,497</u>
Operating (loss) income	(24,874)	2,461,537	915,606	(970,972)	2,381,297
Non-operating revenues (expenses)					
Interest income and other	127,557	-	64,563	-	192,120
Interest and debt issuance	-	-	(34,500)	-	(34,500)
Total non-operating revenues (expenses), net	<u>127,557</u>	<u>-</u>	<u>30,063</u>	<u>-</u>	<u>157,620</u>
Income (loss) before contributions and transfer	<u>102,683</u>	<u>2,461,537</u>	<u>945,669</u>	<u>(970,972)</u>	<u>2,538,917</u>
Capital Contribution	-	-	156,541	-	156,541
Interfund Transfers	(1,446,931)	1,446,931	-	-	-
Change in net position	<u>(1,344,248)</u>	<u>3,908,468</u>	<u>1,102,210</u>	<u>(970,972)</u>	<u>2,695,458</u>
Net position at beginning of year	<u>1,593,380</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,593,380</u>
Net position at end of year	<u>\$ 249,132</u>	<u>\$ 3,908,468</u>	<u>\$ 1,102,210</u>	<u>\$ (970,972)</u>	<u>\$ 4,288,838</u>

**CITY OF ANNAPOLIS, MARYLAND
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2019**

	Self Insurance Fund	Health Insurance Fund	Fleet Replacement Fund	Fleet Operations Fund	Total
Cash flows from operating activities					
Receipts from customers and users	\$ 2,745,193	\$ 10,207,327	\$ 1,027,000	\$ 1,878,203	\$ 15,857,723
Receipts from contributions and other sources	-	-	-	25,009	25,009
Payments for claims	(1,507,593)	(7,627,686)	-	-	(9,135,279)
Payments to suppliers for goods and services	(388,728)	-	(71,630)	(945,542)	(1,405,900)
Payments to employees for services	(81,904)	-	-	(802,840)	(884,744)
Payments for interfund services used	-	-	-	-	-
Net cash provided by (used for) operating activities	<u>766,968</u>	<u>2,579,641</u>	<u>955,370</u>	<u>154,830</u>	<u>4,456,809</u>
Cash flows from noncapital financing activities					
Transfer from other funds	-	1,446,931	-	-	1,446,931
Transfer to other funds	(1,446,931)	-	-	-	(1,446,931)
Net cash provided by (used for) noncapital financing activities	<u>(1,446,931)</u>	<u>1,446,931</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from capital and related financing activities					
Acquisition of capital assets	-	-	(3,075,022)	-	(3,075,022)
Sale of capital assets	-	-	64,563	-	64,563
Proceeds from issuance of long term debt	-	-	5,487,766	-	5,487,766
Bond Issuance Costs	-	-	(34,500)	-	(34,500)
Net cash used for capital and related financing activities	<u>-</u>	<u>-</u>	<u>2,442,807</u>	<u>-</u>	<u>2,442,807</u>
Cash flows from investing activities:					
Interest received	127,557	-	-	-	127,557
Net cash provided by investing activities	<u>127,557</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>127,557</u>
Net increase (decrease) in cash and cash equivalents	(552,406)	4,026,572	3,398,177	154,830	7,027,173
Cash and cash equivalents at beginning of year	7,745,566	-	-	-	7,745,566
Cash and cash equivalents at end of year	<u>\$ 7,193,160</u>	<u>\$ 4,026,572</u>	<u>\$ 3,398,177</u>	<u>\$ 154,830</u>	<u>\$ 14,772,739</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:					
Operating income (loss)	\$ (24,874)	\$ 2,461,537	\$ 915,606	\$ (970,972)	\$ 2,381,297
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	-	-	22,371	-	22,371
Capital contributions	-	-	-	156,540	156,540
Effect of changes in non-cash operating assets and liabilities:					
Accounts receivable	145,471	(22,533)	-	-	122,938
Inventories	-	-	-	(82,632)	(82,632)
Accounts payable	7,099	9,542	17,393	41,902	75,936
Accrued expenses and other liabilities	(286,935)	131,095	-	(117,253)	(273,093)
Deferred outflows	-	-	-	(136,439)	(136,439)
Net pension liability	-	-	-	473,123	473,123
Deferred inflows	-	-	-	136,439	136,439
Other post employment benefits	-	-	-	654,122	654,122
Claims Payable	926,207	-	-	-	926,207
Total adjustments	<u>791,842</u>	<u>118,104</u>	<u>39,764</u>	<u>1,125,802</u>	<u>2,075,512</u>
Net cash provided by (used for) operating activities	<u>\$ 766,968</u>	<u>\$ 2,579,641</u>	<u>\$ 955,370</u>	<u>\$ 154,830</u>	<u>\$ 4,456,809</u>

**CITY OF ANNAPOLIS, MARYLAND
INTERNAL SERVICE FUNDS
COMBINING SCHEDULE OF REVENUES
COMPARED TO BUDGET (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2019**

	2019		Under (Over) Budget
	Amended Budget	Actual	
Self Insurance Fund			
Charges for services	\$ 2,747,500	\$ 2,599,622	\$ 147,878
Interest income	-	127,657	127,657
Total Self Insurance Fund	<u>\$ 2,747,500</u>	<u>\$ 2,727,279</u>	<u>\$ 275,535</u>
Health Insurance Fund			
Charges for services	\$12,049,517	\$10,229,860	\$1,819,657
Operating transfers	-	1,446,931	1,446,931
Total Health Insurance Fund	<u>\$12,049,517</u>	<u>\$11,676,791</u>	<u>\$3,266,588</u>
Fleet Replacement Fund			
Charges for services	\$ 1,088,195	\$ 1,027,000	\$ 61,195
Other	85,000	64,563	(20,437)
Total Fleet Replacement Fund	<u>\$ 1,173,195</u>	<u>\$ 1,091,563</u>	<u>\$ 40,758</u>
Fleet Operations Fund			
Charges for services	\$ 2,001,294	\$ 1,878,203	\$ (123,091)
Other	-	25,009	25,009
Total Fleet Operations Fund	<u>\$ 2,001,294</u>	<u>1,903,212</u>	<u>(98,082)</u>

**CITY OF ANNAPOLIS, MARYLAND
INTERNAL SERVICE FUNDS
COMBINING SCHEDULE OF EXPENSES
COMPARED TO BUDGET (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2019**

