City of Annapolis
Maryland

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

CITY OF ANNAPOLIS, MARYLAND

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2015

Michael Pantelides

MAYOR

ALDERMEN:

Joe Budge	Jared Littmann
Frederick M. Paone	Kenneth A. Kirby
Rhonda Pindell-Charles	Ian Pfeiffer
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Prepared By:
OFFICE OF FINANCE

Bruce T. Miller
Finance Director

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CITY OF ANNAPOLIS, MARYLAND
Table of Contents
June 30, 2015

	Page Number
INTRODUCTORY SECTION	
Transmittal Letter	1
GFOA Certificate of Achievement	5
Governmental Organizational Chart	6
List of Principal Officials	7
FINANCIAL SECTION	
Independent Auditor's Report	8
Management's Discussion and Analysis (MD&A)	11
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	19
Statement of Activities	20
Fund Financial Statements:	
Governmental Fund Financial Statements:	
Balance Sheet	21
Reconciliation of the Balance Sheet of the Governmental Funds to Net Position of Governmental Activities	22
Statement of Revenues, Expenditures and Changes in Fund Balances	23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	24
Proprietary Fund Financial Statements:	
Statement of Net Position	25
Statement of Revenues, Expenses and Changes in Net Position	26
Statement of Cash Flows	27
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Position	28
Statement of Changes in Fiduciary Net Position	29
Notes to Basic Financial Statements:	
1. Summary of Significant Accounting Policies	30
2. Property Tax	38
3. Deposits and Investments	38
4. Capital Assets and Depreciation	39
5. Debt	40
6. Pension Plans	44
7. Other Post-Employment Benefits (OPEB)	54
8. Interfund Receivables, Payables and Transfers	56
9. Contingencies	57
10. Capital Facilities and Connection Charges	57
11. Grants	57
12. Risk Management	57
13. Landfill Closure	58
14. Restatement	58
Required Supplementary Information:	
Schedule of County's Proportionate Share of the Net Pension Liability and Related Ratios	59
Schedule of Changes in Net Pension Liability and Related Ratios	60
Schedule of Employer's Net Pension Liability	61
Schedule of Employer Contributions	62
Schedule of Investment Returns	63
Schedule of the City's Contributions	64
Other Post-employment Benefits Plan Annual Cost and Net Obligation And Schedule of Funding Progress	65
Statement of Revenues, Expenditures and Changes in Fund Balances Budget and Actual – General Fund	66
Notes to the Required Supplementary Information	67

CITY OF ANNAPOLIS, MARYLAND
Table of Contents, Continued
June 30, 2015

	Page Number
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES	
General Fund	
Schedule of Revenues Compared to Budget (Budgetary Basis)	69
Schedule of Expenditures Compared to Budget (Budgetary Basis)	71
Enterprise Funds	
Non-Major Combining Statement of Net Position	77
Non-Major Combining Statement of Revenues, Expenses and Changes in Net Position	78
Non-Major Combining Statement of Cash Flows	79
Schedule of Revenues and Other Sources Compared to Budget	80
Schedule of Expenses and Other Uses Compared to Budget	81
Special Revenue Fund	
Non-Major Governmental Fund Balance Sheet	85
Non-Major Governmental Fund Statement of Revenues, Expenses and Changes in Fund Balance	86
STATISTICAL SECTION	
Net Position by Category	88
Changes in Net Position	89
Fund Balances - Governmental Funds	92
Changes in Fund Balance - Governmental Funds	93
Assessed and Estimated Actual Value of Taxable Property	94
Property Tax Rates – Direct and Overlapping Governments	94
Principal Taxpayers	94
Summary of Property Tax Levies and Collections	95
Ratio of Bonded Debt by Type and Bonded Debt per Capita	96
Schedule of Legal Debt Margin	96
Computation of Direct and Overlapping Debt	96
Ratio of Annual Debt Service for General Bonded Debt to Total General Fund Expenditures	97
Demographic Statistics	98
Principal Employers	98
Full-Time Equivalent Employees by Function	99
Operating Indicators by Function	100
Capital Asset Statistics by Function	101

INTRODUCTORY SECTION

CITY OF

ANNAPOLIS

MARYLAND

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February 29, 2016

The Honorable Mayor, Aldermen, and Citizens of Annapolis:

Maryland state law requires that all general-purpose local governments publish each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) in the United States of America and audited by a licensed certified public accounting firm. Pursuant to that requirement and in compliance with Section 6.04.020 of the City of Annapolis Charter, I am pleased to submit to you the Comprehensive Annual Financial Report of the City for the fiscal year ended June, 30, 2015.

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

The City's basic financial statements have been audited by 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, 2015, 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, 2015, 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 was 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, among other things, for passing ordinances, adopting the budget, appointing committees, and confirming the hiring of department head nominees submitted by the mayor. The mayor is responsible for carrying out the policies and ordinances of the city council, for overseeing the day-to-day operations of the City, for drafting the budget and submitting it to the city council for approval, and for appointing department heads. The mayor and the eight city council members are elected every four years with a term limit for the mayor of two terms.

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

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

Factors Affecting Financial Condition

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

Local economy

As compared to the U.S. or even regional economies, the City of Annapolis enjoys a rather stable economic environment and local indicators point to this condition. The City's tourism industry has evolved as the most important component of the area's economy. As home to the U.S. Naval Academy, the Anne Arundel County seat, the State capital, a registered National Historic District, and 17 miles of water front, Annapolis attracts an estimated five million visitors a year. While the tourism industry provides a valuable economic benefit, the City must continually manage the growing demand for services, as well as provide a desirable place to live for its residents. The economic condition of the area during the past year lagged prior years, but importantly, began to show signs of recovery in certain areas such as an increase in building permits issued. The outlook remains positive, but guarded. The area's unemployment rate is currently 4.1% which is lower than the national rate of 5.5% and the statewide rate of 5.3%. 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, permitting activity has increased since the housing slowdown, there are potential of annexation possibilities, there is favorable commercial activity along the West-Street corridor, and the City continues to review plans for new development within the City boundaries. The City realized declines in property values in prior years as the consequence of the tri-annual real property valuation; however, with the new tri-annual real property valuation, the City expects an increase for the fiscal year ending 2016 and level off for the years ending 2017 and 2018, respectively.

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

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

The City of Annapolis also provides post-retirement health care benefits for retirees and their dependents, all of which are financed on an actuarial basis. GAAP did not require governments to report a liability in the financial statements in connection with the employer's obligation to provide these benefits. However, subsequently, the Governmental Accounting Standards Board issued Statements No. 45, "*Accounting and Financial Reporting by Employers for Post employment Benefits Other Than Pensions,"* which became effective July 1, 2009 for the City. Additional information on the City of Annapolis' pension arrangements and post-employment benefits can be found in Notes 7 and 8 to the financial statements. The Governmental Accounting Standards Board also issued Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*," which became effective July 1, 2010 and Statement No. 58, "*Accounting and Financial Reporting for Chapter 9 Bankruptcies*," which became effective July 1, 2009. New in FY2014 is GASB Statement No. 67, *Financial Reporting for Pension Plans*, which became effective for the year ended June 30, 2014. This statement requires the presentation of new information in the notes to the financial statements and in the 10-year Required Supplementary Information (RSI) schedules. The City has adopted the aforementioned statements and they are reflective in the accompanying financial statements.

Awards and Acknowledgements

The Government Finance Officers Association *(GFOA)* awarded a Certificate of Achievement of Excellence in Financial Reporting to the City of Annapolis for its Comprehensive Annual Financial Report (*CAFR*) for the Fiscal year ended June 30, 2014. This was the twenty-seventh consecutive year that the City of Annapolis has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report must satisfy both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we will continue to submit for its eligibility in future years.

In addition, the City also received the GFOA's Award for Distinguished Budget Presentation for its annual budget for the fiscal year beginning July 1, 2014. In order to qualify for this award the City's budget document was judged to be proficient in several categories including being a policy document, a financial plan, an operations guide, and a communications device.

Preparation of this report would not have been possible 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. Credit must also be given to the Mayor and City Council for their support for maintaining the highest standards of professionalism in the City's finances.

Respectfully Submitted;

_____

Bruce T. Miller
Director of Finance

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

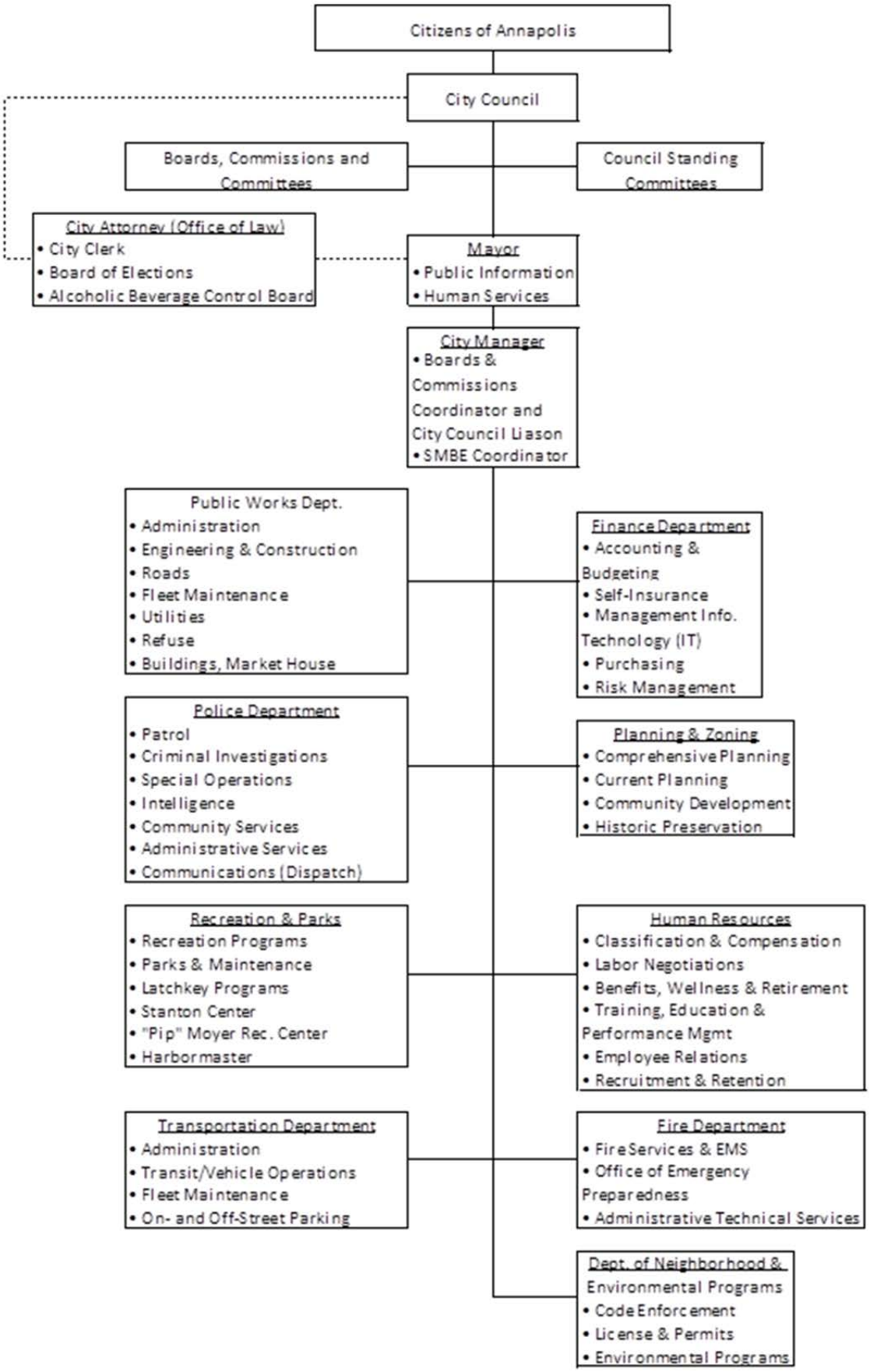
City of Annapolis

Maryland

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO


Citizens of Annapolis
City Council
Boards, Commissions and Committees
Council Standing Committees
City Attorney (Office of Law)
• City Clerk
• Board of Elections
• Alcoholic Beverage Control Board
Mayor
• Public Information
• Human Services
City Manager
• Boards & Commissions Coordinator and City Council Liason
• SMBE Coordinator
Public Works Dept.
• Administration
• Engineering & Construction
• Roads
• Fleet Maintenance
• Utilities
• Refuse
• Buildings, Market House
Finance Department
• Accounting & Budgeting
• Self-Insurance
• Management Info. Technology (IT)
• Purchasing
• Risk Management
Police Department
• Patrol
• Criminal Investigations
• Special Operations
• Intelligence
• Community Services
• Administrative Services
• Communications (Dispatch)
Planning & Zoning
• Comprehensive Planning
• Current Planning
• Community Development
• Historic Preservation
Recreation & Parks
• Recreation Programs
• Parks & Maintenance
• Latchkey Programs
• Stanton Center
• "Pip" Moyer Rec. Center
• Harbormaster
Human Resources
• Classification & Compensation
• Labor Negotiations
• Benefits, Wellness & Retirement
• Training, Education & Performance Mgmt
• Employee Relations
• Recruitment & Retention
Transportation Department
• Administration
• Transit/Vehicle Operations
• Fleet Maintenance
• On- and Off-Street Parking
Fire Department
• Fire Services & EMS
• Office of Emergency Preparedness
• Administrative Technical Services
Dept. of Neighborhood & Environmental Programs
• Code Enforcement
• License & Permits
• Environmental Programs

CITY OF ANNAPOLIS, MARYLAND

LIST OF PRINCIPAL OFFICIALS

City Council

Michael Pantelides, Mayor

Ward	Alderman
1	Joe Budge
2	Frederick M. Paone
3	Rhonda Pindell-Charles
4	Sheila M. Finlayson
5	Jared Littmann
6	Kenneth A. Kirby
7	Ian Pfeiffer
8	Ross H. Arnett, III

Management Team

Title	Name
City Manager	Thomas C. Andrews
Director of Finance	Bruce T. Miller
Director of Human Resources	Paul M. Rensted
Director of Public Works	David Jarrell, P.E.
Director of Planning and Zoning	C. Peter Gutwald, AICP
Chief of Police	Michael A. Pristoop
Fire Chief	David L. Stokes, Sr.
Director of Neighborhood & Enviromental Programs	Maria Broadbent
Director of Transportation	James E. (Rick) Gordon
Director of Recreation and Parks	Michael Morris
City Attorney	Michael G. Leahy, Esq.

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor, Aldermen 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, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the entity'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, the aggregate remaining fund information of the City of Annapolis, Maryland as of June 30, 2015, 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.

Emphasis of Matters

Change in Accounting Principles

During the fiscal year ended June 30, 2015, the City adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the related GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.* As a result of the implementation of these standards, the City reported a restatement for the change in accounting principle (see Notes 1 and 14). Our auditors' opinion was not modified with respect to the restatement.

Correction of Errors

As described in Note 14 to the financial statements, the City restated beginning balances resulting from the correction of an accounting error that occurred in the prior period. Our opinion is not modified with respect to that matter.

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 supplemental schedules of funding progress for the pension, other post-employment benefits plans and budgetary comparison of 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 of Annapolis's basic financial statements. The accompanying supplementary information, such as the combining and individual nonmajor fund financial statements, and the other information, such as the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the

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

The introductory section and statistical tables as listed in the table of contents 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 29, 2016, on our consideration of the City of Annapolis'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 City of Annapolis's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
February 29, 2016

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MANAGEMENT'S DISCUSSION AND ANALYSIS

(MD&A)

CITY OF

ANNAPOLIS

MARYLAND

As management of the City of Annapolis (the City), we offer readers of the City's basic financial statements. This narrative overview and analysis of the financial activities of the City is for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our letter of transmittal, which can be found on pages 1-4 of this report.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by $34,409,968 *(net position*).

- The City's total net position decreased by $4,372,217. This decrease is attributable to the current year activities and the restatement of the net position for the city, due to the implementation of GASB 68 and the reporting of pension expenses and liabilities within the government-wide financial statements. However, in fiscal year 2015, governmental activities saw an increase of $1,259,862 and business-type activities saw an increase of $1,719,030.

- As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of $43,548,929, a net increase of $6,765,355 in comparison with the prior year.

- The City's total net debt increased by $9,841,552 through normal principal payments and issuance of new debt, to a year-end balance of $133,138,227, which is below the City's legal debt limit.

Overview of the Financial Statements

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

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

The S*tatement of Net Position* presents information on all of the City's assets, deferred outflows of resources, 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 S*tatement 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. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned and unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues *(governmental activitie*s) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges *(business-type activitie*s). The governmental activities of the City include general government, public safety, public works, community services, and community development. The business-type activities of the City include the water and sewer utilities, parking facilities, dock, market house, transportation, stormwater management, and refuse collection services.

The government-wide financial statements include only the City of Annapolis. The City does not have any *component units* to report. The government-wide financial statements can be found on pages 19-20 of this report.

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

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

The City maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and capital projects fund, which are both considered major funds and the special revenue fund, which is considered to be minor fund.

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

The Governmental Fund Financial Statements can be found on pages 21-24 of this report.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for five of eight enterprise funds, which are considered to be major funds of the City and the remaining three funds are combined into a single, aggregated presentation. Individual fund data for the enterprise funds is provided in the form of *combining statements* elsewhere in this report. The internal service fund is presented in the proprietary fund financial statements. The proprietary fund financial statements can be found on pages 25-27 of this report.

Fiduciary Funds. Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement, because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City uses a fiduciary fund to account for the police and fire pension plan. The fiduciary fund financial statements can be found on pages 28-29 of this report.

Notes to the Financial Statements. The Notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30-58 of this report.

Other information. In addition to the basic financial statements and the accompanying notes, this report also presents certain *required supplementary information,* concerning the City's progress in funding its obligation to provide pension benefits to its police and fire employees. Required supplementary information can be found on pages 59-65 of this report.

The combining statements referred to earlier in connection with non-major enterprise funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 69-86 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 $34,409,968 at the close of the most recent fiscal year.

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

City of Annapolis
Net Position

	Governmental Activities		Business-type Activities		Total	
	FY2015	FY2014*	FY2015	FY2014*	FY2015	FY2014*
Current assets	$52,415,239	$42,337,093	$9,760,413	$6,441,461	$62,175,652	$48,778,554
Internal Balances	-	2,229,732	-	(2,229,732)	-	-
Noncurrent assets:						
Restricted water and sewer capital facility assessments	-	-	7,134,362	7,730,230	7,134,362	7,730,230
Net capital assets	84,930,366	84,790,820	87,844,587	81,785,923	172,774,953	166,576,743
Total noncurrent assets	84,930,366	84,790,820	94,978,949	89,516,153	179,909,315	174,306,973
Total assets	137,345,605	129,357,645	104,739,362	93,727,882	242,084,967	223,085,527
Deferred outflows of resources	6,054,796	1,531,847	2,979,706	2,464,276	9,034,502	3,996,123
Current liabilities	9,748,950	13,022,020	7,529,777	5,948,072	17,278,727	18,970,092
Noncurrent liabilities	122,442,844	105,879,905	74,755,088	63,449,468	197,197,932	169,329,373
Total liabilities	132,191,794	118,901,925	82,284,865	69,397,540	214,476,659	188,299,465
Deferred inflows of resources	1,845,046	-	387,796	-	2,232,842	-
Net position						
Net investment in capital assets	35,094,189	36,667,965	37,659,112	33,874,341	72,753,301	70,542,306
Restricted	11,421,767	104,847	18,606,456	13,422,350	30,028,223	13,527,197
Unrestricted	(37,152,395)	(24,785,245)	(31,219,161)	(20,502,073)	(68,371,556)	(45,287,318)
Total net position	$9,363,561	$11,987,567	$25,046,407	$26,794,618	$34,409,968	$38,782,185

*The City implemented GASB Statement No. 68 effective July 1, 2014. The 2014 net position amounts have not been restated to reflect the implementation of GASB 68.

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

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

City of Annapolis
Changes in Net Position

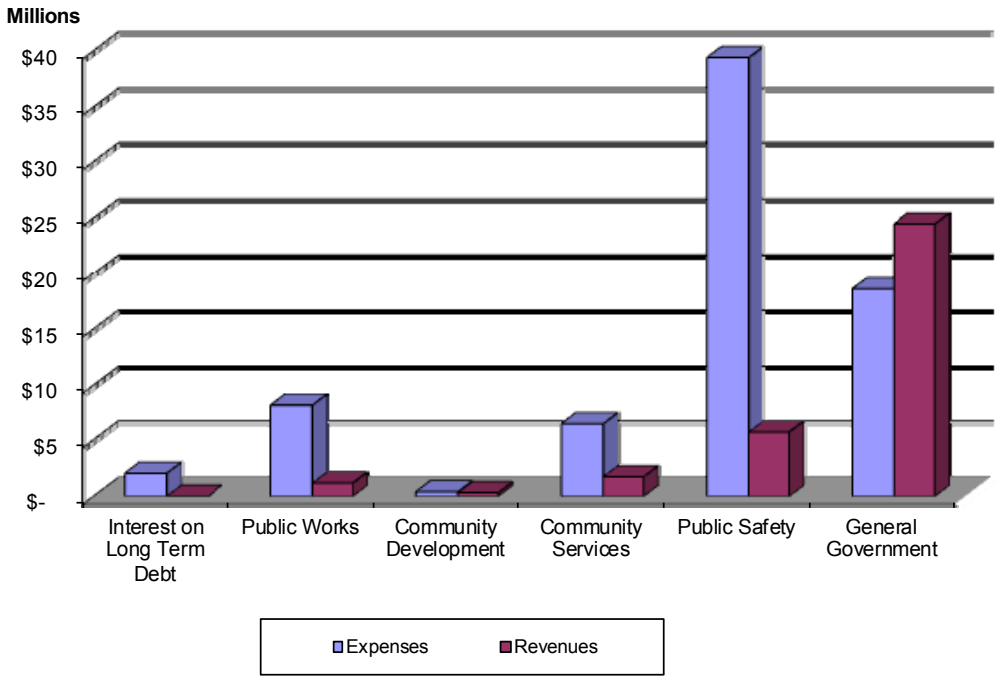
	Governmental Activities		Business-type Activities		Total	
	FY2015	FY2014*	FY2015	FY2014*	FY2015	FY2014*
Revenues:						
Program revenues:						
Charges for services	$29,064,269	$18,011,899	$30,576,368	$30,127,120	$59,640,637	$48,139,019
Operating grants and contributions	3,850,691	15,351,609	1,309,836	1,560,637	5,160,527	16,912,246
Capital grants and contributions	503,516	32,750	455,863	149,899	959,379	182,649
General revenues:						
Property taxes	42,439,625	42,583,342	-	-	42,439,625	42,583,342
Other	16,430	204,797	6,104	8,759	22,534	213,556
Total revenues	75,874,531	76,184,397	32,348,171	31,846,415	108,222,702	108,030,812
Expenses:						
General government	18,601,875	18,584,460	-	-	18,601,875	18,584,460
Public safety	39,413,113	41,476,687	-	-	39,413,113	41,476,687
Community services	6,452,677	5,181,130	-	-	6,452,677	5,181,130
Community development	404,147	1,054,349	-	-	404,147	1,054,349
Public works	8,253,040	8,288,399	-	-	8,253,040	8,288,399
Interest	2,059,337	1,575,088	-	-	2,059,337	1,575,088
Water	-	-	5,387,428	5,409,175	5,387,428	5,409,175
Sewer	-	-	7,411,281	7,040,536	7,411,281	7,040,536
Off street parking	-	-	6,802,623	6,757,682	6,802,623	6,757,682
Transportation	-	-	6,544,919	6,963,900	6,544,919	6,963,900
Other	-	-	3,913,369	3,768,971	3,913,369	3,768,971
Total expenses	75,184,189	76,160,114	30,059,620	29,940,264	105,243,809	106,100,378
Changes in net position before transfers	690,342	24,283	2,288,550	1,906,151	2,978,893	1,930,434
Transfers	569,520	783,630	(569,520)	(783,630)	-	-
Change in net position	1,259,862	807,913	1,719,030	1,122,521	2,978,893	1,930,434
Net position at beginning of year, as restated	8,103,699	11,179,654	23,327,377	25,672,097	31,431,076	36,851,751
Net positon at end of year	$9,363,561	$11,987,567	$25,046,407	$26,794,618	$34,409,969	$38,782,185

*The City implemented GASB Statement No. 68 effective July 1, 2014. The 2014 beginning net position amounts have not been restated to reflect the implementation of GASB 68.

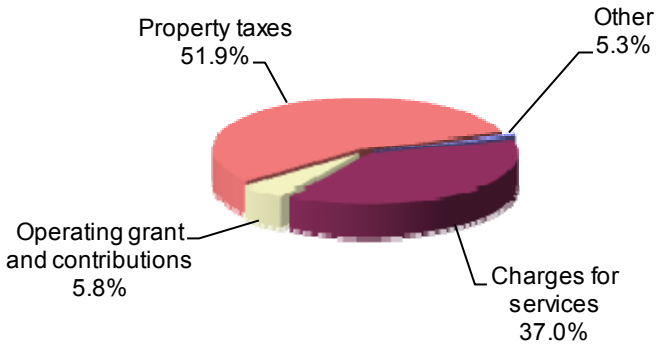
Governmental activities. Governmental activities increased the City's net position by $1,259,862. Key elements of this net increase are as follows:

- Included in expenses are Other Post Employment Benefits (OPEB) costs of approximately $2.0 million. The City cut various costs and various personnel positions to offset the OPEB expenses. The measures the City adopted to offset the OPEB expenses, and other factors contributed to the overall decrease in expenses.

Expenses and Program Revenues - Governmental Activities
For the year ended June 30, 2015

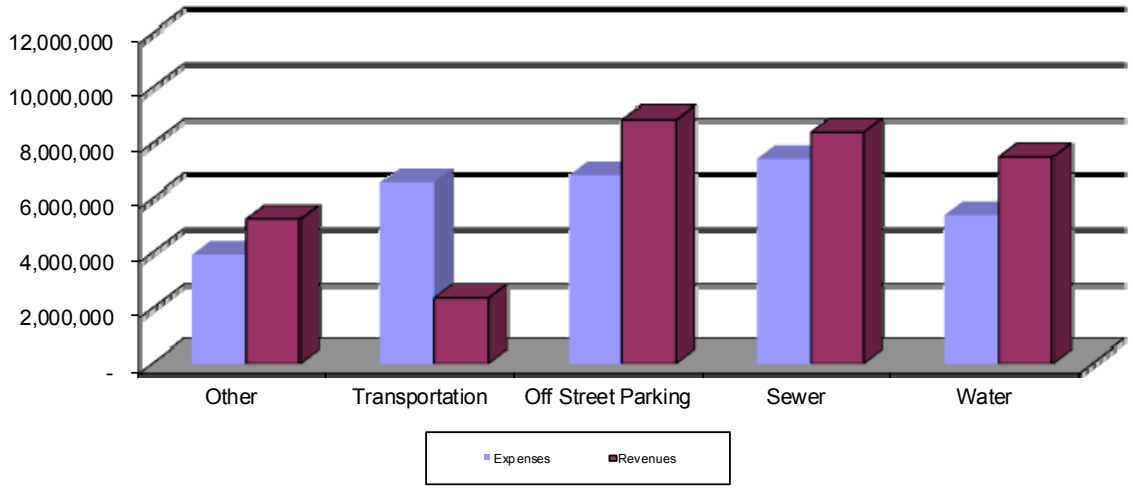


Revenues by Source - Governmental Activities
For the year ended June 30, 2015

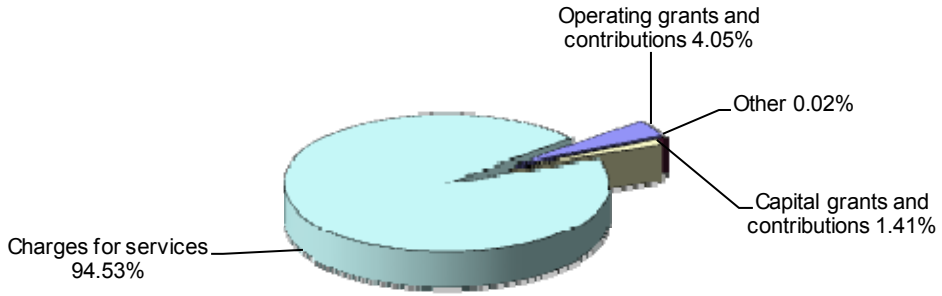


Business-Type Activities. Business-Type Activities Net Position increased by $1,719,030. The increase was partially due to the assistance from the general fund in keeping the proprietary funds self-sustaining. In addition, transportation service level reductions were implemented during the current fiscal year. These service reductions, the elimination of two (2) buses and a circulator bus, have resulted in an overall reduction in revenues.

Expenses and Program Revenues - Business-type Activities
For the year ended June 30, 2015



Revenues by Source - Business-type Activities
For the year ended June 30, 2015



Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of $43,548,929, a net increase of $6,765,355. The fund balance has been restricted for community development and capital projects in the amount of $11,421,768 and non-spendable as it relates to inventories and other prepaid items of $173,401, leaving an *unassigned fund balance* of $31,953,760.

The General Fund is the chief operating fund of the City and its fund balance increased by $7,027,459 during the current fiscal year. At the end of the current fiscal year, the unassigned fund balance of the general fund accounted for $32,319,856 of the total fund balance of $43,706,186. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 48.7% of total general fund expenditures, while total fund balance represents 66.7% 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 eight enterprise funds was $1,719,029, with an ending balance of $25,046,406. Unrestricted net position of the major enterprise funds was negative overall totaling $31,219,161. This was a result of large negative balances for the Off Street Parking Fund, in the amount of $5,843,440, the Transportation Fund for $10,129,544 and the Dock Fund in the amount of $14,907,944. The negative unrestricted net position is the result of large investments in capital assets and expenses exceeding operating revenues. Other factors concerning the finances of those funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The difference between the original expense budget and the final amended expense budget was a decrease of $1,084,228. See Required Supplementary Information.

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, 2015, amounts to $172,774,953 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, park facilities, roads, highways, garages and bridges. The total increase in the City's investment in capital assets for the current fiscal year was 3.7%, which was primarily in the business-type activities.

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

- Annual road improvement projects.
- Building and other improvements

City of Annapolis Capital Assets
(Net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	FY2015	FY2014	FY2015	FY2014	FY2015	FY2014
Land	$4,260,493	$4,260,493	$3,243,441	$3,243,441	$7,503,934	$7,503,934
Buildings	$33,590,374	$34,459,483	$34,535,630	$36,346,233	$68,126,004	$70,805,716
Improvements/infrastructure other than buildings	$28,851,816	$29,824,853	$25,252,326	$26,333,783	$54,104,142	$56,158,636
Equipment	$3,612,682	$4,368,235	$2,245,705	$3,457,942	$5,858,387	$7,826,177
Construction in progress	$14,615,001	$11,877,756	$22,567,485	$12,404,524	$37,182,486	$24,282,280
Total	$84,930,366	$84,790,820	$87,844,587	$81,785,923	$172,774,953	$166,576,743

Additional information on the City's capital assets can be found in note 4 on pages 39-40 of this report.

Long-Term Debt. At the end of the current fiscal year, the City had total General Obligation Bond debt outstanding of $126,990,000 excluding premium and refunding losses. At June 30, 2015, other debt outstanding of $6,148,227 consisted of a Capital Lease and State of Maryland loan for $753,174 and $5,395,053, respectively.

City of Annapolis
Outstanding Debt net of Premiums and Refunding Losses

	Governmental Activities		Business-type Activities		Total	
	FY2015	FY2014	FY2015	FY2014	FY2015	FY2014
General obligation bonds	$63,213,100	$60,401,296	$63,776,900	$59,893,697	$126,990,000	$120,294,993
Other debt	520,883	735,358	5,627,344	2,266,324	6,148,227	3,001,682
Total	$63,733,983	$61,136,654	$69,404,244	$62,160,021	$133,138,227	$123,296,675

The City's net total debt increased by $9,841,552 (7.4%) during the current fiscal year due to the new 2015 new and refunding bonds issued during the fiscal year ended June 30, 2015.

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 40-44 of this report.

Economic Factors and Next Year's Budgets and Rates

The unemployment rate for the City area is currently 4.1 percent, which decreased from the rate of 4.4 percent from a year ago. This compares favorably to the state's average unemployment rate of 5.3 percent and the national average rate of 5.4 percent. Inflationary trends in the region compare favorably to national rates based on information obtained from the U.S. Bureau of Labor Statistics.

The City experienced a 2.3 percent decrease in taxable property due to the 2013 tri-annual valuation, which is a result of the impact of the overall 2009 economic recession. This will change with the renewal of the tri-annual valuation in fiscal year 2016.

The focus for fiscal year 2016 will be on the following concepts; increasing operational efficiencies, increasing performance outcomes, driving down service to delivery costs and maintaining a constant real-estate tax rate.

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

CITY OF

ANNAPOLIS

MARYLAND

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GOVERNMENT-WIDE

FINANCIAL STATEMENTS

CITY OF

ANNAPOLIS

MARYLAND

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CITY OF ANNAPOLIS, MARYLAND
Statement of Net Position
June 30, 2015

	Governmental Activities	Business-type Activities	Totals
ASSETS			
Current Assets			
Cash and cash equivalents	$ -	$ 550	$ 550
Equity in Pooled Cash	22,295,927	20,045,384	42,341,311
Restricted cash	11,212,929	787,725	12,000,654
Receivables, net of allowances	2,962,198	4,492,640	7,454,838
Internal balances	15,687,031	(15,687,031)	-
Inventories	152,068	121,145	273,213
Prepaid items	105,086	-	105,086
Total Current Assets	52,415,239	9,760,413	62,175,652
Non-current Assets			
Restricted water and sewer capital facility assessments	-	7,134,362	7,134,362
Capital assets (net of accumulated depreciation):			
Land	4,260,493	3,243,441	7,503,934
Buildings	33,590,374	34,535,630	68,126,004
Improvements other than buildings	28,851,816	25,252,326	54,104,142
Equipment	3,612,682	2,245,705	5,858,387
Construction in progress	14,615,001	22,567,485	37,182,486
Total capital assets	84,930,366	87,844,587	172,774,953
Total Non-current Assets	84,930,366	94,978,949	179,909,315
Total assets	137,345,605	111,873,724	249,219,329
DEFERRED OUTFLOW OF RESOURCES			
Deferred outflows related to pensions	3,372,228	146,553	3,518,781
Deferred Loss on Refunding	2,682,568	2,833,153	5,515,721
Total deferred outflow of resources	6,054,796	2,979,706	9,034,502
LIABILITIES			
Current Liabilities			
Accounts payable	2,212,120	3,397,072	5,609,192
Accrued payables and other liabilities	2,450,564	489,728	2,940,292
Compensated absences	153,146	26,047	179,193
Unearned revenue	336,019	531,170	867,189
Escrowed funds	517,721	114,219	631,940
Accrued Interest	658,709	479,032	1,137,741
Current portion long term debt	3,420,671	2,492,509	5,913,180
Total Current Liabilities	9,748,950	7,529,777	17,278,727
Non-current Liablities			
Compensated absences	1,761,179	299,542	2,060,721
Accrued liability for other post employment benefits	22,416,523	1,680,422	24,096,945
Accrued self insurance costs, net of current portion	6,362,565	-	6,362,565
City Pension Liability	9,627,851	3,542,945	13,170,796
Police & Fire Pension Liability	17,951,675	-	17,951,675
Long-term debt, net of current portion	64,323,051	69,232,179	133,555,230
Total Non-current Liabilities	122,442,844	74,755,088	197,197,932
Total liablilites	132,191,794	82,284,865	214,476,659
DEFERRED INFLOW OF RESOURCES			
Deferred inflows related to pensions	1,845,046	387,796	2,232,842
NET POSITION			
Net investment in capital assets	35,094,189	37,659,112	72,753,301
Restricted for:			
Debt service	11,212,928	18,606,456	29,819,384
Community development	208,839	-	208,839
Unrestricted	(37,152,395)	(31,219,161)	(68,371,556)
Total net position	$ 9,363,561	$ 25,046,407	$ 34,409,968