	2019		
	Amended Budget	Actual	Under (Over) Budget
Self Insurance Fund			
Salaries	\$ -	\$ 81,904	\$ (81,904)
Claims and Insurance payments	3,543,687	1,289,641	2,254,046
Other	1,146,520	1,253,051	(106,531)
Operating transfers	-	1,446,931	(1,446,931)
Total Self Insurance Fund	<u>\$ 4,690,207</u>	<u>\$4,071,527</u>	<u>\$ 618,680</u>
Health Insurance Fund			
Contractual services	\$ 49,333	\$ -	\$ 49,333
Claims and Insurance payments	12,245,000	6,936,161	5,308,839
Subsidy to OPEB Fund	-	832,161	(832,161)
Total Health Insurance Fund	<u>\$12,294,333</u>	<u>\$7,768,322</u>	<u>\$4,526,011</u>
Fleet Replacement Fund			
Capital outlay	\$ 1,280,375	\$ 89,023	\$1,191,352
Depreciation	-	22,371	(22,371)
Other	-	34,500	(34,500)
Total Fleet Replacement Fund	<u>\$ 1,280,375</u>	<u>\$ 145,894</u>	<u>\$1,134,481</u>
Fleet Operations Fund			
Salaries	\$ 889,454	\$ 826,128	\$ 63,326
Utilities	45,000	13,393	31,607
Repairs and maintenance	415,400	400,910	14,490
Materials and supplies	16,000	14,278	1,722
Contractual services	634,940	489,496	145,444
Other	500	16,050	(15,550)
Total Fleet Operations Fund	<u>\$ 2,001,294</u>	<u>\$1,760,255</u>	<u>\$ 241,039</u>

**CITY OF ANNAPOLIS, MARYLAND
COMBINING SCHEDULE OF FIDUCIARY NET POSITION
PENSION AND OPEB TRUST FUNDS
JUNE 30, 2019**

	<u>Pension Trust Fund</u>	<u>OPEB Trust Fund</u>	<u>Total Benefit Trust Funds</u>
ASSETS			
Cash	\$ -	304,500	\$ 304,500
Investments, at fair value:			
Pooled Investments	-	5,355,680	5,355,680
Common stocks	79,332,105	-	79,332,105
Corporate bonds	6,724,827	-	6,724,827
Money market	4,076,455	-	4,076,455
U.S. agency securities	13,194,293	-	13,194,293
Limited partnerships and alternative investments	35,347,505	-	35,347,505
Common and collective funds	20,352,169	-	20,352,169
Real estate	10,338,367	-	10,338,367
Total investments	<u>169,365,721</u>	<u>5,355,680</u>	<u>174,721,401</u>
Investment proceeds receivable	6,027,746	-	6,027,746
Interest and dividends receivable	136,373	-	136,373
Total assets	<u>\$ 175,529,840</u>	<u>\$ 5,660,180</u>	<u>\$ 181,190,020</u>
LIABILITIES			
Accounts payable	-	8,838	8,838
Total liabilities	<u>-</u>	<u>8,838</u>	<u>8,838</u>
NET POSITION			
Total net position restricted for pension benefits and OPEB	<u>\$ 175,529,840</u>	<u>\$ 5,651,342</u>	<u>\$ 181,181,182</u>

**CITY OF ANNAPOLIS, MARYLAND
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
PENSION AND OPEB TRUST FUNDS
YEAR ENDED JUNE 30, 2019**

	<u>Pension Trust Fund</u>	<u>OPEB Trust Fund</u>	<u>Total Benefit Trust Funds</u>
ADDITIONS			
Contributions			
Employer	\$ 3,953,630	2,130,564	\$ 6,084,194
Employer - subsidy from Health Insurance Fund	-	832,161	832,161
Plan member	1,536,440	31,119	1,567,559
Total Contributions	<u>5,490,070</u>	<u>2,993,844</u>	<u>8,483,914</u>
Investment Income			
Interest and dividends	2,803,650	95,932	2,899,582
Net appreciation in fair value of investments	7,049,817	201,830	7,251,647
Other income	248,551	-	248,551
	<u>10,102,018</u>	<u>297,762</u>	<u>10,399,780</u>
Less: Investment expense	(916,556)	(8,239)	(924,795)
Total investment income	<u>9,185,462</u>	<u>289,523</u>	<u>9,474,985</u>
Total additions	<u>14,675,532</u>	<u>3,283,367</u>	<u>17,958,899</u>
DEDUCTIONS			
Benefits	12,932,435	1,743,697	14,676,132
Administrative expenses	172,665	342,827	515,492
Total deductions	<u>13,105,100</u>	<u>2,086,524</u>	<u>15,191,624</u>
Change in net position	1,570,432	1,196,843	2,767,275
Net position as of beginning of year	<u>173,959,408</u>	<u>4,454,499</u>	<u>178,413,907</u>
Net position as of end of year	<u>\$ 175,529,840</u>	<u>\$ 5,651,342</u>	<u>\$ 181,181,182</u>

STATISTICAL SECTION



*CITY OF
ANNAPOLIS,
MARYLAND*

**CITY OF ANNAPOLIS, MARYLAND
STATISTICAL SECTION**

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

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<i>Revenue Capacity</i> These schedules contain information to help the reader assess the City's most significant local revenue source – property tax.	116
<i>Debt Capacity</i> 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.	118
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**CITY OF ANNAPOLIS, MARYLAND
NET POSITION BY CATEGORY
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

	Year Ended June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities										
Net Investment in capital assets	\$ 29,665,999	\$ 22,408,170	\$ 26,187,162	\$ 26,586,971	\$ 36,667,965	\$ 35,094,189	\$ 54,758,111	\$ 53,340,522	\$ 64,772,139	\$ 54,420,461
Restricted	4,882,031	4,190,198	2,144,609	319,574	104,847	11,421,767	14,567	12,139,729	11,627,900	18,375,822
Unrestricted	(17,820,170)	(14,544,407)	(14,710,877)	(15,726,891)	(24,785,245)	(37,152,395)	(45,425,863)	(56,035,148)	(73,244,870)	(67,441,235)
Total governmental activities net position	<u>\$ 16,727,860</u>	<u>\$ 12,053,961</u>	<u>\$ 13,620,894</u>	<u>\$ 11,179,654</u>	<u>\$ 11,987,567</u>	<u>\$ 9,363,561</u>	<u>\$ 9,346,815</u>	<u>\$ 9,445,103</u>	<u>\$ 3,155,169</u>	<u>\$ 5,355,048</u>
Business-type activities										
Net Investment in capital assets	\$ 37,003,541	\$ 35,243,832	\$ 44,818,682	\$ 29,155,183	\$ 33,874,341	\$ 37,659,112	\$ 20,834,080	\$ 31,840,814	\$ 39,278,976	\$ 23,418,155
Restricted	3,493,242	3,610,180	1,764,988	11,201,495	13,422,350	18,606,456	11,169,944	20,162,006	14,601,654	7,937,912
Unrestricted	(23,846,203)	(25,308,194)	(30,076,442)	(14,990,400)	(20,502,073)	(31,219,161)	6,425,750	(8,221,707)	(9,165,161)	19,876,861
Total business-type activities net position	<u>\$ 16,650,580</u>	<u>\$ 13,545,818</u>	<u>\$ 16,507,228</u>	<u>\$ 25,366,278</u>	<u>\$ 26,794,618</u>	<u>\$ 25,046,407</u>	<u>\$ 38,429,774</u>	<u>\$ 43,781,113</u>	<u>\$ 44,715,469</u>	<u>\$ 51,232,928</u>
Primary government										
Net Investment in capital assets	\$ 66,669,540	\$ 57,652,002	\$ 71,005,844	\$ 55,742,154	\$ 70,542,306	\$ 72,753,301	\$ 75,592,191	\$ 85,181,336	\$ 104,051,115	\$ 77,838,616
Restricted	8,375,273	7,800,378	3,909,597	11,521,069	13,527,197	30,028,223	11,184,511	32,301,735	26,229,554	26,313,734
Unrestricted	(41,666,373)	(39,852,601)	(44,787,319)	(30,717,291)	(45,287,318)	(68,371,556)	(39,000,113)	(64,256,855)	(82,410,031)	(47,564,374)
Total primary government net position	<u>\$ 33,378,440</u>	<u>\$ 25,599,779</u>	<u>\$ 30,128,122</u>	<u>\$ 36,545,932</u>	<u>\$ 38,782,185</u>	<u>\$ 34,409,968</u>	<u>\$ 47,776,589</u>	<u>\$ 53,226,216</u>	<u>\$ 47,870,638</u>	<u>\$ 56,587,976</u>

**CITY OF ANNAPOLIS, MARYLAND
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

	Year Ended June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses										
Governmental Activities:										
General government	\$ 14,756,325	\$ 8,664,250	\$ 12,671,330	\$ 17,077,490	\$ 18,584,460	\$ 18,601,875	\$ 18,627,376	\$ 8,027,778	\$ 3,436,940	\$ 6,935,024
Land use**	-	-	-	-	-	-	-	-	3,795,364	3,647,947
Public safety	40,104,232	41,748,358	41,135,150	39,836,041	41,476,687	39,413,113	42,027,200	44,465,088	44,379,756	50,200,162
Community services	2,215,107	4,720,789	3,736,659	5,564,895	5,181,130	6,452,677	4,205,009	5,875,892	5,602,536	7,214,250
Community development	979,789	439,922	219,690	824,734	1,054,349	404,147	736,673	520,738	610,568	1,029,253
Public works	9,315,202	4,638,091	6,329,310	9,586,648	8,288,399	8,253,040	9,323,422	10,717,392	10,684,076	7,749,771
Interest and bond issuance costs	2,312,840	1,572,589	2,596,205	3,427,064	1,575,089	2,059,337	3,360,891	4,885,029	2,628,460	2,632,460
Total Governmental Activities Expenses	<u>69,683,495</u>	<u>61,783,999</u>	<u>66,688,344</u>	<u>76,316,872</u>	<u>76,160,114</u>	<u>75,184,189</u>	<u>78,280,571</u>	<u>74,491,917</u>	<u>71,137,700</u>	<u>79,408,867</u>
Business-type Activities:										
Sewer	7,129,192	6,696,317	5,332,369	6,365,592	7,040,536	7,411,281	7,212,440	8,484,824	8,010,034	5,857,262
Water	5,382,155	4,961,399	5,168,567	5,847,584	5,409,175	5,387,428	4,465,639	5,486,621	5,281,429	7,474,122
Off Street Parking	2,273,503	2,701,164	2,208,652	4,377,612	6,757,682	6,802,623	4,463,704	5,164,268	4,922,237	4,768,154
Transportation	6,362,112	4,784,164	5,960,986	7,446,284	6,963,900	6,544,919	4,601,845	5,895,274	6,326,514	5,148,923
Dock*	1,683,535	1,228,289	1,446,831	1,151,363	1,004,113	1,148,449	-	-	-	-
Market*	449,267	171,670	224,104	165,188	232,218	355,987	-	-	-	-
Stormwater Management	703,710	382,467	315,056	528,573	326,889	320,909	514,327	719,818	967,676	631,403
Refuse	3,393,876	2,817,924	2,713,064	2,486,351	2,205,751	2,088,024	2,098,231	2,174,839	2,420,454	1,754,021
Total Business-type Activities Expenses	<u>27,377,350</u>	<u>23,743,394</u>	<u>23,369,629</u>	<u>28,368,547</u>	<u>29,940,264</u>	<u>30,059,620</u>	<u>23,356,186</u>	<u>27,925,644</u>	<u>27,928,344</u>	<u>25,633,885</u>
Total Primary Government Expenses	<u>\$ 97,060,845</u>	<u>\$ 85,527,393</u>	<u>\$ 90,057,973</u>	<u>\$ 104,685,419</u>	<u>\$ 106,100,378</u>	<u>\$ 105,243,809</u>	<u>\$ 101,636,757</u>	<u>\$ 102,417,561</u>	<u>\$ 99,066,044</u>	<u>\$ 105,042,752</u>
Program Revenues										
Governmental Activities:										
Charges for Service:										
General government	\$ 2,149,488	\$ 3,052,127	\$ 2,680,787	\$ 12,980,768	\$ 12,623,100	\$ 23,698,890	\$ 29,120,482	\$ 4,626,240	\$ 3,287,196	\$ 383,609
Land use	-	-	-	-	-	-	-	-	2,344,675	3,196,545
Public safety	3,192,501	3,101,297	2,472,264	1,121,852	2,522,863	2,475,978	2,521,232	2,845,731	2,730,087	3,255,635
Community services	1,080,135	1,677,594	2,071,191	1,493,932	1,878,428	1,718,270	2,972,130	2,790,525	2,852,271	2,761,982
Public works	824,426	855,577	2,794,677	1,173,707	1,677,748	1,171,131	1,233,422	1,275,788	1,198,955	-
Operating Grants and Contributions	13,319,721	11,524,253	15,906,250	12,564,767	14,661,369	3,850,691	2,702,821	4,435,879	5,691,722	4,430,574
Capital Grants and Contributions	344,667	190,892	626,762	45,450	32,750	503,516	1,755,221	1,098,816	395,870	232,931
Total Governmental Activities Program Revenues	<u>20,910,938</u>	<u>20,401,740</u>	<u>26,551,931</u>	<u>29,380,476</u>	<u>33,396,258</u>	<u>33,418,476</u>	<u>40,305,308</u>	<u>17,072,979</u>	<u>18,500,776</u>	<u>14,261,276</u>

*Transferred to General fund and Governmental Activities in 2016.