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

CITY OF ANNAPOLIS, MARYLAND
Statement of Activities
Year Ended June 30, 2015

		Program Revenues			Net (Expense) Revenues and Change in Net Position		
					Primary Government		
Functions/Programs	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
Governmental Activities:							
General government	$ 18,601,875	$ 23,698,890	$ 268,626	$ 503,516	$ 5,869,157	$ -	$ 5,869,157
Public safety	39,413,113	2,475,978	3,234,785	-	(33,702,350)	-	(33,702,350)
Community services	6,452,677	1,718,270	21,088	-	(4,713,319)	-	(4,713,319)
Community development	404,147	-	317,661	-	(86,486)	-	(86,486)
Public works	8,253,040	1,171,131	8,531	-	(7,073,378)	-	(7,073,378)
Interest on long term debt	2,059,337	-	-	-	(2,059,337)	-	(2,059,337)
Total Governmental Activities	75,184,189	29,064,269	3,850,691	503,516	(41,765,713)	-	(41,765,713)
Business-type Activities:							
Water	5,387,428	7,201,826	-	283,950	-	2,098,348	2,098,348
Sewer	7,411,281	8,399,135	-	-	-	987,854	987,854
Off Street Parking	6,802,623	8,847,088	-	-	-	2,044,465	2,044,465
Transportation	6,544,919	938,100	1,266,491	171,913	-	(4,168,415)	(4,168,415)
Dock	1,148,449	909,174	43,345	-	-	(195,930)	(195,930)
Market	355,987	208,500	-	-	-	(147,487)	(147,487)
Stormwater Management	320,909	934,653	-	-	-	613,744	613,744
Refuse	2,088,024	3,137,892	-	-	-	1,049,868	1,049,868
Total Business-type Activities	30,059,620	30,576,368	1,309,836	455,863	-	2,282,447	2,282,447
Total	$ 105,243,809	$ 59,640,637	$ 5,160,527	$ 959,379	(41,765,713)	2,282,447	(39,483,266)
	General Revenues:						
	Taxes						
	Real				38,976,909	-	38,976,909
	Unincorporated				31,632	-	31,632
	Public utility				1,737,240	-	1,737,240
	Corporations				1,469,864	-	1,469,864
	Penalties, interest and transfer fees				223,980	-	223,980
	Interest and investment earnings				16,430	6,104	22,534
	Transfers				569,520	(569,520)	-
	Total general revenues and transfers				43,025,575	(563,416)	42,462,159
	Change in net position				1,259,862	1,719,030	2,978,892
	Net position as of beginning of year, as restated				8,103,699	23,327,377	31,431,076
	Net position as of end of year				$ 9,363,561	$ 25,046,407	$ 34,409,968

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

FUND FINANCIAL STATEMENTS

CITY OF

ANNAPOLIS

MARYLAND

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CITY OF ANNAPOLIS, MARYLAND
Balance Sheet
Governmental Funds
June 30, 2015

	General	Capital Projects	Non-Major Governmental Fund	Totals
ASSETS				
Cash and cash equivalents	$ 18,681,290	$ 427,593	$ 217,108	$ 19,325,991
Restricted cash	11,212,929	-	-	11,212,929
Receivables, net of allowances	2,922,468	-	39,730	2,962,198
Due from other funds	15,687,031	-	-	15,687,031
Inventories	152,068	-	-	152,068
Prepaid items	21,333	-	-	21,333
Total assets	$ 48,677,119	$ 427,593	$ 256,838	$ 49,361,550
LIABILITIES				
Accounts payable	$ 1,306,459	$ 793,689	$ 47,999	$ 2,148,147
Accrued payables and other liabilities	2,450,564	-	-	2,450,564
Unearned revenue	336,019	-	-	336,019
Escrowed funds	517,721	-	-	517,721
Total liabilities	4,610,763	793,689	47,999	5,452,451
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	360,170	-	-	360,170
Total deferred inflows of resources	360,170	-	-	360,170
FUND BALANCE				
Non Spendable				
Inventories and prepaid items	173,401	-	-	173,401
Restricted for:				
Community development	-	-	208,839	208,839
Capital projects	11,212,929		-	11,212,929
Unassigned	32,319,856	(366,096)	-	31,953,760
Total fund balances	43,706,186	(366,096)	208,839	43,548,929
Total liabilities, deferred inflows of resources and fund balances	$ 48,677,119	$ 427,593	$ 256,838	$ 49,361,550

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

CITY OF ANNAPOLIS, MARYLAND
Reconciliation of the Balance Sheet of the Governmental Funds
To Net Position of Governmental Activities
June 30, 2015

Total Governmental Fund Balances		$ 43,548,929
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.		84,930,366
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds		360,170
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	$ (1,914,325)	
Accrued interest	(658,709)	
OPEB	(22,416,523)	
Net pension liability	(27,579,526)	
		(52,569,083)
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	67,743,722	
Loss on refundlng deferred outflow	(2,682,568)	
		(65,061,154)
The net effect of the deferred outflows and deferred inflows of resources recorded in conjunction with the recongnition of the pension liability is shown in the governmental activities but not included in the governmental statements.		1,527,182
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.		(3,372,849)
Net position of Governmental Activities		$ 9,363,561

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

CITY OF ANNAPOLIS, MARYLAND
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
Year Ended June 30, 2015

	General	Capital Projects	Non-Major Governmental Fund	Totals
Revenues				
Taxes	$ 42,439,625	$ -	$ -	$ 42,439,625
Licenses and permits	2,786,607	-	-	2,786,607
Fines and forfeitures	518,255	-	-	518,255
Money and property	1,672,700	253,516	-	1,926,216
Intergovernmental	13,798,293	250,000	317,661	14,365,954
Current services	3,947,671	-	-	3,947,671
Total revenues	65,163,151	503,516	317,661	65,984,328
Expenditures				
Current:				
General government	6,462,211	-	-	6,462,211
Public safety	37,909,541	-	-	37,909,541
Community services	4,324,737	-	-	4,324,737
Community development	261,793	-	142,354	404,147
Public works	7,750,185	-	-	7,750,185
Debt service:				
Principal	2,852,010	-	-	2,852,010
Interest	2,532,202	-	-	2,532,202
Capital outlays	1,179,314	1,932,167	71,315	3,182,796
Total expenditures	63,271,993	1,932,167	213,669	65,417,829
Excess (deficiency) of revenues over expenditures	1,891,158	(1,428,651)	103,992	566,499
Other financing sources (uses)				
Bond proceeds	21,261,900	-	-	21,261,900
Payment to escrow agent	(15,351,973)	-	-	(15,351,973)
Bond issuance costs	(280,591)	-	-	(280,591)
Transfers in	3,649,505	1,382,555	-	5,032,060
Transfers out	(4,142,540)	(320,000)	-	(4,462,540)
Total other financing sources (uses)	5,136,301	1,062,555	-	6,198,856
Net change in fund balance	7,027,459	(366,096)	103,992	6,765,355
Fund balance at beginning of year, as restated	36,678,727	-	104,847	36,783,574
Fund balance at end of year	$ 43,706,186	$ (366,096)	$ 208,839	$ 43,548,929

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

CITY OF ANNAPOLIS, MARYLAND
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities
Year Ended June 30, 2015

Net Change in Fund Balance - Total Government Funds		$ 6,765,355
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	$ 3,503,189	
Depreciation Expense	(3,284,759)	
		218,430
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 capital assets value.		(78,491)
Some revenues will not be collected for several months after the fiscal year ends. As such these revenues are not considered "available" revenues and are deferred in the governmental funds. Deferred inflows increased this year.		140,594
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:		
General obligation bonds	(21,261,900)	
Refundings paid to escrow agent	15,351,973	
Amortization of premium	405,846	
Amortization of loss on refunding	(447,952)	
Principal repayments		
General obligation bonds	2,852,010	
Capital leases	214,475	
		(2,885,548)
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.		
Decrease in compensated absences	40,216	
Increase in other postemployment benefits	(1,865,259)	
Decrease in accrued interest payable	133,137	
		(1,691,906)
The net effect of the expenses for recording pension liability from employee retirement plans.		(1,604,991)
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.		396,419
Change in Net Position of Governmental Activities		$ 1,259,862

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

PROPRIETARY FUND

FINANCIAL STATEMENTS

CITY OF

ANNAPOLIS

MARYLAND

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CITY OF ANNAPOLIS, MARYLAND
Statement of Net Position
Proprietary Funds
June 30, 2015

	Business-type Activities							Governmental Activities
	Water Fund	Sewer Fund	Off Street Parking Fund	Transportation Fund	Dock Fund	Non-Major Enterprise Funds	Total	Internal Service Fund Total
ASSETS								
Current assets								
Cash and cash equivalents	$ 8,411,732	$ 6,411,601	$ -	$ 50	500	5,222,052	20,045,935	2,969,936
Restricted cash	787,725	-	-	-	-	-	787,725	-
Accounts receivable								
Service charges and penalties	1,258,480	1,600,026	183,192	548,487	46,162	853,908	4,490,255	-
Capital and other charges	1,109	1,275	-	-	-	-	2,384	-
Total accounts receivable, net	1,259,589	1,601,301	183,192	548,487	46,162	853,908	4,492,639	-
Inventories	91,426	-	-	29,718	-	-	121,144	-
Prepaid expenses	-	-	-	-	-	-	-	83,753
Total current assets	10,550,471	8,012,902	183,192	578,255	46,662	6,075,960	25,447,442	83,753
Noncurrent assets								
Restricted water and sewer capital facility assessments	3,630,541	3,503,821	-	-	-	-	7,134,362	-
Net capital assets	26,779,503	16,041,085	29,989,833	3,262,914	9,253,762	2,517,490	87,844,587	-
Total noncurrent assets	30,410,044	19,544,906	29,989,833	3,262,914	9,253,762	2,517,490	94,978,949	-
Total assets	40,960,515	27,557,808	30,173,025	3,841,169	9,300,424	8,593,450	120,426,391	3,053,689
DEFERRED OUTFLOWS OF RESOURCES								
Deferred outflows related to pensions	39,226	13,620	9,262	69,735	8,172	6,538	146,553	
Deferred loss on refunding	454,893	223,597	1,867,064	308	254,368	32,923	2,833,153	-
Total deferred outflows of resources	494,119	237,217	1,876,326	70,043	262,540	39,461	2,979,706	-
LIABILITIES								
Current liabilities								
Accounts payable	2,115,936	553,137	141,261	55,489	126,075	405,174	3,397,072	63,973
Accrued expenses and other liabilities	75,260	31,219	93,261	260,613	16,389	12,986	489,728	-
Accrued self insurance costs - current portion	-	-	-	-	-	-	-	2,036,021
Accrued Interest	203,716	99,150	131,120	376	30,783	13,887	479,032	-
Due to General Fund	-	-	5,297,611	7,965,820	1,609,923	813,677	15,687,031	-
Compensated absences-current portion	9,250	1,969	-	12,717	1,056	1,055	26,047	-
Unearned revenue	55,000	339,158	-	15,505	46,162	75,344	531,170	-
Escrowed funds	-	95,384	-	-	-	18,835	114,219	-
Current portion of long-term debt	812,585	380,083	907,033	77,070	220,486	95,252	2,492,509	-
Total current liabilities	3,271,747	1,500,100	6,570,286	8,387,590	2,050,875	1,436,210	23,216,806	2,099,994
Noncurrent liabilities								
Compensated absences-net of current portion	106,370	22,639	-	146,247	12,145	12,140	299,542	-
Accrued liability for other post employment benefits	548,109	133,379	-	449,798	10,314	538,822	1,680,422	-
Accrued self insurance costs, net of current portion	-	-	-	-	-	-	-	4,326,544
Net Pension Liability	948,297	329,270	223,904	1,685,862	197,562	158,050	3,542,945	-
Long-term debt, net of current portion	24,358,786	9,374,948	25,518,939	27,501	8,644,902	1,307,103	69,232,179	-
Total noncurrent liabilities	25,961,562	9,860,236	25,742,843	2,309,408	8,864,923	2,016,115	74,755,088	4,326,544
Total liabilities	29,233,309	11,360,336	32,313,129	10,696,998	10,915,798	3,452,325	97,971,894	6,426,538
DEFERRED INFLOWS OF RESOURCES								
Deferred inflows related to pensions	103,797	36,040	24,507	184,529	21,624	17,299	387,796	-
NET POSITION								
Net investment in capital assets	10,212,187	10,791,893	5,493,041	3,159,229	6,723,487	1,279,275	37,659,112	-
Restricted for debt service	8,149,172	4,282,245	62,114	-	6,000,000	112,925	18,606,456	-
Unrestricted	(6,243,831)	1,324,511	(5,843,440)	(10,129,544)	(14,097,944)	3,771,087	(31,219,161)	(3,372,849)
Total net position	$ 12,117,528	$ 16,398,649	$ (288,285)	$ (6,970,315)	$ (1,374,457)	$ 5,163,287	$ 25,046,406	$ (3,372,849)

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

CITY OF ANNAPOLIS, MARYLAND
Statement of Revenues, Expenses and
Changes in Net Position - Proprietary Funds
Year Ended June 30, 2015

	Business-type Activities							Governmental Activities
	Water Fund	Sewer Fund	Off Street Parking Fund	Transportation Fund	Dock Fund	Non-Major Enterprise Funds	Total	Internal Service Fund Total
Operating revenues								
Charges for services	$ 6,974,651	$ 8,382,345	$ 6,603,600	$ 938,100	$ 908,523	$ 4,281,045	$ 28,088,264	$ 56,015
Grant Income	283,950	-	-	1,266,491	43,345	-	1,593,786	-
Other	227,175	16,790	2,243,488	-	651	-	2,488,104	11,533,817
Total operating revenues	7,485,776	8,399,135	8,847,088	2,204,591	952,519	4,281,045	32,170,154	11,589,832
Operating expenses								
Salaries	2,395,606	726,009	513,357	3,716,463	340,839	340,281	8,032,555	-
Utilities	323,579	192,299	165,301	30,327	55,383	43,121	810,010	-
Repairs and maintenance	362,280	176,214	132,714	310,611	83,780	15,721	1,081,320	-
Materials and supplies	244,510	64,207	330,270	530,426	38,683	66,594	1,274,690	-
Treatment plant operations	-	3,591,727	-	-	-	-	3,591,727	-
Contractual services	182,062	69,707	1,305,995	28,927	8,972	1,628,852	3,224,514	-
Administrative charge from General Fund	750,416	895,000	240,000	500,000	65,000	421,800	2,872,216	-
Depreciation	331,859	1,163,557	1,298,799	1,305,459	71,876	195,172	4,366,722	-
Claim payments	-	-	-	-	-	-	-	11,139,663
Other	204,407	139,378	2,239,681	121,467	90,670	39,178	2,834,782	53,750
Total operating expenses	4,794,719	7,018,098	6,226,117	6,543,680	755,203	2,750,718	28,088,536	11,193,413
Operating (loss) income	2,691,057	1,381,037	2,620,971	(4,339,089)	197,316	1,530,327	4,081,618	396,419
Non-operating revenues (expenses)								
Capital grants	-	-	-	171,913	-	-	171,913	-
Interest income	3,639	2,465	-	-	-	-	6,104	-
Interest expense	(564,354)	(381,007)	(569,684)	(1,239)	(234,303)	(9,417)	(1,760,004)	-
Bond Issuance Cost	(28,355)	(12,176)	(6,822)		(158,944)	(4,785)	(211,082)	-
Total non-operating revenues (expenses), net	(589,070)	(390,718)	(576,506)	170,674	(393,247)	(14,202)	(1,793,069)	-
Income (loss) before contributions and transfers	2,101,987	990,319	2,044,465	(4,168,415)	(195,931)	1,516,125	2,288,549	396,419
Transfers in	-	-	-	2,467,054	238,600	54,331	2,759,985	-
Transfers out	(520,000)	(20,000)	(2,339,505)	-	-	(450,000)	(3,329,505)	-
Change in net position	1,581,987	970,319	(295,040)	(1,701,361)	42,669	1,120,456	1,719,029	396,419
Net position at beginning of year, as restated	10,535,541	15,428,330	6,755	(5,268,954)	(1,417,126)	4,042,831	23,327,377	(3,769,268)
Net position at end of year	$ 12,117,528	$ 16,398,649	$ (288,285)	$ (6,970,315)	$ (1,374,457)	$ 5,163,287	$ 25,046,406	$ (3,372,849)

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

CITY OF ANNAPOLIS, MARYLAND
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2015