** Created new Land Use function in 2018.

**CITY OF ANNAPOLIS, MARYLAND
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS (CONTINUED)
(ACCRUAL BASIS OF ACCOUNTING)**

	Year Ended June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Program Revenues (continued)										
Business-type Activities:										
Charges for Services:										
Sewer	4,570,711	4,285,157	7,426,839	7,187,154	7,056,973	8,399,135	7,759,646	8,356,869	7,962,125	7,296,730
Water	3,170,332	3,888,613	7,563,487	8,056,317	7,321,652	7,201,826	7,214,584	8,209,879	8,040,690	8,047,050
Off Street Parking	3,213,469	3,150,184	3,287,563	6,129,050	9,086,879	8,847,088	7,772,048	8,131,099	8,410,206	8,390,470
Transportation	1,077,233	764,847	1,088,490	938,735	895,661	938,100	937,916	884,316	917,369	473,029
Dock*	857,683	1,022,585	855,759	861,833	963,162	909,174	-	-	-	-
Market*	77,905	36,931	57,367	10,571	135,053	208,500	-	-	-	-
Stormwater Management	509,995	493,586	895,510	830,185	831,557	934,653	947,886	1,077,499	1,420,715	1,442,156
Refuse	3,683,653	3,653,009	4,060,256	3,521,278	3,836,183	3,137,892	2,585,224	2,504,296	1,978,669	1,974,637
Operating Grants and Contributions	1,378,198	1,526,800	2,459,721	3,717,514	1,560,637	1,309,836	2,725,080	1,558,360	1,795,402	2,417,750
Capital Grants and Contributions	1,808,382	334,290	1,961,369	138,092	149,899	455,863	427,568	3,022,680	1,887,568	817,684
Total Business-type Activities Program Revenues	<u>20,347,561</u>	<u>19,156,002</u>	<u>29,656,361</u>	<u>31,390,729</u>	<u>31,837,656</u>	<u>32,342,067</u>	<u>30,369,952</u>	<u>33,744,998</u>	<u>32,412,744</u>	<u>30,859,506</u>
Total Primary Government Program Revenues	<u>\$ 41,258,499</u>	<u>\$ 39,557,742</u>	<u>\$ 56,208,292</u>	<u>\$ 60,771,205</u>	<u>\$ 65,233,914</u>	<u>\$ 65,760,543</u>	<u>\$ 70,675,260</u>	<u>\$ 50,817,977</u>	<u>\$ 50,913,520</u>	<u>\$ 45,120,782</u>
Net (expenses) / revenues										
Governmental Activities	(48,772,557)	(41,382,259)	(40,136,413)	(46,936,396)	(42,763,856)	(41,765,713)	(37,975,263)	(57,418,938)	(52,636,924)	(65,147,591)
Business-type Activities	(7,029,789)	(4,587,392)	6,286,732	3,022,182	1,897,392	2,282,447	7,013,766	5,819,354	4,484,400	5,225,621
Total Primary Government Net Expenses	<u>\$ (55,802,346)</u>	<u>\$ (45,969,651)</u>	<u>\$ (33,849,681)</u>	<u>\$ (43,914,214)</u>	<u>\$ (40,866,464)</u>	<u>\$ (39,483,266)</u>	<u>\$ (30,961,497)</u>	<u>\$ (51,599,584)</u>	<u>\$ (48,152,524)</u>	<u>\$ (59,921,970)</u>
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes****										
Real	\$ 31,571,196	\$ 32,550,332	\$ 35,348,706	\$ 37,295,903	\$ 39,359,280	\$ 38,976,909	\$ 40,457,783	\$ 41,475,676	\$ 43,294,360	\$ 50,657,037
Personal property	-	-	-	-	-	-	-	-	3,404,056	2,989,277
Unincorporated	28,121	24,841	27,031	33,719	37,187	31,632	45,410	48,610	-	-
Public utility	1,059,395	1,043,491	964,741	1,764,918	1,619,151	1,737,240	1,699,124	1,708,019	-	-
Corporations	1,846,723	1,551,683	1,451,157	1,439,428	1,427,064	1,469,864	1,779,476	1,726,253	-	-
Penalties and interest	176,481	165,501	140,043	148,934	140,660	223,980	213,195	201,438	-	-
State shared taxes and other***	-	-	-	-	-	-	-	11,540,775	13,275,271	11,064,478
Interest and investment earnings	27,695	9,719	17,415	148,041	24,650	16,430	101,179	233,794	622,199	1,403,740
Miscellaneous	309,918	698,543	422,268	1,382,844	180,147	-	-	2,853,912	3,119,479	1,232,938
Transfers**	1,105,040	664,250	3,331,985	2,281,369	783,630	569,520	(6,337,650)	(2,271,251)	-	-
Total Governmental Activities	<u>\$ 36,124,569</u>	<u>\$ 36,708,360</u>	<u>\$ 41,703,346</u>	<u>\$ 44,495,156</u>	<u>\$ 43,571,769</u>	<u>\$ 43,025,575</u>	<u>\$ 37,958,517</u>	<u>\$ 57,517,226</u>	<u>\$ 63,715,365</u>	<u>\$ 67,347,470</u>

*Transferred to General fund and Governmental Activities in 2016.

**Transfer of OPEB Trust funds in 2017.

*** Revenues reclassified from prior years, classification will continue going forward.

**** Governmental activities revenues were reclassified in 2018, classification will continue going forward.

**CITY OF ANNAPOLIS, MARYLAND
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS (CONTINUED)
(ACCRUAL BASIS OF ACCOUNTING)**

	Year Ended June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Revenues and Other Changes in Net Position (continued)										
Business-type Activities:										
Interest and Investment Earnings	4,312	3,527	6,663	26,132	8,759	6,104	31,952	6,986	422,009	635,914
Miscellaneous	1,732,926	2,143,353	-	-	-	-	-	-	-	655,924
Transfers	(1,105,040)	(664,250)	(3,331,985)	(2,281,369)	(783,630)	(569,520)	6,337,650	(475,000)	-	-
Total Business-type Activities	632,198	1,482,630	(3,325,322)	(2,255,237)	(774,871)	(563,416)	6,369,602	(468,014)	422,009	1,291,838
Total Primary Government	<u>\$ 36,756,767</u>	<u>\$ 38,190,990</u>	<u>\$ 38,378,024</u>	<u>\$ 42,239,919</u>	<u>\$ 42,796,898</u>	<u>\$ 42,462,159</u>	<u>\$ 44,328,119</u>	<u>\$ 57,049,212</u>	<u>\$ 64,137,374</u>	<u>\$ 68,639,308</u>
Change in Net Position										
Governmental Activities	\$ (12,647,988)	\$ (4,673,899)	\$ 1,566,933	\$ (2,441,240)	\$ 807,913	\$ 1,259,862	\$ (16,746)	\$ 98,288	\$ 11,078,441	\$ 2,199,879
Business-type Activities	(6,397,591)	(3,104,762)	2,961,410	766,945	1,122,521	1,719,030	13,383,367	5,351,339	4,906,409	6,517,459
Total Primary Government	<u>\$ (19,045,579)</u>	<u>\$ (7,778,661)</u>	<u>\$ 4,528,343</u>	<u>\$ (1,674,295)</u>	<u>\$ 1,930,434</u>	<u>\$ 2,978,892</u>	<u>\$ 13,366,621</u>	<u>\$ 5,449,627</u>	<u>\$ 15,984,850</u>	<u>\$ 8,717,338</u>

**CITY OF ANNAPOLIS, MARYLAND
FUND BALANCES – GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

	Year Ended June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund										
Non-Spendable	\$ 314,552	\$ 225,660	\$ 214,329	\$ 218,712	\$ 145,414	\$ 173,401	\$ 178,711	\$ 143,209	\$ 154,479	\$ 59,128
Restricted	-	-	-	7,107,625	-	-	-	-	13,281,052	7,768,150
Committed	-	-	-	-	-	-	-	-	1,251,403	-
Assigned	3,478,434	3,536,307	364,208	-	20,539,453	11,212,929	22,581,009	12,651,103	1,886,721	2,818,422
Unassigned	-	8,279,541	23,387,107	25,491,299	14,458,859	32,319,856	15,816,683	14,489,171	14,057,004	14,338,669
Total general fund	<u>\$ 3,792,986</u>	<u>\$ 12,041,508</u>	<u>\$ 23,965,644</u>	<u>\$ 32,817,636</u>	<u>\$ 35,143,726</u>	<u>\$ 43,706,186</u>	<u>\$ 38,576,403</u>	<u>\$ 27,283,483</u>	<u>\$ 30,630,659</u>	<u>\$ 24,984,369</u>
Capital Projects Fund										
Restricted	\$ -	\$ -	\$ -	\$ 2,624,930	\$ -	\$ -	\$ -	\$ 6,302,248	\$ 5,882,725	\$ 7,187,390
Assigned	1,038,021	4,190,198	2,144,609	-	-	-	-	-	-	-
Unassigned	3,826,100	-	-	-	-	(366,096)	(9,287,428)	-	-	-
Total capital projects fund	<u>\$ 4,864,121</u>	<u>\$ 4,190,198</u>	<u>\$ 2,144,609</u>	<u>\$ 2,624,930</u>	<u>\$ -</u>	<u>\$ (366,096)</u>	<u>\$ (9,287,428)</u>	<u>\$ 6,302,248</u>	<u>\$ 5,882,725</u>	<u>\$ 7,187,390</u>
Non-Major Funds										
Restricted	\$ 150,340	\$ 145,087	\$ -	\$ 319,574	\$ 104,847	\$ 208,839	\$ 14,567	\$ 123,626	\$ 196,400	\$ 3,420,282
Unassigned	(150,340)	(145,087)	316,804	-	-	-	(65,748)	(31,878)	-	-
Total special revenue fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 316,804</u>	<u>\$ 319,574</u>	<u>\$ 104,847</u>	<u>\$ 208,839</u>	<u>\$ (51,181)</u>	<u>\$ 91,748</u>	<u>\$ 196,400</u>	<u>\$ 3,420,282</u>

CITY OF ANNAPOLIS, MARYLAND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Year Ended June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues										
Taxes	\$ 34,681,916	\$ 35,335,848	\$ 37,931,675	\$ 40,132,899	\$ 42,583,342	\$ 42,439,625	\$ 44,194,988	\$ 45,159,996	\$ 46,614,066	\$ 53,646,314
Licenses and Permits	2,772,254	2,665,256	2,664,044	2,697,107	2,669,615	2,786,607	3,096,704	3,462,155	3,224,034	3,132,235
Fines and Forfeitures	947,614	829,371	1,435,632	416,035	733,127	518,255	378,159	250,002	585,868	356,145
Money and Property	846,380	820,868	1,845,211	1,122,180	831,850	1,926,216	1,840,860	2,853,185	1,715,579	1,567,977
Intergovernmental	13,664,388	11,715,145	13,348,548	12,610,554	15,215,063	14,365,954	16,391,517	17,054,142	19,210,011	15,492,364
Current Services	3,576,382	5,191,968	4,593,785	2,855,777	4,355,550	3,947,671	5,038,147	5,345,699	5,630,951	5,905,549
Other Revenue	-	-	-	-	-	-	-	-	522,872	1,397,261
Total Revenues	<u>56,488,934</u>	<u>56,558,456</u>	<u>61,818,895</u>	<u>59,834,552</u>	<u>66,388,547</u>	<u>65,984,328</u>	<u>70,940,375</u>	<u>74,125,179</u>	<u>77,503,381</u>	<u>81,497,845</u>
Expenditures										
General Government	10,032,462	7,888,621	7,662,771	6,532,872	7,737,535	6,462,211	7,458,323	6,847,993	3,394,054	7,239,130
Land Use	-	-	-	-	-	-	-	-	3,795,364	4,127,245
Public Safety	35,960,535	31,265,195	32,780,903	36,176,980	38,708,075	37,909,541	38,613,454	40,562,978	41,764,737	44,238,156
Community Services	3,685,663	3,880,465	3,502,561	4,308,369	4,245,059	4,324,737	4,706,217	5,163,066	5,124,924	5,444,698
Community Development	979,789	439,922	204,998	824,734	892,026	404,147	736,673	520,738	610,568	329,200
Public Works	4,630,337	3,103,894	4,715,492	8,103,021	7,587,085	7,750,185	7,361,838	8,455,632	8,866,618	8,265,142
Debt Service										
Principal	4,390,146	3,066,709	1,696,411	1,221,718	2,687,294	2,852,010	3,701,604	4,213,897	2,957,144	5,009,765
Interest	1,613,968	1,423,064	2,610,539	2,708,332	1,719,726	2,532,202	2,426,863	3,279,663	2,810,285	2,738,461
Bond Issuance Costs	-	-	-	851,819	-	-	-	-	-	-
Capital Outlays	18,297,251	1,812,456	-	2,479,045	4,108,944	3,182,796	12,613,991	9,078,508	8,428,280	5,661,849
Total Expenditures	<u>79,590,151</u>	<u>52,880,326</u>	<u>53,173,675</u>	<u>63,206,890</u>	<u>67,685,744</u>	<u>65,417,829</u>	<u>77,618,963</u>	<u>78,122,475</u>	<u>77,751,974</u>	<u>83,053,646</u>
Excess of Revenues Over (Under) Expenditures	(23,101,217)	3,678,130	8,645,220	(3,372,338)	(1,297,197)	566,499	(6,678,588)	(3,997,296)	(248,593)	(1,555,801)
Other Financing Sources (Uses)	15,595,852	3,896,469	3,278,916	12,707,421	783,630	6,198,856	(7,632,547)	8,436,981	3,281,898	437,058
Net Change In Fund Balances	<u>\$ (7,505,365)</u>	<u>\$ 7,574,599</u>	<u>\$ 11,924,136</u>	<u>\$ 9,335,083</u>	<u>\$ (513,567)</u>	<u>\$ 6,765,355</u>	<u>\$ (14,311,135)</u>	<u>\$ 4,439,685</u>	<u>\$ 3,033,305</u>	<u>\$ (1,118,743)</u>
Debt Service as a Percentage of Noncapital Expenditures	<u>9.80%</u>	<u>8.79%</u>	<u>8.10%</u>	<u>6.47%</u>	<u>6.93%</u>	<u>8.65%</u>	<u>9.43%</u>	<u>10.85%</u>	<u>8.32%</u>	<u>10.01%</u>