	Business-type Activities							Governmental
	Water Fund	Sewer Fund	Off Street Parking Fund	Transportation Fund	Dock Fund	Non-Major Enterprise Funds	Total	Internal Service Fund Total
Cash flows from operating activities								
Receipts from customers and users	$ 7,967,970	$ 8,642,676	$ 6,478,702	$ 964,879	$ 908,523	$ 4,235,589	$ 29,198,339	$ -
Receipts from contributions and other sources	511,125	16,790	2,243,488	1,266,491	43,996	-	4,081,890	994,023
Receipts from interfund services provided	-	-	-	-	-	-	-	-
Payments to suppliers for goods and services	(1,078,774)	(5,485,305)	(3,446,180)	(1,500,782)	(226,881)	(2,251,144)	(13,989,066)	-
Payments to employees for services	(2,243,776)	(676,743)	(401,300)	(3,507,088)	(244,795)	(285,557)	(7,359,259)	-
Payments for interfund services uses	-	-	-	-	-	-	-	-
Net cash provided by (used for) operating activities	5,156,545	2,497,418	4,874,710	(2,776,500)	480,843	1,698,888	11,931,904	994,023
Cash flows from noncapital financing activities								
Effect of change from Due From to Equity in Pooled Cash	10,292,456	6,061,655	(1,410,033)	433,184	(6,014,217)	4,080,355	13,443,400	1,975,913
Transfer from other funds	-	-	-	2,467,054	238,600	54,331	2,759,985	-
Transfer to other funds	(520,000)	(20,000)	(2,339,505)	-	-	(450,000)	(3,329,505)	-
Net cash provided by (used for) noncapital financing activities	9,772,456	6,041,655	(3,749,538)	2,900,238	(5,775,617)	3,684,686	12,873,880	1,975,913
Cash flows from capital and related financing activities								
Acquisition of capital assets	(8,631,237)	(1,118,680)	(26,605)	(211,785)	(329,317)	(107,769)	(10,425,393)	-
Proceeds from issuance of long term debt	6,729,058	1,317,747	738,307	-	5,942,497	498,831	15,226,440	-
Principal payments of long term debt	(905,768)	(598,579)	(632,826)	(82,477)	-	(57,751)	(2,277,401)	-
Refunding and transfers of long term debt	(2,723,711)	(1,169,615)	(655,312)	-	-	(505,213)	(5,053,851)	-
Capital grant proceeds	-	-	-	171,913	-	-	171,913	-
Interest	(960,895)	(548,634)	(541,914)	(1,389)	(159,462)	15,158	(2,197,136)	-
Bond Issuance Costs	(28,355)	(12,176)	(6,822)		(158,944)	(4,785)	(211,082)	-
Net cash provided by (used for) capital and related financing activities	(6,520,908)	(2,129,937)	(1,125,172)	(123,738)	5,294,774	(161,529)	(4,766,510)	-
Cash flows from investing activities:								
Interest received	3,639	2,465	-	-	-	-	6,104	-
Net cash provided by (used for) investing activities	3,639	2,465	-	-	-	-	6,104	-
Net increase (decrease) in cash and cash equivalents	8,411,732	6,411,601	-	-	-	5,222,052	20,045,384	2,969,936
Cash and cash equivalents at beginning of year*	-	-	-	50	500	-	550	-
Cash and cash equivalents at end of year	$ 8,411,732	$ 6,411,601	$ -	$ 50	$ 500	$ 5,222,052	$ 20,045,934	$ 2,969,936
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities								
Operating income (loss)	$ 2,691,057	$ 1,381,037	$ 2,620,971	$ (4,339,089)	$ 197,316	$ 1,530,327	$ 4,081,619	$ 396,419
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:								
Depreciation	331,859	1,163,557	1,298,799	1,305,459	71,876	195,172	4,366,722	-
Effect of changes in non-cash operating assets and liabilities:								
Accounts receivable	638,690	(365,132)	(138,797)	57,283	(46,162)	(78,091)	67,791	-
Restricted cash	36,520		896,437	-	-	-	932,957	-
Restricted water and sewer capital facility assessments	304,629	291,239	13,899	-	-	-	609,767	-
Inventories	2,712	-	-	35,942	-	-	38,654	-
Prepaid expenses	-	-	-	-	-	-	-	(83,753)
Accounts payable	949,248	(331,753)	71,344	(14,966)	115,607	(21,317)	768,163	(1,806)
Accrued expenses and other liabilities	28,028	9,239	92,014	8,098	(3,925)	(11,375)	122,079	-
Compensated absences	(6,694)	(542)	-	12,937	11,510	(4,257)	12,954	-
Deferred revenue	50,000	334,224	-	(30,504)	46,162	32,636	432,518	-
Escrowed funds	-	(25,020)	-	-	-	(3,190)	(28,210)	-
Deferred outflows	(39,226)	(13,620)	(9,262)	(69,735)	(8,172)	(6,538)	(146,553)	-
Net pension liability	20,317	7,054	4,798	36,119	74,149	3,387	145,824	-
Deferred inflows	103,797	36,040	24,507	184,529	21,624	17,299	387,796	-
Other post employment benefits	45,608	11,095	-	37,427	858	44,835	139,823	-
Claims payable	-	-	-	-	-	-	-	683,163
Total adjustments	2,465,488	1,116,381	2,253,739	1,562,589	283,527	168,561	7,850,285	597,604
Net cash provided by (used for) operating activities	$ 5,156,545	$ 2,497,418	$ 4,874,710	$ (2,776,500)	$ 480,843	$ 1,698,888	$ 11,931,904	$ 994,023

The accompanying notes to the financial statements are an integral part of this statement.
*Amount changed due to reclassification.

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FIDUCIARY FUND

FINANCIAL STATEMENTS

CITY OF

ANNAPOLIS

MARYLAND

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CITY OF ANNAPOLIS, MARYLAND
Statement of Fiduciary Net Position
Pension Trust Funds
June 30, 2015

		Pension Trust Fund
ASSETS		
Cash	$	1,889
Other receivables		
Investments, at fair value:		
Common stocks		68,205,646
Corporate bonds		4,441,320
Money market		11,341,933
U.S. Agency securities		10,558,228
Limited partnerships and alternative investments		59,517,148
Real estate		8,255,624
Total investments		162,319,899
Total assets	$	162,321,788
NET POSITION		
Total net position, held in trust for Pension Benefits	$	162,321,788

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

CITY OF ANNAPOLIS, MARYLAND
Statement of Changs in Fiduciary Net Position
Pension Trust Fund
Year Ended June 30, 2015

		Pension Trust Fund
ADDITIONS		
Contributions		
Employer	$	2,451,163
Plan member		1,220,879
Total Contributions		3,672,042
Investment Income		
Net appreciation in fair value of investments		2,873,002
Interest		350,865
Dividends		2,028,869
Real estate operating income, net		644,253
Total investment income		5,896,989
Total additions		9,569,031
DEDUCTIONS		
Benefits		9,070,882
Administrative expenses		961,323
Total deductions		10,032,205
Change in net position		(463,174)
Net position as of beginning of year		162,784,962
Net position as of end of year	$	162,321,788

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

NOTES TO BASIC

FINANCIAL STATEMENTS

CITY OF

ANNAPOLIS

MARYLAND

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

BASIS OF PRESENTATION – FUND ACCOUNTING

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

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

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

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. The primary effect of internal activity has been eliminated from the government-wide financial statements. Exceptions to this rule is when the amounts are reasonably equivalent in value to the Interfund services provided and other charges between various functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 should be 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 net position restricted for other purposes result from special revenue funds and the restrictions on their net position use.

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

FUND FINANCIAL STATEMENTS

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

GOVERNMENTAL FUNDS

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

The major governmental funds are:

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

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

The Non Major Governmental Fund is:

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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 (i.e., net total 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The major proprietary funds are:

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

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

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

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

The non-major proprietary funds shown aggregated are:

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The City's only Internal Service Fund is used for coverage of general liability, workers compensation and health insurance claims. The liability for unpaid claims, which is included in other liabilities, is based upon individual case estimates reported as of June 30, 2015 and management's estimate of claims incurred, but not reported to that date.

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

FIDUCIARY FUND - PENSION TRUST FUND

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about fiduciary net position of the Maryland State Retirement and Pension System (System) and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, 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.

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

BUDGETARY PROCESS

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

1. By the second Monday in March, the Mayor submits to the City Council a proposed budget for the General Fund and each of the enterprise funds for the fiscal year commencing the following July 1.

2. The budget is referred to the Finance Committee, which makes recommendations on the budget to the full City Council by the second Monday in May.

3. The City Council holds public hearings to obtain taxpayer comments.

4. No later than June 30, the budget is legally enacted through passage of a budget ordinance which establishes spending authority by fund for the operations of the City.

5. Supplemental appropriations and transfers between funds must be approved by the City Council. The allocation of funds from the surplus of the budget requires a two-thirds vote by the City Council.

6. All budgets are on an annual basis except the Capital Projects Fund budget, which is on a project basis. Budgets are adopted using 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.

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 expenditure classifications, between departments or between funds, must be approved by the Financial Committee and full City Council. For the General Fund, the total amendments were a net decrease of $1,084,228, decreasing the original budget from $63,749,921 to a revised budget of $62,665,693.

The City exceeded its budgetary authority within the departments as follows:

Police	$	368,570
Fire		308,017
Human resources		11,108

Investments

Short-term investments of the City are recorded at fair value. Investments in the Pension Trust Fund represent the pension plan's ownership interests in the net 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 the lower of cost or market using the first-in/first-out method and prepaid items consist of insurance premiums, collection services and bulk permit for postage valued at cost using the consumption method. They are recorded 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 they are utilized. The valuation bases for proprietary fund capital assets are the same as those used for the general capital assets. Donated capital assets are capitalized at estimated fair value on the date donated. Interest is capitalized on construction in process utilizing the percentage of interest that reflects the underlying costs of funds. Interest is capitalized through substantial completion. Total interest capitalized as of June 30, 2015 was $373,145.

Depreciation of capital assets is computed and recorded using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: building, 20 to 50 years; improvement/infrastructure, 5 to 50 years; and equipment, 2 to 15 years. Land is not subject to depreciation because of its inexhaustible life.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2015.

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 financial position reports 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. The City has two items that qualify for reporting in this category. A deferred loss on refunding was reported in the government-wide and proprietary fund statements of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. At June 30, 2015 the City also had deferred outflows of resources for FY15 contributions made to pension made after the measurement date.

In addition to liabilities, the statement of financial position reports 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. The City has deferred inflows of resources that qualify for reporting in this category. Under the modified accrual basis of accounting, deferred inflows of resources are reported for unavailable revenues in the governmental fund balance sheet. Deferred inflows related to pensions are reported for the Governmental and Business-type Activities.

Fund Balance Reporting

The Board 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 they are either not in spendable form or they are legally required to be maintained intact such as inventory, prepaid expenses, or other assets.

2. Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

3. Committed – amounts that can only be used for specific purposes determined by a formal action of the Council, the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through ordinances approved by the Council.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes determined by a formal action of the Council such as adopting the annual budget.

5. Unassigned – all other spendable amounts. 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.

For fiscal year 2015, the General Fund was the only fund to have a positive unassigned fund balance within the governmental funds.

Net position flow assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order 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.

Negative Fund Balance

The City plans to eliminate the Dock, Transportation and Off-Street Parking fund deficits through a combination of cost reductions, revenue enhancements and operating efficiencies. The Dock and Transportation Funds will continue to receive operational assistance from the General Fund. The City plans to eliminate the negative fund balance within the Internal Service Fund through assessments to other funds for the payment of claims as they become due.

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)	$ 48,952
General Fund (Personal Property)	14,458
	$ 63,410

New Accounting Pronouncement

The City adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions.* This statement revises and establishes the new financial statement reporting requirements for local governments that provide their employees with pension benefits. This statement replaces GASB No. 27, Accounting for Pensions by State and Local Governmental Employers and GASB No. 50, Pension Disclosures. GASB No.68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time and to more comprehensively compare and measure the annual costs of pension benefits.

NOTE 2 – PROPERTY TAX

The City's real property tax is levied each July 1 on the assessed values certified as of that date for all taxable real property located in the City. At that time, a lien is placed against the property. Assessed values are established by the Maryland State Department of Assessments and Taxation at predetermined percentages of estimated market value. A revaluation of all property is required to be completed every three years. Payments are due by September 30. Beginning October 1, interest is charged each month or fraction thereof (at an interest rate of 18% per year), until such taxes are paid. Delinquent taxes are collected, after the ninth month of delinquency, by tax sales conducted by Anne Arundel County. The assessed market value of taxable real property and personal property as of July 1, 2014, was approximately $6,026,461,993 and $177,715,710 respectively.

NOTE 3 – DEPOSITS AND INVESTMENTS

City's Cash and Investments

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

Custodial Credit Risk –
Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned. The City's investment policy requires at least 102% collateralization of deposits. The carrying amount of total deposits for the City was $3,337,782 and the bank balance was $4,059,510 as of June 30, 2015. Bank balances of $4,059,510 were covered by federal depository insurance or collateral held by the City's agent in the City's name.

Teller and petty cash was $550 at June 30, 2015.

Money Markets: The City invests bond proceeds in short term money market funds which are not subject to custodial credit risk. The total amount invested in these short term money market funds was $28,557,458 as of June 30, 2015. 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's local government investment pool.

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 Rule2a7 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 $22,446,725 as of June 30, 2015.

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.

NOTE 4 – CAPITAL ASSETS AND DEPRECIATION

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 4,260,493	$ -	$ -	$ 4,260,493
Construction in process	11,877,757	2,737,245	-	14,615,002
Total capital assets not being depreciated	16,138,250	2,737,245	-	18,875,495
Capital assets being depreciated:				
Buildings	48,916,203	-	(2,355)	48,913,848
Improvements/infrastructure	64,653,173	-	(95,249)	64,557,924
Equipment	15,771,817	765,551	(386,082)	16,151,286
Subtotal	129,341,193	765,551	(483,686)	129,623,058
Less accumulated depreciation:				
Buildings	(14,456,719)	(869,109)	2,355	(15,323,473)
Improvements/infrastructure	(34,828,323)	(973,036)	95,249	(35,706,110)
Equipment	(11,403,581)	(1,442,614)	307,591	(12,538,604)
Subtotal	(60,688,623)	(3,284,759)	405,195	(63,568,187)
Total capital assets being depreciated, net	68,652,570	(2,519,208)	(78,491)	66,054,871
Net capital assets	$ 84,790,820	$ 218,037	$ (78,491)	$ 84,930,366

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 3,243,441	$ -	$ -	$ 3,243,441
Construction in process	12,404,524	10,328,397	(165,438)	22,567,483
Total capital assets not being depreciated	15,647,965	10,328,397	(165,438)	25,810,924
Capital assets being depreciated:				
Buildings	62,585,898	300,000	-	62,885,898
Improvements/infrastructure	42,794,872	-	(360,818)	42,434,054
Equipment	9,314,872	409,817	(218,294)	9,506,395
Subtotal	114,695,642	709,817	(579,112)	114,826,347
Less accumulated depreciation:				
Buildings	(26,239,665)	(2,110,603)	-	(28,350,268)
Improvements/infrastructure	(16,461,092)	(776,653)	56,016	(17,181,729)
Equipment	(5,856,928)	(1,479,466)	75,705	(7,260,689)
Subtotal	(48,557,685)	(4,366,722)	131,721	(52,792,685)
Total capital assets being depreciated, net	66,137,958	(3,656,905)	(447,391)	62,033,662
Net capital assets	$ 81,785,923	$ 6,671,493	$ (612,829)	$ 87,844,587

NOTE 4 – CAPITAL ASSETS AND DEPRECIATION (CONTINUED)

Depreciation was charged to functions for governmental activities as follows:

Governmental activities:		
General government	$	201,985
Public safety		934,051
Community services		1,981,985
Public works		166,738
Total governmental activities depreciation expense	$	3,284,759

Depreciation was charged to functions for business-type activities as follows:

Business-type activities:		
Water	$	331,859
Sewer		1,163,557
Off street parking		1,298,799
Transportation		1,305,459
Dock		71,876
Non Major Funds		195,172
Total business-type activities depreciation expense	$	4,366,722

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 therefore are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues. In addition, general obligation bonds have been issued to refund general obligation bonds. General obligation bonds are direct obligations and pledge the full faith and credit of the City. All debt service payments are made from the General fund and expenses are then allocated to the appropriate proprietary fund.

On May 20, 2015, the City sold $31,465,000 General Obligation Revenue and Refunding Bonds, Series 2015A and 2015B for system improvements of which $5,500,000, was allocated to the General Fund for facility infrastructure improvements and $6,000,000 to fund the dock infrastructure improvements and to refund portions of existing bonds in the amount of $19,965,000. The 2015A bond series have an average interest rate of 3% to 4%, due serially to 2035, and the 2015B bond series have an average interest rate of 3% to 4% due serially to 2018. The net proceeds of $19,759,601 (after payment of $205,399 in underwriting fees, insurance and other costs) plus an additional $2,263,802 of premium monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2005, 2007 and 2009 Series bonds which were being refunded. As a result, the 2005, 2007 and 2009 Series advance refunded bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net assets.

The advance refunding resulted in a difference between the reaquisition price and the net carrying amount of the old debt of $2,293,403. This difference reported in the accompanying financial statements as a deferred outflow and is being charged to operations through the year 2023 using the effective-interest method. The City completed the advance refunding to reduce its total debt service payments over the next 8 years by $1,013,269 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $694,503.

NOTE 5 - DEBT (CONTINUED)

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. On May 20, 2015, the City refunded $19,730,000 of general obligation bonds which increased the bond defeasance on June 30, 2015, to $35,145,000 of total general obligation bonds considered defeased.

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, they are not included in the basic financial statements. During fiscal years 1998 and 2007, the City issued $7,835,000 and $13,445,000, respectively of these bonds on behalf of St. John's College, a Maryland not-for-profit educational corporation. The amount of conduit debt outstanding as of June 30, 2015 for the 1998 issuance and the 2007 issuance was $980,000 and $12,155,000, respectively.

The following is a summary of changes in long-term liabilities by type of the City for the year ended June 30, 2015:

	Beginning Balance	Additions and Adjustments	Reductions	Ending Balance	Amount due within one year
Governmental activities:					
General obligation bonds	$ 60,401,296	$ 19,417,115	(16,605,311)	$ 63,213,100	$ 3,202,806
Unamortized premium	2,570,796	1,844,789	(405,846)	4,009,739	-
Other debt	735,358	-	(214,475)	520,883	217,865
Total Long term debt	63,707,450	21,261,904	(17,225,632)	67,743,722	3,420,671
OPEB	20,551,263	1,865,259	-	22,416,523	-
Compensated absences	1,954,541	-	(40,216)	1,914,325	153,146
Total long-term liabilities	$ 86,213,254	23,127,163	(17,265,848)	92,074,569	$ 3,573,817

	Beginning Balance	Additions and Adjustments	Reductions	Ending Balance	Amount due within one year
Business-type activities:					
General obligation bonds	$ 59,893,697	$ 12,047,890	(8,164,687)	$ 63,776,900	$ 2,292,195
Unamortized premium	1,638,186	976,765	(294,507)	2,320,444	-
Other debt	2,266,324	3,661,448	(300,428)	5,627,344	200,314
Total Long term debt	63,798,207	16,686,103	(8,759,622)	71,724,688	2,492,509
OPEB	1,540,596	139,826	-	1,680,422	-
Compensated absences	311,579	14,010	-	325,589	26,047
Total long-term liabilities	$ 65,650,382	$ 16,839,939	$ (8,759,622)	$ 73,730,699	$ 2,518,556

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 paid solely by user fees from the respective fund. As of June 30, 2015, the debt margin of the City was as follows:

NOTE 5 - DEBT (CONTINUED)

Assessed value of taxable real and personal property, July 1, 2014	$ 6,189,834,962
Debt limit; 10% of assessable basis	$ 618,983,496
Debt subject to limitation	97,890,716
Debt margin	$ 521,092,780

Long-term debt amounts are comprised of the following as of June 30, 2015:

Governmental activities:	
General obligation bonds:	
Public Improvement Bonds of 2005: $12,042,500; interest 3.5%; due serially to 2025	$ 553,485
Public Improvement Bonds of 2007: $21,391,600; interest 4.25%; due serially to 2022	2,130,848
Public Improvement Bonds of 2009: $19,418,400; interest 2.0%; due serially to 2029	4,420,274
Public Improvements and Refunding Bonds of 2011: $22,738,856; interest 2.0% to 5.0%; due serially to 2040	20,313,888
Public Improvements and Refunding Bonds of 2012: $11,357,343; interest 2.0% to 5.0%; due serially to 2040	10,998,378
Public Improvement Bonds of 2013: $5,336,000; interest 4.25%; due serially to 2022	5,379,116
Public Improvement Bonds of 2015: $5,500,000; interest 3.0 to 4.0%; due serially to 2035	5,500,000
Public Refunding Bonds of 2015: $13,917,111; interest 3.0% to 4.0%; due serially to 2028	13,917,111
Total general obligation bonds	63,213,100
Other debt:	
Capital lease and vehicle loan	520,883
Total governmental activities long-term debt	$ 63,733,983

NOTE 5 - DEBT (CONTINUED)

Business-type activities:	
General obligation bonds:	
Public Improvement Bonds of 2005: $2,957,500; interest 3.5%; due serially to 2025	$ 161,515
Public Improvement Bonds of 2007: $7,508,400; interest 4.25%; due serially to 2022	1,279,152
Public Improvement Bonds of 2009: $7,551,600; interest 2.0%; due serially to 2029	1,739,726
Public Improvements and Refunding Bonds of 2011: $13,081,144; interest 2.0% to 5.0%; due serially to 2040	11,686,112
Public Improvements and Refunding Bonds of 2012: $7,887,657; interest 2.0% to 5.0%; due serially to 2040	7,636,622
Refunding Bonds of 2013: $20,035,000; interest 2.54% to 3.89%; due serially to 2035	19,725,000
Public Improvement Bonds of 2013: $9,814,000; interest 3.5%; due serially to 2025	9,500,884
Public Improvement Bonds of 2015: $6,000,000; interest 3.0 to 4.0%; due serially to 2035	6,000,000
Public Refunding Bonds of 2015: $6,047,889; interest 3.0% to 4.0%; due serially to 2028	6,047,889
Total general obligation bonds	63,776,900
Other debt:	
State of Maryland Water Quality loan: $5,395,003; interest 0.900%; due semiannually to 2043	5,395,053
Capital lease and vehicle Loan; $1,030,000; interest 1.34%; due quarterly to 2017	232,291
	5,627,344
Total business-type activities debt	$ 69,404,244

Interest costs incurred on general obligation bonds allocated to the business-type activities were $1,732,056 for the year ended June 30, 2015.

Long-term debt maturities excluding the unamortized loss on refunding of $2,682,568 and $2,852,061 in governmental and business-type activities respectively are scheduled as follows:

	General obligation bonds		Other debt		
	Principal	Interest	Principal	Interest	Total
Governmental activities:					
2016	$ 3,202,806	$ 2,299,975	$ 217,865	$ 6,179	$ 5,726,825
2017	3,442,761	2,401,826	220,920	3,124	6,068,631
2018	3,505,463	2,264,147	82,098	508	5,852,216
2019	3,717,176	2,125,117	-	-	5,842,293
2020	3,930,171	1,978,504	-	-	5,908,675
2021 - 2025	20,384,859	7,306,939	-	-	27,691,798
2026 - 2030	17,176,906	3,142,469	-	-	20,319,375
2031 - 2035	6,751,221	834,309	-	-	7,585,530
2036 - 2040	1,101,737	138,066	-	-	1,239,803
Total	$ 63,213,100	$ 22,491,351	$ 520,883	$ 9,811	$ 86,235,145

NOTE 5 - DEBT (CONTINUED)

	General obligation bonds		Other debt		
	Principal	Interest	Principal	Interest	Total
Business-type activities:					
2016	$ 2,292,195	$ 2,151,901	$ 200,314	$ 4,049	$ 4,648,459
2017	2,690,238	2,198,773	23,860	328	4,913,199
2018	2,942,737	2,095,153	8,117	49	5,046,056
2019	2,991,323	1,988,684	-	-	4,980,007
2020	3,188,629	1,876,548	-	-	5,065,177
2021 - 2025	18,544,841	7,320,479	-	-	25,865,320
2026 - 2030	17,893,394	3,780,245	-	-	21,673,639
2031 - 2035	12,254,679	1,135,340	-	-	13,390,019
2036 - 2042	978,864	82,485	-	-	1,061,349
Total	$ 63,776,900	$ 22,629,608	$ 232,291	$ 4,426	$ 86,643,225

Other debt does not include the MDE Water Quality Loan in the amount of $5,395,053. 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.

Included in other debt for both the governmental-wide and business-type activities are capital leases for vehicles and copiers with a principal balance due of $520,883 and $232,291, respectively as of June 30, 2015.

The assets acquired through these capital leases are as follows:

	Equipment	Less: accumulated deprectiation	Total asset value under capital leases
Governmental Activities	$ 1,020,756	$ (699,844)	$ 320,912
Water Fund	45,511	(27,307)	18,204
Sewer Fund	45,511	(27,307)	18,204
Off Street Parking Fund	526,452	(153,871)	372,581
Transportation Fund	8,264	(4,958)	3,306
Dock Fund	3,562	(2,137)	1,425
Total	$ 1,650,056	$ (915,424)	$ 734,632

NOTE 6 – PENSION PLANS

Plan Description and Contribution Information

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

NOTE 6 – PENSION PLANS (CONTINUED)

Maryland State Retirement and Pension System

General Information about the Plan

Plan description. The employees of the City 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 by the 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 Plans are 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 and other benefits to State employees of participating governmental units, among others. 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 retirees' benefits allowance will be computed. Some of these options require actuarial reductions based on the retirees' 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.

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 members' 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 in 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.

NOTE 6 – PENSION PLANS (CONTINUED)

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 7% annually. Members of the Employees' Pension System are required to contribute 5-7% annually, depending on the retirement option selected. The contribution requirements of the System members, as well as the State and 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, 2015, was 6.72% 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 made its share of the required contributions during the year ended June 30, 2015, of $1,812,859.

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

At June 30, 2015, the City reported a liability of $13,170,796 for its proportionate share of the net pension liability of the System. The net pension liability was measured as of June 30, 2014, 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, 2014. The contributions were increased to adjust for differences between actuarial determined contributions and actual contributions by the State of Maryland. As of June 30, 2014, the City's proportionate share was 0.0742%.

For the year ended June 30, 2015, the City recognized pension expense of $1,179,007. At June 30, 2015, 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
Changes in assumptions	$ 190,526	$ -
Net difference between projected and actual earnings on pension plan investments	-	1,441,629
City contributions subsequent to the measurement date	354,279	-
Total	$ 544,805	$ 1,441,629

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

Year ended June 30:	
2016	$ (224,206)
2017	(224,206)
2018	(224,206)
2019	(224,206)
2020	-

NOTE 6 – PENSION PLANS (CONTINUED)

Actuarial assumptions. The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.90% general, 3.4% wage
Salary increases	3.40% to 11.9%, including inflation
Investment rate of return	7.65%

Mortality rates were based on RP-2000 Combined Healthy Mortality Table projected to the year 2025.

The economic and demographic actuarial assumptions used in the June 30, 2014 valuation were adopted by the System's Board of Trustees based upon review of the System's experience study for the period 2006-2010, which was completed during FY2011. 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 20, 2012. The System's board of Trustees adopted new economic assumptions for the June 30, 2013 valuation, in particular, an investment return assumption of 7.70% and an inflation assumption of 2.95% The ultimate assumptions of a 7.55% investment return and 2.80% price inflation are being phased in over a four-year period. As a result, an investment return assumption of 7.65% and an inflation assumption of 2.90% were used for the June 30, 2014 valuation. The COLA, 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 weighing 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 consultant(s) and actuary(s). For each major asset class that is included in the System's target asset allocation, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Public Equity	35%	4.70%
Fixed Income	10%	2.00%
Credit Opportunity	10%	3.00%
Real Return	14%	2.80%
Absolute Return	10%	5.00%
Private Equity	10%	6.30%
Real Estate	10%	4.50%
Cash	1%	1.40%
Total	100%	

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, 2014.

NOTE 6 – PENSION PLANS (CONTINUED)

For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of the pension plan expense was 14.38%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate. The single discount rate used to measure the total pension liability was 7.65%. This single discount rate was based on the expected rate of return on pension plan investments of 7.65% 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.

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 7.65%, as well as what the City's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:
Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued System's financial report.

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Decrease (8.65%)
City's Proportionate Share	$ 18,980,746	$ 13,170,794	$ 8,304,204

Police and Fire Pension System
General Information about the Plan

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

Participants in the original plan are required to contribute 3% of their annual salary and the revised plan participants are required to contribute 5% of their annual salary. The City is required to fund the remaining cost of the plan. 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, 2015, the City had an actuarially determined contribution of $3,234,493, and the City made a contribution of $2,451,163. Administrative costs of the plan are financed through investment earnings. The Plan is considered part of the City's reporting entity and is included in the City's financial statements as Pension Trust funds. There is no separately issued financial report for this plan.

NOTE 6 – PENSION PLANS (CONTINUED)

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 investments and their related weighted-average maturities:

		Investment Maturities (in years)			
Investment Type	Fair Value	Less than 1	1-5	5-10	10-20
Corporate bonds	$ 4,438,089	$ -	$ 2,472,544	$ 1,965,545	$ -
U.S. Agency securities	10,549,919	-	3,647,637	2,589,963	4,312,319
	$ 14,988,008	$ -	$ 6,120,181	$ 4,555,508	$ 4,312,319

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 percent or more of net position held for pension benefits.

As of June 30, 2015, the City's fixed income investments had the following risk characteristics:

SP Rating or Comparible	Percent of Total Investments	Fair Value
AA	49.39%	$ 9,145,747
A	38.00%	4,387,052
BBB	12.61%	1,455,209
	100.00%	$ 14,988,008

Custodial Credit Risk - State Street invests in a money market fund on behalf of the Plan. As of June 30, 2015, the amount in the money market fund was $11,341,933. This fund is uninsured and uncollateralized. All other investments of the fund are held by State Street Bank as trustee in the Plan's name.

NOTE 6 – PENSION PLANS (CONTINUED)

Police and Fire Retirement Pension Fund

Non-Active Members:	
Retirees and beneficiaries receiving benefits	253
Terminated employees not yet receiving benefits	1
Total non-active members	254
Active Members:	
Fully vested	7
Non-vested	225
Total active members	232
Total	486

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

Cash: As of June 30, 2015, the Plan had cash totaling $1,889 with the Plan's trustee.

Investment Policy: Contractually, the City's investment managers are restricted to investments in common stock, public bonds, real estate and alternative investment funds. The Plan's investment policy includes an asset allocation plan for investments. The following was the Plan's adopted asset allocation policy as of June 30, 2015:

Asset Class	Minimum	Maximum	Target
Equities	40%	50%	44%
Fixed Income	15%	40%	29%
Real Estate	0%	10%	6%
Alternatives	8%	30%	19%
Cash	0%	20%	2%

Concentrations: The Pension plan held investments (other than those issued or explicitly guaranteed by the U.S. Government) in any one organization that represented 5 percent or more of the pension plan's fiduciary net positions, the follow of June 30, 2015:

NOTE 6 – PENSION PLANS (CONTINUED)

Investments	% of Pension Fiduciary Net Position	Fair Value
Common stocks	42.0%	$ 68,205,646
Corporate bonds	2.7%	4,441,320
Money market funds	7.0%	11,341,933
U.S. Agency securities	6.5%	10,558,228
Limited partnerships & Alternative investments	36.6%	59,517,148
Real estate investment trust	5.1%	8,255,624
Total		$ 162,319,899

At June 30, 2015, the City reported a liability of $17,951,675 for the Police and Fire Retirement Fund net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2015, for measurement date June 30, 2015, is as follows:

Total pension liability	$ 180,273,463
Plan fiduciary net position	(162,321,788)
Net pension liability	$ 17,951,675
Plan fiduciary net position as a percentage of the total pension liability	90.0%

At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 2,973,976	$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	791,213
Total	$ 2,973,976	$ 791,213

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

Year ended June 30:

2016	$ (104,113)
2017	(104,113)
2018	(104,112)
2019	1,900,305
2020	594,796

NOTE 6 – PENSION PLANS (CONTINUED)

Actuarial assumptions. The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.50% plus merit component based on the employee classification and years of service
Investment rate of return	7.5%

Mortality rates were based on RP-2000 Combined Healthy Mortality Table projected to the year 2016.

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:

Asset Class/Style	Target	Return
Equity - U.S.	27%	7.3%
Equity - Global	12%	7.5%
Equity - Emerging Markets	4%	9.5%
Alternatives - Marketable Alts	11%	6.0%
Alternatives - Private Real Estate	6%	6.0%
Alternatives - Commodities	3%	3.5%
Alternatives - Private Equity	6%	9.7%
Fixed Income - Int Blended IG	29%	2.2%
Fixed Income - Cash	2%	1.0%

The above was 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, 2015.

NOTE 6 – PENSION PLANS (CONTINUED)

Discount Rate. The discount rate used to measure the total pension liability was 7.50%. The projection of cash flow to determine the discount rate assumed that member contributions will continue to be made at the rates specified in the Plan, including the increases after the June 30, 2014 measurement date to 7.5% as of January 1, 2015 and to 8% as of January 1, 2016. City contributions were assumed to be made in accordance with the contribution policy recently established through the Interest Based Bargaining Process (IBB). The IBB calls for City contributions of 14% of payroll in Fiscal Year (FY) 2015, increasing to 16% for FY2016 and 18% for FY2017 and later. Based on these assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments for current members until the last payment for the current covered population is expected to be made in FYE 2088. Consequently, the single equivalent rate used to determine the Total Pension Liability as of June 30, 2015 is 7.5%, the long-term expected rate-of-return as defined by GASB No.68.

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2014	$ 174,544,380	$ 162,784,962	$ 11,759,418
Changes for the year			
Service Cost	3,673,745	-	3,673,745
Interest	12,768,894	-	12,768,894
Difference between expected and actual experience	3,568,771	-	3,568,771
Change in assumptions	(5,211,445)	-	(5,211,445)
Contributions - City	-	2,451,163	(2,451,163)
Contributions - Employee	-	1,220,879	(1,220,879)
Net investment income	-	5,896,989	(5,896,989)
Benefit payments, including refunds of employee contributions	(9,070,882)	(9,070,882)	-
Administrative expense	-	(961,323)	961,323
Net changes	5,729,083	(463,174)	6,192,257
Balance at June 30, 2015	$ 180,273,463	$ 162,321,788	$ 17,951,675

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 7.5%, as well as what the Board's net pension liability would be if it were calculated using a discount rate that is 1- percentage-point lower (6.5%), or 1-percentage-point higher (8.5%) than the current rate:

	Decrease 6.50%	Rate 7.50%	Increase 8.50%
Total Pension Liability	$ 202,167,570	$ 180,273,463	$ 162,046,905
Plan Fiduciary Net Position	162,321,788	162,321,788	162,321,788
Net Pension Liability	$ 39,845,782	$ 17,951,675	$ (274,883)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.3%	90.0%	100.2%

Rate of Return on Investments: The annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, for FY2015 was 4.77%. The money-weighted rate of return expresses investment performance, net of expenses, adjusted for the changing amounts actually invested.

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS

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

Funding Policy: The City has not yet established a formal policy nor has it restricted any funds for the plan. The City is currently paying the retirees' healthcare costs on a "pay-as-you-go" basis. In accordance with the requirements of GASB Statement No. 45, the portion of the unfunded Annual Required Contribution, as determined by the City's actuary, has been recognized as an expense, and the net OPEB obligation has been recognized as a liability on the City's government-wide financial statements.

Annual Costs and Net Obligation: The following table shows the components of the annual OPEB cost for the year, the amount actually contributed to the plan, and changes in net OPEB obligation.

Annual Costs and Net Obligation: (Continued)

Annual required contribution (ARC)	$	4,059,990
Interest on net OPEB asset		1,049,400
Adjustment to ARC		(1,019,887)
Annual OPEB expense		4,089,503
Contributions made		2,084,418
Increase in OPEB liability		2,005,085
Net OPEB obligation, Beginning of year		22,091,859
Net OPEB obligation, End of year	$	24,096,944

The annual OPEB cost and net OPEB obligation to the plan for the current year and the two prior years were as follows:

Fiscal Year Ended		Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed		Annual Net OPEB Obligation
2013	$	4,643,699	27.0%	$	20,083,699
2014		4,643,699	31.1%		22,091,859
2015		4,089,504	51.3%		24,096,945

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

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

Additional information as of the latest actuarial valuation follows:

Actuarial valuation date	6/30/15
Actuarial cost method	Entry age normal
Amortization method	Level percent open
Remaining amortization period	30 years
Asset valuation method	Market Value
Actuarial assumptions:	
Investment rate of return	4.0%
Projected salary increases	3.5% (plus merit scale)
Rate of medical inflation	9.15% grading down to 4.25% over 14 years
Rate of prescription inflation	9.15% grading down to 4.25% over 14 years
Rate of dental and vision inflation	4.5% per year

NOTE 8 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Inter-fund receivables and payables, which are for temporary balances between other funds and the general fund where cash is pooled, consist of the following at June 30, 2015:

	Payable Fund (Due To)					
Receivable Fund (Due From)	General Fund	Off Street Parking	Transportation	Dock	Market	Total
General Fund	$ -	$5,297,611	$ 7,965,820	$ 1,609,923	$ 813,677	$15,687,031
Internal Service	2,969,936	-	-	-	-	-
	$ 2,969,936	$5,297,611	$ 7,965,820	$ 1,609,923	$ 813,677	$15,687,031

NOTE 8 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)

Transfers between other funds and the general fund consist of the following as of June 30, 2015:

	Transfer In					
Transfer Out	General	Market	Transportation	Dock	Capital Projects	Total
General	$ -	$ 54,331	$ 2,467,054	$ 238,600	$ 1,382,555	$ 4,142,540
Water	520,000	-	-	-	-	520,000
Sewer	20,000	-	-	-	-	20,000
Off Street Parking	2,339,505	-	-	-	-	2,339,505
Capital Projects	320,000	-	-	-	-	320,000
Refuse	450,000	-	-	-	-	450,000
	$ 3,649,505	$ 54,331	$ 2,467,054	$ 238,600	$ $1,382,555	$ 7,792,045

Transfers are used to move unrestricted revenues to fund various programs, provide subsidies, and support “pay-as-you-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.