**CITY OF ANNAPOLIS, MARYLAND
REVENUE CAPACITY (CONTINUED)
LAST TEN FISCAL YEARS**

ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Fiscal Year	Assessed Market Value	Assessed Market Value	Assessed Market Value
	Real Property	Personal Property	Total
2010	\$ 6,150,926,937	\$ 172,134,090	\$ 6,323,061,027
2011	6,251,651,651	185,615,717	6,437,267,368
2012	6,441,094,827	199,209,118	6,640,303,945
2013	5,931,031,615	175,617,390	6,106,649,005
2014	5,982,682,433	138,155,590	6,120,838,023
2015	6,024,328,722	165,506,240	6,189,834,962
2016	6,178,531,331	181,062,070	6,359,593,401
2017	6,422,155,949	182,024,160	6,604,180,109
2018	6,672,654,101	164,047,200	6,836,701,301
2019	6,867,460,560	164,275,220	7,031,735,780

**PROPERTY TAX RATES – DIRECT AND OVERLAPPING GOVERNMENTS
(Per \$100 of Assessed Market Value)**

Fiscal Year	City of Annapolis	Anne Arundel County	State of Maryland	Total
2010	\$ 0.53	\$ 0.52	\$ 0.11	\$ 1.16
2011	0.53	0.53	0.11	1.17
2012	0.56	0.54	0.11	1.22
2013	0.64	0.56	0.11	1.32
2014	0.65	0.57	0.11	1.33
2015	0.65	0.56	0.11	1.33
2016	0.65	0.55	0.11	1.31
2017	0.65	0.55	0.11	1.31
2018	0.65	0.54	0.11	1.30
2019	0.74	0.54	0.11	1.39

**CITY OF ANNAPOLIS, MARYLAND
REVENUE CAPACITY (CONTINUED)
LAST TEN FISCAL YEARS**

**PRINCIPAL TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO**

Taxpayer	2019	
	Assessed	Percentage
	Market Valuation	of Total Assessed Market Valuation
CL WATERGATE LLC	\$ 71,418,767	1.11%
BELL FUND VI WEST STREET LLC(FORMALLY 1901 WEST ST)	56,364,700	0.88%
BAYWOODS COOPERATIVES HOUSING CORP	47,088,662	0.73%
APTCO ANNAPOLIS LLC	40,037,367	0.62%
GUARDIAN PARK PLACE LLC	36,128,300	0.56%
YACHT BASIN CO OF MARYLAND	37,147,400	0.58%
HOME PROPERTIES ANNAPOLIS	37,292,333	0.58%
GPIF WANN HOTEL LLC (FKA CH REALTY ANNAPOLIS HOTEL	33,680,200	0.53%
FOREST OWNER LLC	40,484,700	0.63%
ADMIRAL FARRAGUT JNT VNT	26,745,967	0.42%
	<u>\$ 383,873,712</u>	<u>5.99%</u>

Taxpayer	2010	
	Assessed	Percentage
	Market Valuation	of Total Assessed Market Valuation
PARK PLACE	\$ 128,388,190	2.03%
VERIZON	74,973,725	1.19%
BALTIMORE GAS & ELECTRIC	82,334,400	1.30%
BAYWOODS COOPERATIVE HSG	66,222,300	1.05%
YACHT BASIN CO OF MARYLAND	37,892,500	0.60%
LOEWS ANNAPOLIS HOTEL CORP	32,585,800	0.52%
WESTBRIDGE VILLAGE LLC	44,935,600	0.71%
COLUMBIA REALTY VENTURE	39,000,000	0.62%
CASCO THORNBURY BAY LLC	29,138,000	0.46%
SPA COVE APARTMENTS	28,066,510	0.44%
ANNAPOLIS RDS APART. CO	23,000,000	0.36%
	<u>\$ 586,537,025</u>	<u>9.28%</u>

SUMMARY OF PROPERTY TAX LEVIES AND COLLECTIONS

Fiscal Year	Tax Levy	Subsequent Adjustments	Total Tax Levy (2)	Current Year's Tax Collected in Year of Levy (1)		Total Taxes Collected (Current & Delinquent)		Delinquent Taxes	Delinquent Taxes as % of Current Year's Tax Levy
				Amount	Percent	Amount	Percent		
2010	\$ 34,324,502	\$ 145,000	\$ 34,469,502	\$ 34,324,981	99.58 %	\$ 34,505,435	100.10 %	\$ 257,957	0.75 %
2011	35,025,011	190,000	35,215,011	35,067,000	99.58	35,335,848	100.34	165,501	0.47
2012	37,074,346	147,000	37,221,346	35,480,889	95.32	36,560,534	98.22	195,634	0.53
2013	36,421,346	145,000	36,566,346	36,491,654	99.80	38,554,537	105.44	367,765	1.01
2014	38,750,339	150,000	38,900,339	38,876,534	99.94	39,401,281	101.29	524,747	1.35
2015	38,980,982	152,000	39,132,982	38,806,799	99.17	38,844,504	99.26	28,658	0.07
2016	39,955,024	102,000	40,057,024	39,799,132	99.36	39,848,458	99.48	127,463	0.32
2017	41,461,030	(202,309)	41,258,721	41,239,843	99.95	41,213,597	99.89	33,551	0.08
2018	43,162,048	(239,942)	42,922,106	42,881,780	99.91	42,851,925	99.84	92,541	0.22
2019	50,508,682	(328,855)	50,179,827	50,181,664	100.00%	50,156,296	99.95	(31,952)	-0.06