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 and/or sanitary sewage collection and treatment systems. Such charges are legally restricted to pay for capital construction within the systems or to pay for debt service on debt issued to finance such construction. As such construction is typically financed with debt, the City recognizes the annual charges earned as an addition to contributed capital.

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

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 which includes coverage for general liability, workers compensation, and the administration of the health insurance plan. The City also participates in the Maryland Local Government Insurance Trust, a public entity risk pool, which provides insurance for claims in excess of coverage provided by the City's self-insurance fund.

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

The City accounts for the current financial operations of the self-insurance fund in the Internal Service Fund. The City maintains excess coverage to reduce the exposure from catastrophic claims. A third party insurance administrator is employed to estimate funding requirements and liabilities of the self-insurance fund. The funding for each year represents the present value of the amount needed to pay the expected final settlement values for all claims which occur in that year regardless of the date reported. Claims "incurred but not reported" are accounted for as self insurance costs on the government-wide statement of net 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 2015 and 2014 were as follows:

	FY 2015	FY 2014
Beginning accrued payables and other liabilities	$ 5,679,402	$ 5,245,916
Incurred claims and changes in estimates	1,773,948	1,692,522
Claim payments	(1,090,785)	(1,259,036)
Ending accrued payables and other liabilities	$ 6,362,565	$ 5,679,402

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

In accordance with the Maryland Department of the Environment regulations, as of June 30, 1993, the City's landfill operations were terminated. As of March 31, 1998, the landfill 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.

NOTE 14 – RESTATEMENT

The implementation of the following new accounting pronouncement and an error that was discovered during fiscal year 2015 resulted in the restatement of beginning net position of governmental activities.

The Board of the Maryland State Retirement and Pension System and the City Council adopted GASB Statement No.68, *Accounting and Financial Reporting for Pension Plans, an amendment of GASB Statement No. 27 and the related GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68,* which improves accounting and financial reporting by state and local government employers, whose employees are provided benefits through pensions. The City is now required to record a liability for future pension benefits in excess of accumulated plan contributions.

The City overstated the June 30, 2014 employee police and fire pension withholding liability accounts in the amount of $1,535,001, with a corresponding overstatement of pension expenses. This effect of the prior period adjustment resulted in an increase in the July 1, 2014 net position of governmental activities and the general fund.

The following table reconciles the restatement of the June 30, 2014 net position of governmental activities as follows:

	Governmental Activities	Business-Type Activities	Total	Governmental Fund
Fund equity July 1, 2014, as previously reported	$ 11,987,567	$ 26,794,618	$ 38,782,185	$ 35,143,726
Cumulative affect of application of GASB No.68 and 71, net pension liability-State plan	(9,421,576)	(3,467,241)	(12,888,817)	-
Cumulative affect of application of GASB No.68 and 71, net pension liability-City plan	4,002,707	-	4,002,707	-
Affect of error correction in police and fire pension withholding	1,535,001	-	1,535,001	1,535,001
Fund equity July 1, 2014 as restated	$ 8,103,699	$ 23,327,377	$ 31,431,076	$ 36,678,727

NOTE 15 – SUBSEQUENT EVENTS

In December 2015, the City issued Water and Sewer System Revenue Bonds – Series A (Tax-exempt) and Series B (Taxable) in the amounts of $13,460,000 and $17,295,000, respectively. The proceeds were used to fund capital needs; provide working capital; fund debt service reserve accounts; and refund Public Improvement Bonds of 2013, Public Improvements and Refunding Bonds of 2011 and Public Improvements and refunding bonds of 2012 in the amounts of $6,795,000, $5,245,000 and $4,960,000, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF

ANNAPOLIS

MARYLAND

CITY OF ANNAPOLIS, MARYLAND
Required Supplementary Information
Schedule of the County's Proportionate Share of the Net Pension Liability and Related Ratios
Year Ended June 30, 2015

		2015
City's proportion of the net pension liability		0.074215327129823900 00%
City's proportionate share of the net pension liability	$	13,170,794
City's covered employee payroll	$	10,803,631
City's proportionate share of the net pension liability as a percentage of its covered employee payroll		164.27%
Plan fiduciary net position as a percentage of the total pension liability		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, governments should 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, 2015

Total Pension Liability	**2015**	**2014**
Service cost (MOY)	$ 3,673,745	$ 3,821,288
Interest (includes interest on service cost)	12,768,894	12,349,153
Changes of benefit terms	(5,211,445)	-
Differences between expected and actual experience	3,568,771	-
Changes of assumptions	-	-
Benefit payments, including refunds of member contributions	(9,070,882)	(8,654,196)
Net change in total pension liability	**5,729,083**	**7,516,245**
Total pension liability - beginning	**174,544,380**	**167,028,135**
Total pension liability - ending	$ **180,273,463**	$ **174,544,380**
Plan fiduciary net position		
Contributions - employer	$ 2,451,163	$ 1,535,001
Contributions - member	1,220,879	1,138,427
Net investment income	5,896,989	20,789,635
Benefit payments, including refunds of member contributions	(9,070,882)	(8,654,196)
Administrative expense	(961,323)	(215,621)
Net change in plan fiduciary net position	$ **(463,174)**	$ **14,593,246**
Plan fiduciary net position - beginning	**162,784,962**	**148,191,716**
Plan fiduciary net position - ending	$ **162,321,788**	$ **162,784,962**
Net pension liability - ending	$ **17,951,675**	$ **11,759,418**
Plan fiduciary net position as a percentage of the total pension liability	90.04%	93.26%
Covered employee payroll	16,529,127	16,269,356
Net pension liability as a percentage of covered employee payroll	108.61%	72.28%

CITY OF ANNAPOLIS, MARYLAND
Required Supplementary Information
Schedule of Employer's Net Pension Liability
Police and Fire Retirement Pension Fund
Year Ended June 30, 2015

FY Ending 30-Jun	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as a % of Total Pension Liability	Covered Payroll	Net Pension Liability as a % of Covered Payroll
2015	$ 180,273,463	$ 162,321,788	$ 17,951,675	90.04%	$ 16,529,127	108.61%
2014	$ 174,544,380	$ 162,784,962	$ 11,759,418	93.26%	$ 16,269,356	72.28%
2013	$ 162,137,819	$ 147,876,672	$ 14,261,147	91.20%	$ 15,949,484	89.41%
2012	$ 170,204,222	$ 149,511,505	$ 20,692,717	87.84%	$ 15,651,875	132.21%
2011	$ 167,926,510	$ 148,766,081	$ 19,160,429	88.59%	$ 14,826,326	129.23%
2010	$ 158,457,044	$ 153,849,420	$ 4,607,624	97.09%	$ 16,586,365	27.78%
2009	$ 144,581,879	$ 164,784,504	$ (20,202,625)	113.97%	$ 14,950,161	-135.13%
2008	$ 136,422,216	$ 160,959,883	$ (24,537,667)	117.99%	$ 13,991,065	-175.38%
2007	$ 129,054,424	$ 150,042,660	$ (20,988,236)	116.26%	$ 13,316,802	-157.61%
2006	$ 118,559,059	$ 142,494,713	$ (23,935,654)	120.19%	$ 13,079,646	-183.00%

CITY OF ANNAPOLIS, MARYLAND
Required Supplementary Information
Schedule of Employer Contributions
Police and Fire Retirement Pension Fund
Year Ended June 30, 2015

	2015	2014
Actuarially Determined Contribution	$ 3,234,493	$ 4,052,175
Contributions in relation to the actuarially required contribution	2,451,163	1,535,001
Contibution deficiency (excess)	$ 783,330	$ 2,517,174
City's covered-employee payroll	$ 16,529,127	$ 16,269,356
Contributions as a percentage of covered-employee payroll	14.83%	9.43%

The notes below summarize the key methods and assumptions used to determine the Actuarially Determined Contribution for FYE 2015.

Notes to Schedule

Valuation Date	6/30/2014
Timing	Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to 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	7.50%
Amortization growth rate	0.00%
Price inflation	3.00%
Salary increases	3.50% plus merit component based on employee classification and years of service
Mortality	Sex distinct RP-2000 Combined Mortality projected to 2016 using Scale AA

CITY OF ANNAPOLIS, MARYLAND
Required Supplementary Information
Schedule of Investment Returns*
Police and Fire Retirement Pension Fund
Year Ended June 30, 2015

June 30, 2015	0.50%
June 30, 2014	15.02%
June 30, 2013	10.62%
June 30, 2012	0.79%
June 30, 2011	19.29%
June 30, 2010	12.20%
June 30, 2009	-17.34%
June 30, 2008	-3.90%
June 30, 2007	14.54%
June 30, 2006	9.25%

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

CITY OF ANNAPOLIS, MARYLAND
Required Supplementary Information
Schedule of the City's Contributions
Police and Fire Retirement Pension Fund
Year Ended June 30, 2015

FY Ending 30-Jun	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency Excess	Covered Payroll	Actual Contribution as a % of Covered Payroll
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	9.43%
2013	$ 4,032,514	$ 1,570,000	$ 2,462,514	$ 15,949,484	9.84%
2012	$ 6,488,344	$ 200,000	$ 6,288,344	$ 15,651,875	1.28%
2011	$ 6,128,420	$ -	$ 6,128,420	$ 14,826,326	0.00%
2010	$ 4,466,076	$ -	$ 4,466,076	$ 16,586,365	0.00%
2009	$ 622,683	$ 622,683	$ -	$ 14,950,161	4.17%
2008	$ -	$ 320,830	$ (320,830)	$ 13,991,065	2.29%
2007	$ -	$ 290,250	$ (290,250)	$ 13,316,802	2.18%
2006	$ -	$ 250,000	$ (250,000)	$ 13,079,646	1.91%

CITY OF ANNAPOLIS, MARYLAND
Required Supplementary Information
Other Post-employment Benefits Plan
Year Ended June 30, 2015

Annual Cost and Net Obligation

	Total Annual OPEB cost	Employer Contribution	Increase in Net OPEB Obligation	Net OPEB Obligation, beginning of year	Net OPEB obligation, end of year	Percent of annual OPEB cost contributed
2013	4,643,699	1,253,700	3,389,999	16,693,700	20,083,699	27.0%
2014	4,643,699	1,443,850	2,008,000	20,083,699	22,091,699	31.1%
2015	4,089,504	2,084,418	2,005,245	22,091,699	24,096,944	51.0%

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2012	-	44,644,000	44,644,000	0%	31,842,000	140.2%
June 30, 2013	-	50,546,000	50,546,000	0%	32,445,000	155.8%
June 30, 2014	1,475,000	46,757,000	45,282,000	3%	32,345,000	140.0%
June 30, 2015	2,227,000	47,871,000	45,644,000	5%	32,262,000	141.5%

CITY OF ANNAPOLIS, MARYLAND
Required Supplementary Information
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual - General Fund (Non-GAAP - Budgetary Basis)
Year Ended June 30, 2015

	General Fund			
	Original Budget	Final Budget	Actual	Variance - positive (negative)
Revenues				
Taxes				
Real Property	$ 38,750,339	$ 38,750,339	$ 38,976,909	$ 226,570
Personal Property	3,434,000	3,434,000	3,238,736	(195,264)
Penalties, Interest and Transfer Fees	155,500	155,500	223,980	68,480
Licenses and Permits	2,865,000	2,865,000	2,669,148	(195,852)
Fines and Forfeitures	401,000	401,000	352,791	(48,209)
Money and Property	744,000	744,000	884,721	140,721
Intergovernmental	10,106,915	10,106,915	10,638,189	531,274
Current Services	3,280,000	3,280,000	3,947,671	667,671
Total Revenues	59,736,754	59,736,754	60,932,145	1,195,391
Expenditures				
Current:				
General Government				
Mayor and Aldermen	2,796,201	2,548,310	2,425,361	122,949
Finance	4,061,330	4,061,330	3,887,940	173,390
Human Resources	853,121	853,121	864,229	(11,108)
Planning and Zoning	1,432,955	1,332,955	1,308,853	24,102
Public Safety				
Police	15,393,143	15,241,143	15,609,713	(368,570)
Fire	14,838,346	14,674,866	14,982,883	(308,017)
Neighborhood and Environmental Programs	2,360,461	2,340,461	2,311,064	29,397
Public Works	7,423,399	7,435,399	7,076,872	358,527
Community Services				
Recreation and Parks	4,152,029	4,159,379	4,062,523	96,856
Community Assistance Grants	270,000	264,793	261,793	3,000
Nonallocated Expenditures	4,587,283	4,172,283	3,787,307	384,976
Debt Service:				
Principal and Interest	5,581,653	5,581,653	5,384,212	197,441
Total Expenditures	63,749,921	62,665,693	61,962,750	702,943
Excess (Deficiencies) of Revenues over Expenditures	(4,013,167)	(2,928,939)	(1,030,606)	1,898,333
Other Financing Sources (Uses)				
Interfund Sources	2,936,016	2,396,016	2,962,008	565,992
Transfers In	4,982,915	4,982,915	3,649,505	(1,333,410)
Transfers Out	(3,092,799)	(4,119,144)	(4,537,244)	(418,100)
Total Other Financing Sources (Uses)	4,826,132	3,259,787	2,074,269	(1,185,518)
Net Change in Fund Balance	812,965	330,848	1,043,663	712,815
Fund Balance at Beginning of Year	34,864,228	34,864,228	34,864,228	-
Fund Balance at End of Year	$ 35,677,193	$ 35,195,076	$ 35,907,891	$ 712,815

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 grant programs 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)	$	60,932,145
Grant revenue		4,231,006
Revenues (GAAP basis)	$	65,163,151
Expenditures (non-GAAP budgetary basis)	$	61,962,750
Grant expenditures		4,271,251
Internal services		(2,962,008)
Expenditures (GAAP basis)	$	63,271,993

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. In addition, the central garage for maintenance of City vehicles and other minor central services are accounted for in the General Fund rather than in separate internal service funds.

CITY OF ANNAPOLIS, MARYLAND
General Fund
Detailed Schedule of Revenues Compared to Budget
(Non-GAAP Budgetary Basis)
Year Ended June 30, 2015

	2015		
	Budget as revised	Actual	Variance - positive (negative)
Taxes			
Real and personal property			
Real property	$ 38,750,339	$ 38,976,909	$ 226,570
Personal	34,000	31,632	(2,368)
Public utilities	1,750,000	1,737,240	(12,760)
Ordinary business corporations	1,650,000	1,469,864	(180,136)
Total	42,184,339	42,215,645	31,306
Transfer Fees	0	68,150	68,150
Penalties and interest	155,500	155,830	330
Total Taxes	42,339,839	42,439,625	99,786
Licenses and Permits			
Street Use			
Street privileges	202,000	175,923	(26,077)
Sidewalk	12,000	11,560	(440)
Total street use	214,000	187,483	(26,517)
Business			
Alcoholic beverages	400,000	466,934	66,934
Amusements	5,000	60	(4,940)
Traders	71,000	71,920	920
Occupational	60,000	53,120	(6,880)
Total Business	536,000	592,034	56,034
Other			
Building	800,000	725,160	(74,840)
Certificate of occupancy	10,000	16,650	6,650
Use permits	5,000	19,700	14,700
Cable television franchise fees	900,000	990,718	90,718
Other	400,000	137,403	(262,597)
Total Other	2,115,000	1,889,631	(225,369)
Total Licenses and Permits	2,865,000	2,669,148	(195,852)
Fines and Forfeitures			
Municipal Infractions	28,000	32,520	4,520
Police - forfeitures	60,000	-	(60,000)
Speed enforcement program	250,000	259,574	9,574
Auto Traffic Signal	50,000	60,544	10,544
Other fines	13,000	153	(12,847)
Total Fines and Forfeitures	401,000	352,791	(48,209)
Money and Property			
Interest and dividends	24,000	16,430	(7,570)
Rents and concessions	110,000	379,423	269,423
Contributions	25,000	150	(24,850)
Miscellaneous sales, non-taxable	435,000	251,227	(183,773)
Payments in lieu of taxes	150,000	237,491	87,491
Total Money and Property	744,000	884,721	140,721

CITY OF ANNAPOLIS, MARYLAND
General Fund
Detailed Schedule of Revenues Compared to Budget
(Non-GAAP Budgetary Basis)
Year Ended June 30, 2015

	2015		
	Budget as revised	Actual	Variance - positive (negative)
Intergovernmental			
Payments In lieu of taxes	367,000	367,000	-
Utility tax	462,000	518,619	56,619
Hotel/motel tax	1,860,000	1,874,562	14,562
Admissions	850,000	992,963	142,963
Income	5,400,000	5,820,127	420,127
Highway	987,915	1,064,918	77,003
Miscellaneous grants	180,000	-	(180,000)
Total Intergovernmental	10,106,915	10,638,189	531,274
Current Services			
Zoning and subdivision fees	100,000	106,213	6,213
Recreation rent and fees	1,360,000	1,384,256	24,256
Latchkey	340,000	334,014	(5,986)
Rental unit license	750,000	775,225	25,225
Public safety fees	730,000	1,347,963	617,963
Total Current Services	3,280,000	3,947,671	667,671
Total Revenues	$ 59,736,754	60,932,145	1,195,391

CITY OF ANNAPOLIS, MARYLAND
General Fund
Detailed Schedule of Expenditures Compared to Budget
(Non-GAAP Budgetary Basis)
Year Ended June 30, 2015