Note:

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

**CITY OF ANNAPOLIS, MARYLAND
DEBT CAPACITY
LAST TEN FISCAL YEARS**

**RATIO OF BONDED DEBT BY TYPE
BONDED DEBT PER CAPITA**

Fiscal Year	Governmental Activities		Business-Type Activities		Total Bonded Debt	Percentage of Personal Income ¹	Per Capita ¹	Percentage of Market Value ²
	General	Other	General	Other				
	Obligation Bonds	Debt	Obligation Bonds	Debt				
2010	\$ 55,026,790	\$ 931,215	\$ 28,648,357	\$ 625,178	\$ 85,231,540	3.03 %	2,342	1.44 %
2011	56,733,851	569,945	28,626,150	482,545	86,412,491	3.25	2,317	1.43
2012 *	55,413,563	193,822	50,635,557	334,851	106,577,793	4.07	2,740	1.69
2013	62,876,856	947,092	63,096,140	731,346	127,651,434	5.13	3,375	1.98
2014	60,401,296	735,358	59,893,697	2,266,324	123,296,675	4.48	3,178	1.86
2015	63,213,100	520,883	63,776,900	5,627,394	133,138,277	4.88	3,447	2.18
2016	68,924,370	304,713	65,550,389	18,300,555	153,080,027	8.80	3,837	2.47
2017	74,756,990	36,182	63,720,153	22,245,843	160,759,168	8.99	3,996	2.53
2018	72,609,720	-	61,659,358	23,457,406	157,726,484	8.52	3,971	2.39
2019	67,588,505	5,487,764	59,249,493	25,662,143	157,987,905	8.97	4,015	2.31

1 See the Demographic Statistics on page 88 for personnel income and population data.

2 See the Assessed & Estimated Actual Value of Taxable Property on page 79 for market value.

* as restated

SCHEDULE OF LEGAL DEBT MARGIN

SCHEDULE OF LEGAL DEBT MARGIN

Fiscal Year	Assessable Base	Debt Limit:			Ratio of City Debt to Assessable Base
		10% of Assessable Base	City Debt Limitation	Debt Margin	
2010	\$ 5,911,023,962	\$ 591,102,396	\$ 85,431,393	\$ 505,671,003	1.45 %
2011	6,437,267,368	643,726,737	86,590,528	557,136,209	1.35
2012	6,640,303,945	664,030,395	84,034,058	579,996,337	1.27
2013	6,105,379,175	610,537,918	130,797,928	479,739,990	2.14
2014	6,120,838,023	612,083,802	123,296,675	488,787,127	2.01
2015	6,189,834,962	618,983,496	133,138,277	485,845,219	2.15
2016	6,359,593,401	635,959,340	153,080,027	482,879,313	2.41
2017	6,604,180,109	660,418,011	160,759,168	499,658,843	2.43
2018	6,836,701,301	683,670,130	157,726,484	525,943,646	2.31
2019	7,031,735,780	703,173,578	157,987,905	545,185,673	2.25

**COMPUTATION OF DIRECT AND OVERLAPPING DEBT
YEAR ENDED JUNE 30, 2019**

Jurisdiction	Net Debt Outstanding	Percentage Applicable to City of Annapolis	Amount Applicable to City of Annapolis
City of Annapolis	\$ 73,683,745	100%	\$ 73,683,745
Anne Arundel County - Education	1,526,102,418	8%	122,088,193
Total	<u>\$ 1,599,786,163</u>		<u>\$ 195,771,938</u>

**CITY OF ANNAPOLIS, MARYLAND
DEBT CAPACITY
LAST TEN FISCAL YEARS**

**RATIO OF ANNUAL DEBT SERVICE FOR GENERAL BONDED
DEBT TO TOTAL GENERAL FUND EXPENDITURES**

Fiscal Year	Expenditures		Debt Service as a Percentage of Total
	Debt Service	Total General Fund	
2010	\$ 6,702,986	\$ 61,011,983	10.99 %
2011	4,489,773	50,627,948	8.87
2012	4,306,950	53,173,675	8.10
2013	3,930,050	60,184,447	6.53
2014	5,198,867	60,075,220	8.65
2015	5,555,697	64,736,474	8.58
2016	6,128,467	59,749,562	10.26
2017	7,493,560	66,651,956	11.24
2018	5,767,429	68,490,882	8.42
2019	7,748,226	73,106,503	10.60

**CITY OF ANNAPOLIS, MARYLAND
DEMOGRAPHIC AND ECONOMIC INFORMATION
LAST TEN FISCAL YEARS**

DEMOGRAPHIC STATISTICS

Fiscal Year	City Population (1)	Personal Income (in thousands)	Per Capita Income (2)	Unemployment Rate (3)	Public School Enrollment (4)
2010	38,900	\$ 2,618,943	\$ 67,325	7.0 %	6,270
2011	37,825	2,489,301	65,811	6.0	6,892
2012	38,800	2,751,230	70,908	7.0	6,852
2013	38,620	2,730,009	70,689	6.6	8,309
2014	38,772	1,673,128	43,153	4.4	9,915
2015	39,616	1,743,421	44,008	4.1	7,176
2016	39,891	1,738,849	43,590	3.3	7,299
2017	40,233	1,787,592	44,431	3.5	7,643
2018	39,717	1,850,892	46,602	2.9	7,660
2019	39,348	1,761,885	44,777	3.4	7,742

Sources:

- (1) Population estimates are from the City of Annapolis Planning and Zoning.
- (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**

	2019		2010	
	Employees	Percentage of City	Employees	Percentage of City
United States Naval Academy	2,340	5.89%	2,052	5.28%
ARC of the Central Chesapeake Region	450	1.13%	-	-
St. John's College	220	0.55%	-	-
Rams Head Tavern, Inc.	188	0.47%	-	-
Annapolis Marriott Waterfront Hotel/Pussers Restaurant	170	0.43%	-	-
Buddy's Crabs & Ribs, Inc.	167	0.42%	-	-
(Comtech) TeleCommunication Systems, Inc.	175	0.43%	-	0.00%
Ken's Creative Kitchen, LLC	150	0.38%	-	-
Severn Bancorp (Severn Savings Bank FSB)	155	0.39%	-	-
Loews Annapolis Hotel	115	0.29%	-	-
Anne Arundel health Systems, Inc	-	-	2,025	5.21%
ARINC	-	-	1,300	3.34%
Home Depot	-	-	1,129	2.90%
Verizon Maryland (formerly Bell Atlantic)	-	-	844	2.17%
Baltimore Gas and Electric	-	-	500	1.29%
Nordstrom	-	-	300	0.77%
Windermere Group LLC	-	-	400	1.03%
Alion Science and Technology	-	-	450	1.16%
MedAssurant Inc.	-	-	-	0.00%
Capital Gazette Communications, Inc	-	-	330	0.85%
	4,130	10.39%	9,330	24.00%

Note:

Excludes state and local government.