	2015		
	Budget as revised	Actual	Variance - positive (negative)
General Government			
Boards and Commissions			
Salaries	$ 66,646	$ 71,067	$ (4,421)
Employee benefits	30,525	30,935	(410.00)
Materials and supplies	14,000	2,667	11,333
Total Boards and Commissions	111,171	104,669	6,502
Mayor and Aldermen			
Salaries	962,822	909,853	52,969
Employee benefits	196,211	208,895	(12,684)
Materials and supplies	14,511	12,224	2,287
Utilities	9,950	6,053	3,897
Contractual services	101,000	76,919	24,081
Other	93,549	88,716	4,833
Total Mayor and Aldermen	1,378,043	1,302,660	75,383
Office of Law			
Salaries	724,182	687,554	36,628
Employee benefits	202,984	218,569	(15,585)
Materials and supplies	11,630	8,716	2,914
Utilities	1,800	910	890
Contractual services	113,000	97,296	15,704
Other	5,500	4,987	513
Total Office of Law	1,059,096	1,018,032	41,064
Total Mayor & City Council	2,548,310	2,425,361	122,949
Finance			
Salaries	2,168,217	2,021,619	146,598
Employee benefits	784,780	843,220	(58,440)
Materials and supplies	58,613	43,572	15,041
Utilities	6,132	4,873	1,259
Contractual services	718,378	683,594	34,784
Repair and maintenance	67,325	34,377	32,948
Capital outlay	250,000	249,500	500
Other	7,885	7,185	700
Total Finance	4,061,330	3,887,940	173,390

CITY OF ANNAPOLIS, MARYLAND
General Fund
Detailed Schedule of Expenditures Compared to Budget
(Non-GAAP Budgetary Basis)
Year Ended June 30, 2015

	2015		
	Budget as revised	Actual	Variance - positive (negative)
Human Resources			
Salaries	534,095	541,331	(7,236)
Employee benefits	212,616	225,128	(12,512.00)
Materials and supplies	27,500	26,646	854
Utilities	1,210	1,026	184
Contractual services	70,000	62,807	7,193
Repair and maintenance	200	-	200
Other	7,500	7,291	209
Total Human Resources	853,121	864,229	(11,108)
Planning and Zoning			
Salaries	905,164	906,440	(1,276)
Employee benefits	278,186	298,931	(20,745)
Materials and supplies	22,120	13,172	8,948
Utilities	1,160	1,086	74
Contractual services	67,025	44,518	22,507
Repair and maintenance	1,190	-	1,190
Other	58,110	44,706	13,404
Total Planning and Zoning	1,332,955	1,308,853	24,102
Total General Government	8,795,716	8,486,383	309,333
Public safety			
Police			
Salaries	10,361,971	10,632,274	(270,303)
Employee benefits	3,595,599	3,669,834	(74,235)
Training/Special Programs	39,100	39,100	-
Materials and supplies	589,132	593,451	(4,319)
Utilities	217,000	233,727	(16,727)
Contractual services	240,300	239,998	302
Repair and maintenance	158,441	161,729	(3,288)
Rents and Leases	39,600	39,600	-
Total Police	15,241,143	15,609,713	(368,570)
Fire			
Salaries	9,812,283	10,298,545	(486,262)
Employee benefits	3,696,070	3,694,870	1,200
Training/Education	32,343	12,237	20,106
Materials and supplies	484,163	418,615	65,548
Utilities	162,200	134,706	27,494
Contractual services	157,807	126,494	31,313
Repair and maintenance	269,500	237,483	32,017
Rents and Leases	4,500	3,933	567
Capital Outlay	56,000	56,000	-
Total Fire	14,674,866	14,982,883	(308,017)

CITY OF ANNAPOLIS, MARYLAND
General Fund
Detailed Schedule of Expenditures Compared to Budget
(Non-GAAP Budgetary Basis)
Year Ended June 30, 2015

	2015		
	Budget as revised	Actual	Variance - positive (negative)
Neighborhood & Environmental Programs			
Salaries	1,664,375	1,620,815	43,560
Employee benefits	522,223	557,094	(34,871)
Materials and supplies	38,850	37,079	1,771
Utilities	11,000	9,457	1,543
Contractual services	91,513	75,167	16,346
Repair and maintenance	5,000	7,074	(2,074)
Other	7,500	4,378	3,122
Total Neighborhood & Environmental Programs	2,340,461	2,311,064	29,397
Total Public Safety	32,256,470	32,903,660	(647,190)
Public Works			
Bureau of Administration			
Salaries	394,156	455,176	(61,020)
Employee benefits	146,005	159,787	(13,782)
Materials and supplies	9,280	5,104	4,176
Utilities	3,600	2,331	1,269
Repair and maintenance	775	510	265
Contractual services	59,210	57,938	1,272
Other	2,500	2,383	117
Total Bureau of Administration	615,526	683,229	(67,703)
Engineering and Construction			
Salaries	575,782	570,710	5,072
Employee benefits	175,141	193,009	(17,868)
Materials and supplies	21,770	8,831	12,939
Contractual services	52,660	41,089	11,571
Repair and maintenance	4,400	1,690	2,710
Utilities	4,000	2,539	1,461
Other	3,300	2,352	948
Total Engineering and Construction	837,053	820,220	16,833
Total Administration, Engineering and Construction	1,452,579	1,503,449	(50,870)
Roadways			
Salaries	1,724,542	1,454,566	269,976
Employee benefits	641,080	665,105	(24,025)
Materials and supplies	146,790	112,328	34,462
Utilities	585,980	604,884	(18,904)
Contractual services	29,400	26,937	2,463
Repair and maintenance	209,740	158,183	51,557
Other	2,500	261	2,239
Total Roadways	3,340,032	3,022,264	317,768

CITY OF ANNAPOLIS, MARYLAND
General Fund
Detailed Schedule of Expenditures Compared to Budget
(Non-GAAP Budgetary Basis)
Year Ended June 30, 2015

	2015		
	Budget as revised	Actual	Variance - positive (negative)
Traffic Control			
Salaries	159,444	164,750	(5,306)
Employee benefits	74,166	74,166	-
Materials and supplies	28,160	21,373	6,787
Contractual services	12,300	4,833	7,467
Repair and maintenance	18,000	15,943	2,057
Utilities	360	-	360
Other	5,800	2,213	3,587
Total Traffic Control	298,230	283,278	14,952
Snow and Ice Removal			
Salaries	38,724	38,539	185
Employee benefits	11,410	11,404	6
Materials and supplies	113,646	104,906	8,740
Contractual services	69,470	69,449	21
Repair and maintenance	6,358	6,325	33
Total Snow and Ice Removal	239,608	230,623	8,985
Total Roadways, Traffic Control & Snow/Ice Removal	3,877,870	3,536,165	341,705
Buildings and Maintenance			
Salaries	264,764	272,276	(7,512)
Employee benefits	117,509	124,361	(6,852.00)
Materials and supplies	12,081	14,758	(2,677)
Utilities	144,000	176,544	(32,544)
Contractual services	329,000	325,941	3,059
Rents and Leases	461,410	438,416	22,994
Repair and maintenance	204,912	187,572	17,340
Total Buildings and Maintenance	1,533,676	1,539,868	(6,192)
Fleet Maintenance Center			
Salaries	359,726	319,103	40,623
Employee benefits	105,588	105,588	-
Materials and supplies	20,740	15,628	5,112
Utilities	61,820	44,420	17,400
Contractual services	8,170	8,028	142
Repair and maintenance	14,730	4,225	10,505
Other	500	398	102
Total Fleet Maintenance Center	571,274	497,390	73,884
Total Public Works	7,435,399	7,076,872	358,527

CITY OF ANNAPOLIS, MARYLAND
General Fund
Detailed Schedule of Expenditures Compared to Budget
(Non-GAAP Budgetary Basis)
Year Ended June 30, 2015

	2015		
	Budget as revised	Actual	Variance - positive (negative)
Community Services			
Recreation and Parks			
Salaries	2,354,235	2,293,688	60,547
Employee benefits	739,134	754,478	(15,344)
Materials and supplies	264,300	184,167	80,133
Utilities	240,360	322,086	(81,726)
Contractual services	355,600	324,488	31,112
Repair and maintenance	155,900	144,740	11,160
Rents and leases	19,350	11,881	7,469
Other	30,500	26,995	3,505
Total Recreation and Parks	4,159,379	4,062,523	96,856
Community Assistance Grants	264,793	261,793	3,000
Total Community Services	4,424,172	4,324,316	99,856
Nonallocated Expenditures	4,172,283	3,787,307	384,976
Miscellaneous General			
Debt service			
Bond principal	2,853,329	2,638,854	214,475
Capital lease principal	250,000	214,475	35,525
Total Principal Debt Service	3,103,329	2,853,329	250,000
Bond interest	2,478,324	2,521,318	(42,994)
Capital lease interest	-	9,565	(9,565)
Total Interest on Debt Service	2,478,324	2,530,883	(52,559)
Total Debt Service	5,581,653	5,384,212	197,441
Total Miscellaneous General	5,581,653	5,384,212	197,441
Total Expenditures	$ 62,665,693	$ 61,962,750	$ 702,943

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

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

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

The non-major funds consist of the market, stormwater management and refuse funds.

CITY OF ANNAPOLIS, MARYLAND
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
Year ended June 30, 2015

	Market Fund	Stormwater Management Fund	Refuse Fund	Total
ASSETS				
Current assets				
Accounts receivable, net	$	$	$	$
Service charges and penalties	23,237	227,970	602,701	853,908
Total accounts receivable, net	23,237	227,970	602,701	853,908
Equity in Pooled Cash	-	1,007,168	4,214,884	5,222,052
Total current assets	23,237	1,235,138	4,817,585	6,075,960
Noncurrent assets				
Capital assets				
Land	800	-	3,900	4,700
Buildings	1,381,931	-	8,000	1,389,931
Improvements	147,438	135,400	45,000	327,838
Equipment	-	-	328,373	328,373
Total property, plant and equipment	1,530,169	135,400	385,273	2,050,842
Less accumulated depreciation	(755,014)	(16,248)	(352,575)	(1,123,837)
	775,155	119,152	32,698	927,005
Construction in progress	1,028,464	289,381	272,640	1,590,485
Net capital assets	1,803,619	408,533	305,338	2,517,490
Total assets	1,826,856	1,643,671	5,122,923	8,593,450
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	-	3,814	2,724	6,538
Deferred charge on refunding	18,358	14,565	-	32,923
Total deferred outflows of resources	18,358	18,379	2,724	39,461
LIABILITIES				
Current liabilities				
Accounts payable	9,206	43,459	352,509	405,174
Accrued expenses and other liabilities	1,230	6,451	5,305	12,986
Accrued Interest	8,748	2,816	2,323	13,887
Unearned revenues	210	74,299	835	75,344
Due to General Fund	813,677	-	-	813,677
Compensated Absences	-	730	325	1,055
Escrowed funds	18,835	-	-	18,835
Current portion of long-term debt	68,088	13,678	13,487	95,252
Total current liabilities	919,993	141,433	374,784	1,436,210
Noncurrent liabilities				
Obligation for vacation benefits, net of current portion	-	8,396	3,744	12,140
Accrued liability for other post employment benefits	-	179,961	358,861	538,822
Net pension liability	-	92,196	65,854	158,050
Long-term debt, net of current portion	809,316	274,148	223,639	1,307,103
Total noncurrent liabilities	809,316	554,702	652,098	2,016,115
Total liabilities	1,729,309	696,135	1,026,881	3,452,325
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	-	10,091	7,208	17,299
Total deferred inflows of resources	-	10,091	7,208	17,299
NET POSITION				
Net investment in capital assets	978,906	212,903	87,466	1,279,275
Restricted for Debt Service	34,334	77,632	959	112,925
Restricted for Pension Benefits	-	90,220	-	90,220
Unrestricted	(897,335)	575,069	4,003,133	3,680,867
Total net position	$ 115,905	$ 955,824	$ 4,091,558	$ 5,163,287

CITY OF ANNAPOLIS, MARYLAND
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
Year ended June 30, 2015

	Market Fund	Stormwater Management Fund	Refuse Fund	Total
Operating revenues				
Charges for services	$ 208,500	$ 934,653	$ 3,137,892	$ 4,281,045
Total operating revenues	208,500	934,653	3,137,892	4,281,045
Operating expenses				
Salaries	-	194,453	145,828	340,281
Utilities	42,148	244	729	43,121
Repairs and maintenance	5,948	8,814	959	15,721
Materials and supplies	4,088	10,438	52,068	66,594
Contractual services	107,104	36,390	1,485,358	1,628,852
Administrative charge (credit) from General Fund	4,600	47,200	370,000	421,800
Depreciation	186,168	8,104	900	195,172
Other	4,186	8,739	26,253	39,178
Total operating expenses	354,242	314,381	2,082,095	2,750,718
Operating income (loss)	(145,742)	620,272	1,055,797	1,530,327
Non-operating revenues (expenses)				
Interest income	-	-	-	-
Interest expense	226	(5,422)	(4,221)	(9,417)
Bond Issuance Costs	(1,971)	(1,106)	(1,708)	(4,785)
Total non-operating revenues (expenses), net	(1,745)	(6,528)	(5,929)	(14,202)
Income (loss) before contributions and transfers	(147,487)	613,744	1,049,868	1,516,125
Transfers in	54,331	-	-	54,331
Transfers out	-	-	(450,000)	(450,000)
Change in net position	(93,156)	613,744	599,868	1,120,456
Net position at beginning of year, as restated	209,061	342,080	3,491,690	4,042,831
Net position (deficit) at end of year	$ 115,905	$ 955,824	$ 4,091,558	$ 5,163,287

CITY OF ANNAPOLIS, MARYLAND
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Year ended June 30, 2015

	Market Fund	Stormwater Management Fund	Refuse Fund	Total
Cash flows from operating activities				
Receipts from customers and users	$ 185,471	$ 904,089	$ 3,146,029	$ 4,235,589
Payments to suppliers for goods and services	(179,378)	(108,520)	(1,963,246)	(2,251,144)
Payments to employees for services	-	(172,087)	(113,470)	(285,557)
Payments for interfund services uses	-			-
Net cash provided by (used for) operating activities	6,093	623,482	1,069,313	1,698,888
Cash flows from noncapital financing activities				
Effect of change from Due From to Equity in Pooled Cash	(22,658)	487,875	3,615,138	4,080,355
Transfer from other funds	54,331	-	-	54,331
Transfer to other funds	-	-	(450,000)	(450,000)
Net cash used for noncapital financing activities	31,673	487,875	3,165,138	3,684,686
Cash flows from capital and related financing activities				
Acquisition of capital assets	(14,562)	(88,666)	(4,534)	(107,762)
Proceeds from issuance of long term debt	213,349	119,670	165,812	498,831
Principal payments of long term debt	(32,060)	(12,555)	(13,136)	(57,751)
Refunding and transfers of long term debt	(234,892)	(106,218)	(164,103)	(505,213)
Interest paid on debt	32,370	(15,314)	(1,898)	15,158
Bond Issuance Cost	(1,971)	(1,106)	(1,708)	(4,785)
Proceeds from capital contributions and grants	-	-	-	-
Net cash provided by (used for) capital and related financing activities	(37,766)	(104,189)	(19,567)	(161,522)
Net increase (decrease) in cash and cash equivalents	-	1,007,168	4,214,884	5,222,052
Cash and cash equivalents at beginning of year*	-	-	-	-
Cash and cash equivalents at end of year	$ -	$ 1,007,168	$ 4,214,884	$ 5,222,052
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities				
Operating income (loss)	$ (145,742)	$ 620,272	$ 1,055,797	$ 1,530,327
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	186,168	8,104	900	195,172
Accounts receivable	(15,490)	(69,903)	7,302	(78,091)
Inventories				-
Deferred Revenues	(7,539)	39,339	835	32,636
Accounts payable	(2,204)	9,256	(28,369)	(21,317)
Accrued expenses and other liabilities	(9,311)	(2,228)	164	(11,375)
Compensated absences	-	(860)	(3,397)	(4,257)
Escrowed funds	210	(3,725)	325	(3,190)
Other post employment benefits	-	14,974	29,861	44,835
Deferred outflows - pension	-	(3,814)	(2,724)	(6,538)
Pension Liability	-	1,976	1,411	3,387
Deferred inflows - pension	-	10,091	7,208	17,299
Total adjustments	151,834	3,210	13,516	168,561
Net cash provided by (used for) operating activities	$ 6,093	$ 623,482	$ 1,069,313	$ 1,698,888

*Amount changed due to reclassification.