Source:

City of Annapolis

**CITY OF ANNAPOLIS, MARYLAND
DEMOGRAPHIC AND ECONOMIC INFORMATION
LAST TEN FISCAL YEARS**

FULL TIME EQUIVALENT EMPLOYEES BY FUNCTION

Fiscal Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Government	68	57	59	56	76	75	75	82	85	61
	-	-	-	-	-	-	-	-	-	28
Public Safety	340	307	320	335	322	318	316	312	295	297
Public Works	49	46	45	40	42	60	60	61	59	50
Community Services	20	18	12	20	21	26	25	35	25	23
Sewer Fund	7	6	5	6	6	6	6	6	6	6
Water Fund	27	27	26	25	22	25	26	25	24	24
Parking Fund	-	-	-	-	-	-	-	-	-	1
Transportation Fund	55	49	37	38	50	55	52	45	41	41
Watershed Restoration Fund	3	3	3	3	3	3	3	3	3	3
Refuse Fund	22	21	23	1	2	2	2	2	1	4
Fleet Fund	3	3	2	3	3	2	2	-	-	8
Total	594	537	532	527	547	572	567	571	539	546

Source:

City of Annapolis - Finance Office

**CITY OF ANNAPOLIS, MARYLAND
OPERATING INFORMATION
LAST TEN FISCAL YEARS**

OPERATING INDICATORS BY FUNCTION

Fiscal Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Government										
Finance:										
Real property tax accounts	15,195	15,294	15,392	14,857	14,891	14,860	14,842	15,107	15,079	16,088
Personal property tax accounts	1,990	2,112	1,911	1,986	1,965	2,180	1,945	2,014	2,215	2,126
Public Safety										
Police										
Calls for service	36,501	35,233	36,907	35,983	36,780	35,036	35,003	39,406	40,132	38,987
Physical arrests	4,265	2,165	3,945	3,657	3,929	3,330	2,625	2,366	1,837	1,908
Parking violations	5,138	29,655	27,020	25,606	24,358	28,795	1,384	16,457	14,199	20,246
Traffic violations	5,572	4,115	9,535	7,097	7,555	3,619	7,538	4,123	6,789	7,005
Fire										
Number of calls answered	8,310	10,041	10,232	9,344	9,344	9,697	9,847	10,961	11,798	12,430
Inspections	1,100	1,486	1,279	1,440	2,299	1,273	1,569	1,757	2,460	2,086
Recreation & Parks										
Programs offered	151	N/A	N/A	116	353	362	367	152	194	152
Enrollment	4,195	N/A	N/A	4,238	1,433	5,287	5,695	3,494	4,341	3,235
Public Works										
Roadways and sidewalks										
Potholes repaired	1,005	1,241	820	1,431	2,671	2,214	1,931	1,537	2,118	2,682
Water Fund										
Water main repairs	21	43	14	33	10	22	22	20	45	59
Number of accounts	12,411	12,246	12,554	12,526	13,154	12,753	12,663	12,755	12,847	12,822
Sewer Fund										
Number of accounts	11,409	11,197	11,435	10,400	12,026	11,597	11,618	11,699	11,782	11,815
Refuse Fund										
Refuse collected (tons per year)	6,501	7,167	8,801	8,135	7,807	7,416	7,592	7,439	6,892	7,990
Recycling collected (tons per year)	2,366	2,856	2,762	3,312	3,406	3,439	3,592	3,591	3,500	3,280
Yard Waste collected (tons per year)	97	3,368	3,114	1,534	1,826	2,133	1,912	1,895	1,851	1,899
Neighborhood & Environmental Programs										
Construction permits issued - Commercial	129	290	274	234	208	182	152	207	91	52
Construction permits issued - Residential	787	836	851	682	766	637	596	576	392	182
Transportation Fund										
Number of routes	10	8	8	9	10	10	10	10	10	8
Number of passengers (in thousands)	1,580	1,139	650	728	753	597	445	385	464	413

Source:

Various City of Annapolis departments

**CITY OF ANNAPOLIS, MARYLAND
OPERATING INFORMATION (CONTINUED)
LAST TEN FISCAL YEARS**

CAPITAL ASSET STATISTICS BY FUNCTION

Fiscal Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Government										
Buildings	5	6	7	7	7	7	8	9	8	7
Vehicles	22	20	23	23	37	41	43	26	23	13
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Uniformed police officers	131	116	116	112	112	114	114	114	124	124
Police vehicles	100	108	96	92	98	86	86	86	75	106
Fire										
Stations	3	3	3	3	3	3	3	3	3	4
Career firefighters	137	126	133	119	120	127	123	124	136	136
Pumper/ladder trucks	6	6	7	7	7	7	6	7	7	7
Paramedic units	6	6	1	5	5	6	7	7	7	7
Other vehicles	34	37	38	44	40	39	34	32	32	38
Public Works										
Buildings	7	6	6	6	6	6	9	20	9	9
Street (in miles)	99	99	99	91	91	276	276	276	276	276
Traffic signals	28	28	28	26	26	20	20	21	21	26
Recreation & Parks										
Buildings	4	3	3	3	3	4	4	13	11	11
Playgrounds / parks in acres	126	126	126	126	126	126	201	250	250	250
Ballfields	5	5	5	8	8	4	14	14	14	14
Tennis courts	14	14	14	14	14	14	14	14	14	13
Water Fund										
Mains in miles	128	128	128	128	128	128	140	140	140	140
Storage tanks	5	5	5	5	5	5	5	5	5	5
Sewer Fund										
Lines in miles	140	140	140	140	140	140	125	125	125	125
Number of pumping stations	25	25	25	25	25	23	25	25	25	25
Transportation Fund										
Passenger buses	29	33	33	22	22	25	23	22	22	16

Source:

Various City of Annapolis departments