CITY OF ANNAPOLIS, MARYLAND
ENTERPRISE FUNDS
SCHEDULE OF REVENUES AND OTHER SOURCES COMPARED TO BUDGET
Year ended June 30, 2015

	2015		
	Budget as revised	Actual	Variance - positive (negative)
Water Fund			
Charges for services	$ 7,405,000	$ 6,974,651	$ (430,349)
Grant Income	-	283,950	283,950
Interest income	4,000	3,639	(361)
Other	115,000	270,761	155,761
Total Water Fund	$ 7,524,000	$ 7,533,001	$ 9,001
Sewer Fund			
Charges for services	$ 7,469,000	$ 8,382,345	$ 913,345
Interest income	6,000	2,465	(3,535)
Other	-	16,790	16,790
Total Sewer Fund	$ 7,475,000	$ 8,401,600	$ 926,600
Off Street Parking Fund			
Charges for services	$ 7,139,225	$ 8,847,089	$ 1,707,864
Total Off Street Parking Fund	$ 7,139,225	$ 8,847,089	$ 1,707,864
Dock Fund			
Charges for services	$ 918,000	$ 908,523	$ (9,477)
Operating transfers	238,600	238,600	-
Grant Income	-	43,345	43,345
Other	-	651	651
Total Dock Fund	$ 1,156,600	$ 1,191,119	$ 34,519
Market Fund			
Charges for services	$ 174,540	$ 208,500	$ 33,960
Operating transfers	54,331	54,331	-
Total Market Fund	$ 228,871	$ 262,831	$ 33,960
Transportation Fund			
Charges for services	$ 970,540	$ 938,100	$ (32,440)
Grant Income	-	1,266,491	1,266,491
Operating transfers	2,417,054	2,467,054	50,000
Capital grants	177,000	171,913	(5,087)
Total Transportation Fund	$ 3,564,594	$ 4,843,558	$ 1,278,964
Stormwater Management Fund			
Charges for services	$ 830,000	$ 934,653	$ 104,653
Total Stormwater Management Fund	$ 830,000	$ 934,653	$ 104,653
Refuse Fund			
Charges for services	$ 2,967,000	$ 3,137,892	$ 170,892
Total Refuse Fund	$ 2,967,000	$ 3,137,892	$ 170,892

CITY OF ANNAPOLIS, MARYLAND
ENTERPRISE FUNDS
SCHEDULE OF EXPENSES AND OTHER USES COMPARED TO BUDGET
Year Ended June 30, 2015

	2015		
	Budget as revised	Actual	Variance - positive (negative)
Water Fund			
Salaries	$ 2,362,677	$ 2,395,606	$ (32,929)
Utilities	329,600	292,950	36,650
Repairs and maintenance	374,970	362,280	12,690
Materials and supplies	306,890	299,817	7,073
Contractual services	181,984	182,062	(78)
Administrative charge from general fund	750,416	750,416	-
Depreciation	500,000	331,859	168,141
Interest expense	861,029	607,940	253,089
Operating transfers and subsidies	620,000	520,000	100,000
Other	1,074,537	208,084	866,453
Total Water Fund	$ 7,362,104	$ 5,951,014	$ 1,411,090
Sewer Fund			
Salaries	$ 547,777	$ 726,009	$ (178,232)
Utilities	170,500	192,299	(21,799)
Repairs and maintenance	185,080	176,213	8,868
Materials and supplies	59,050	64,207	(5,157)
Treatment plant operations	3,100,000	3,591,727	(491,727)
Contractual services	70,926	69,707	1,219
Administrative charge from general fund	895,000	895,000	-
Depreciation	650,000	1,165,057	(515,057)
Interest expense	593,788	381,006	212,782
Operating transfers and subsidies	20,000	20,000	-
Other	621,231	150,056	471,175
Total Sewer Fund	$ 6,913,352	$ 7,431,281	$ (517,929)
Off Street Parking Fund			
Salaries	$ 706,094	$ 513,355	$ 192,739
Utilities	142,200	165,300	(23,100)
Repairs and maintenance	212,420	132,714	79,706
Materials and supplies	41,290	330,270	(288,980)
Contractual services	1,303,589	1,305,995	(2,406)
Administrative charge from general fund	240,000	240,000	-
Depreciation	900,000	1,298,800	(398,800)
Interest expense	837,023	574,921	262,102
Operating transfers and subsidies	2,339,505	2,339,505	-
Other	468,090	2,241,269	(1,773,179)
Total Off Street Parking Fund	$ 7,190,211	$ 9,142,129	$ (1,951,918)

CITY OF ANNAPOLIS, MARYLAND
ENTERPRISE FUNDS
SCHEDULE OF EXPENSES AND OTHER USES COMPARED TO BUDGET
Year Ended June 30, 2015
(continued)

	2015		
	Budget as revised	Actual	Variance - positive (negative)
Dock Fund			
Salaries	$ 323,886	$ 340,839	$ (16,953)
Utilities	58,410	55,383	3,027
Repairs and maintenance	172,283	83,780	88,503
Materials and supplies	38,564	38,683	(119)
Contractual services	21,530	8,972	12,558
Administrative charge from general fund	65,000	65,000	-
Depreciation	260,000	71,875	188,125
Interest expense	109,519	153,615	(44,096)
Bond Issuance Fees	-	158,944	(158,944.00)
Other	300,340	90,615	209,725
Total Dock Fund	$ 1,349,532	$ 1,067,706	$ 281,826
Market Fund			
Utilities	$ 33,000	$ 42,148	$ (9,148)
Repairs and maintenance	5,610	5,948	(338)
Materials and supplies	4,088	4,088	1
Contractual services	102,233	107,105	(4,872)
Administrative charge from general fund	4,600	4,600	-
Depreciation	10,000	186,168	(176,168)
Interest expense	33,205	1,745	31,460
Other	36,052	4,186	31,866
Total Market Fund	$ 228,788	$ 355,987	$ (127,199)
Transportation Fund			
Salaries	$ 2,975,063	$ 3,716,463	$ (741,400)
Utilities	28,520	30,327	(1,807)
Repairs and maintenance	229,190	310,611	(81,421)
Materials and supplies	415,021	530,426	(115,405)
Contractual services	30,528	28,927	1,601
Administrative charge from general fund	500,000	500,000	-
Depreciation	600,000	1,305,460	(705,460)
Interest expense	1,382	5,156	(3,774)
Other	501,545	117,549	383,996
Total Transportation Fund	$ 5,281,249	$ 6,544,919	$ (1,263,670)

CITY OF ANNAPOLIS, MARYLAND
ENTERPRISE FUNDS
SCHEDULE OF EXPENSES AND OTHER USES COMPARED TO BUDGET
Year Ended June 30, 2015
(continued)

	2015		
	Budget as revised	Actual	Variance - positive (negative)
Stormwater Management Fund			
Salaries	$ 173,079	$ 194,453	$ (21,374)
Utilities	1,000	244	756
Repairs and maintenance	4,755	8,814	(4,059)
Materials and supplies	11,780	10,438	1,342
Contractual services	36,490	36,390	100
Administrative charge from general fund	47,200	47,200	-
Depreciation	2,000	8,104	(6,103.50)
Interest expense	10,817	5,422	5,395
Operating transfers and subsidies	393,410	-	393,410
Other	21,770	9,845	11,925
Total Stormwater Management Fund	$ 702,301	$ 320,909	$ 381,392
Refuse Fund			
Salaries	$ 150,843	$ 145,828	$ 5,015
Utilities	700	729	(29)
Repairs and maintenance	7,900	959	6,941
Materials and supplies	113,000	52,070	60,930
Professional Services	674,460	655,198	19,262
Contractual services	867,742	830,160	37,582
Administrative charge from general fund	370,000	370,000	-
Depreciation	10,000	900	9,100
Interest expense	9,431	4,221	5,210
Operating transfers and subsidies	450,000	450,000	-
Other	39,393	27,959	11,434.00
Total Refuse Fund	$ 2,693,469	$ 2,538,024	$ 155,446

CITY OF ANNAPOLIS, MARYLAND
SPECIAL REVENUE FUND

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

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

CITY OF ANNAPOLIS, MARYLAND
Non-Major Governmental Fund Balance Sheet
Special Revenue Fund
June 30, 2015

		Special Revenue Fund
ASSETS		
Receivables	$	39,730
Cash and cash equivalents		217,108
Total assets	$	256,838
LIABILITIES		
Accounts payable	$	47,999
Total liabilities		47,999
FUND BALANCES		
Restricted - community development		208,839
Total fund balances		208,839
Total liabilities and fund balances	$	256,838

CITY OF ANNAPOLIS, MARYLAND
Non-Major Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance
Special Revenue Fund
Year Ended June 30, 2015

		Special Revenue Fund
Revenues		
Intergovernmental	$	317,661
Total revenues		317,661
Expenditures		
Community development		142,354
Capital outlays		71,315
Total expenditures		213,669
Excess (deficiency) of revenues over expenditures		103,992
Other financing sources (uses)		
Transfers out		-
Total other financing sources (uses)		-
Net change in fund balances		103,992
Fund balances at beginning of year		104,847
Fund balances at end of year	$	208,839

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.

Contents | Page

Financial Trends
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time. 88

Revenue Capacity
These schedules contain information to help the reader assess the City's most significant local revenue source – property tax. 94

Debt Capacity
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue debt in the future. 96

Demographic and Economic Information
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place. 98

Operating Information
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs. 100

CITY OF ANNAPOLIS, MARYLAND
Net Position by Category
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Year Ended June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities										
Net Investment in capital assets	$ 21,242,579	$ 28,498,890	$ 7,172,240	$ 25,051,243	$ 29,665,999	$ 22,408,170	$ 26,187,162	$ 26,586,971	$ 36,667,965	$ 35,094,189
Restricted	-	-	-	1,650,742	4,882,031	4,190,198	2,144,609	319,574	104,847	11,421,767
Unrestricted	11,572,622	5,035,303	23,095,151	(275,928)	(17,820,170)	(14,544,407)	(14,710,877)	(15,726,891)	(24,785,245)	(37,152,395)
Total governmental activities net position	$ 32,815,201	$ 33,534,193	$ 30,267,391	$ 26,426,057	$ 16,727,860	$ 12,053,961	$ 13,620,894	$ 11,179,654	$ 11,987,567	$ 9,363,561
Business-type activities										
Net Investment in capital assets	$ 30,458,324	$ 30,171,843	$ 30,798,149	$ 39,464,686	$ 37,003,541	$ 35,243,832	$ 44,818,682	$ 29,155,183	$ 33,874,341	$ 37,659,112
Restricted	-	-	-	-	3,493,242	3,610,180	1,764,988	11,201,495	13,422,350	18,606,456
Unrestricted	(4,136,624)	(6,308,718)	(6,546,248)	(16,416,515)	(23,846,203)	(25,308,194)	(30,076,442)	(14,990,400)	(20,502,073)	(31,219,161)
Total business-type activities net position	$ 26,321,700	$ 23,863,125	$ 24,251,901	$ 23,048,171	$ 16,650,580	$ 13,545,818	$ 16,507,228	$ 25,366,278	$ 26,794,618	$ 25,046,407
Primary government										
Net Investment in capital assets	$ 51,700,903	$ 58,670,733	$ 37,970,389	$ 64,515,929	$ 66,669,540	$ 57,652,002	$ 71,005,844	$ 55,742,154	$ 70,542,306	$ 72,753,301
Restricted	-	-	-	1,650,742	8,375,273	7,800,378	3,909,597	11,521,069	13,527,197	30,028,223
Unrestricted	7,435,998	(1,273,415)	16,548,903	(16,692,443)	(41,666,373)	(39,852,601)	(44,787,319)	(30,717,291)	(45,287,318)	(68,371,556)
Total primary government net position	$ 59,136,901	$ 57,397,318	$ 54,519,292	$ 49,474,228	$ 33,378,440	$ 25,599,779	$ 30,128,122	$ 36,545,932	$ 38,782,185	$ 34,409,968

CITY OF ANNAPOLIS, MARYLAND
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Year Ended June 30,									
	2006	2007	2010	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental Activities:										
General government	$ 9,185,792	$ 11,755,114	$ 15,268,543	$ 55,326,356	$ 14,756,325	$ 8,664,250	$ 12,671,330	$ 17,077,490	$ 18,584,460	$ 18,601,875
Public safety	28,729,951	28,184,653	31,342,576	33,404,602	40,104,232	41,748,358	41,135,150	39,836,041	41,476,687	39,413,113
Community services	3,089,425	3,052,359	3,165,891	3,414,055	2,215,107	4,720,789	3,736,659	5,564,895	5,181,130	6,452,677
Community development	781,479	583,811	363,854	727,629	979,789	439,922	219,690	824,734	1,054,349	404,147
Public works	3,187,758	3,217,373	4,879,609	4,421,246	9,315,202	4,638,091	6,329,310	9,586,648	8,288,399	8,253,040
Interest and bond issuance costs	1,104,761	1,055,341	1,805,649	2,014,351	2,312,840	1,572,589	2,596,205	3,427,064	1,575,089	2,059,337
Total Governmental Activities Expenses	46,079,166	47,848,651	56,826,122	99,308,239	69,683,495	61,783,999	66,688,344	76,316,872	76,160,114	75,184,189
Business-type Activities:										
Water	4,447,491	4,234,208	4,929,463	5,503,247	5,382,155	4,961,399	5,168,567	5,847,584	5,409,175	5,387,428
Sewer	6,169,051	5,756,560	4,185,147	3,908,503	7,129,192	6,696,317	5,332,369	6,365,592	7,040,536	7,411,281
Off Street Parking	3,581,840	2,520,940	2,534,905	2,335,706	2,273,503	2,701,164	2,208,652	4,377,612	6,757,682	6,802,623
Transportation	5,532,211	5,693,685	7,621,068	5,500,129	6,362,112	4,784,164	5,960,986	7,446,284	6,963,900	6,544,919
Dock	1,306,603	646,473	1,486,440	1,517,822	1,683,535	1,228,289	1,446,831	1,151,363	1,004,113	1,148,449
Market	115,877	347,774	455,998	828,273	449,267	171,670	224,104	165,188	232,218	355,987
Stormwater Management	273,606	275,661	368,468	914,981	703,710	382,467	315,056	528,573	326,889	320,909
Refuse	3,075,860	2,981,228	3,114,282	3,453,800	3,393,876	2,817,924	2,713,064	2,486,351	2,205,751	2,088,024
Total Business-type Activities Expenses	24,502,539	22,456,529	24,695,771	23,962,461	27,377,350	23,743,394	23,369,629	28,368,547	29,940,264	30,059,620
Total Primary Government Expenses	$ 70,581,705	$ 70,305,180	$ 81,521,893	$ 123,270,700	$ 97,060,845	$ 85,527,393	$ 90,057,973	$ 104,685,419	$ 106,100,378	$ 105,243,809
Program Revenues										
Governmental Activities:										
Charges for Service:										
General government	$ 1,714,366	$ 1,450,249	$ 1,599,469	$ 1,469,909	$ 2,149,488	$ 3,052,127	$ 2,680,787	$ 12,980,768	$ 12,623,100	$ 23,698,890
Public safety	3,418,408	2,732,467	2,805,030	2,898,503	3,192,501	3,101,297	2,472,264	1,121,852	2,522,863	2,475,978
Community services	608,661	588,796	618,598	656,056	1,080,135	1,677,594	2,071,191	1,493,932	1,878,428	1,718,270
Public works	879,102	916,425	857,857	826,574	824,426	855,577	2,794,677	1,173,707	1,677,748	1,171,131
Operating Grants and Contributions	14,337,827	14,978,904	14,476,739	15,374,831	13,319,721	11,524,253	15,906,250	12,564,767	14,661,369	3,850,691
Capital Grants and Contributions	394,018	215,548	250,049	1,894,954	344,667	190,892	626,762	45,450	32,750	503,516
Total Governmental Activities										
Program Revenues	21,352,382	20,882,389	20,607,742	23,120,827	20,910,938	20,401,740	26,551,931	29,380,476	33,396,258	33,418,476

CITY OF ANNAPOLIS, MARYLAND
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Year Ended June 30,									
	2006	2007	2010	2011	2010	2011	2012	2013	2014	2015
Program Revenues (continued)										
Business-type Activities:										
Charges for Services:										
Water	3,460,289	3,231,387	3,283,234	3,250,584	3,170,332	3,888,613	7,563,487	8,056,317	7,321,652	7,201,826
Sewer	4,986,327	4,585,490	4,603,525	4,947,862	4,570,711	4,285,157	7,426,839	7,187,154	7,056,973	8,399,135
Off Street Parking	2,674,724	3,135,031	3,143,714	2,869,771	3,213,469	3,150,184	3,287,563	6,129,050	9,086,879	8,847,088
Transportation	860,534	970,742	1,059,752	968,705	1,077,233	764,847	1,088,490	938,735	895,661	938,100
Dock	787,406	915,027	872,893	867,020	857,683	1,022,585	855,759	861,833	963,162	909,174
Market	-	100,000	76,800	3,191	77,905	36,931	57,367	10,571	135,053	208,500
Stormwater Management	345,777	465,402	467,495	516,776	509,995	493,586	895,510	830,185	831,557	934,653
Refuse	2,505,116	2,821,295	3,282,559	3,742,533	3,683,653	3,653,009	4,060,256	3,521,278	3,836,183	3,137,892
Operating Grants and Contributions	1,673,164	2,372,609	1,987,162	1,520,091	1,378,198	1,526,800	2,459,721	3,717,514	1,560,637	1,309,836
Capital Grants and Contributions	507,130	304,150	4,853,485	1,501,620	1,808,382	334,290	1,961,369	138,092	149,899	455,863
Total Business-type Activities Program Revenues	17,800,467	18,901,133	23,630,619	20,188,153	20,347,561	19,156,002	29,656,361	31,390,729	31,837,656	32,342,067
Total Primary Government Program Revenues	$ 39,152,849	$ 39,783,522	$ 44,238,361	$ 43,308,980	$ 41,258,499	$ 39,557,742	$ 56,208,292	$ 60,771,205	$ 65,233,914	$ 65,760,543
Net (expenses) / revenues										
Governmental Activities	$ (24,726,784)	$ (26,966,262)	$ (36,218,380)	$ (76,187,412)	$ (48,772,557)	$ (41,382,259)	$ (40,136,413)	$ (46,936,396)	$ (42,763,856)	$ (41,765,713)
Business-type Activities	(6,702,072)	(3,555,396)	(1,065,152)	(3,774,308)	(7,029,789)	(4,587,392)	6,286,732	3,022,182	1,897,392	2,282,447
Total Primary Government Net Expenses	$ (31,428,856)	$ (30,521,658)	$ (37,283,532)	$ (79,961,720)	$ (55,802,346)	$ (45,969,651)	$ (33,849,681)	$ (43,914,214)	$ (40,866,464)	$ (39,483,266)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes										
Real	$ 20,806,043	$ 22,976,326	$ 26,441,765	$ 30,347,746	$ 31,571,196	$ 32,550,332	$ 35,348,706	$ 37,295,903	$ 39,359,280	$ 38,976,909
Unincorporated	19,250	40,928	35,659	39,979	28,121	24,841	27,031	33,719	37,187	31,632
Public utility	911,390	945,863	993,430	1,037,624	1,059,395	1,043,491	964,741	1,764,918	1,619,151	1,737,240
Corporations	1,411,528	1,449,303	1,578,866	1,627,009	1,846,723	1,551,683	1,451,157	1,439,428	1,427,064	1,469,864
Penalties and interest	96,847	125,572	180,842	205,797	176,481	165,501	140,043	148,934	140,660	223,980
Interest and investment earnings	738,976	492,454	1,009,344	296,086	27,695	9,719	17,415	148,041	24,650	16,430
Miscellaneous	663,740	1,768,808	2,676,672	6,142,779	309,918	698,543	422,268	1,382,844	180,147	-
Transfers	(389,360)	(114,000)	35,000	(818,000)	1,105,040	664,250	3,331,985	2,281,369	783,630	569,520
Total Governmental Activities	24,258,414	27,685,254	32,951,578	38,879,020	36,124,569	36,708,360	41,703,346	44,495,156	43,571,769	43,025,575

CITY OF ANNAPOLIS, MARYLAND
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Year Ended June 30,									
	2006	2007	2010	2011	2010	2011	2012	2013	2014	2015
General Revenues and Other Changes in Net Position (continued)										
Business-type Activities:										
Interest and Investment Earnings	36,724	3,463	141,667	19,708	4,312	3,527	6,663	26,132	8,759	6,104
Miscellaneous	1,661,986	979,358	1,347,261	953,685	1,732,926	2,143,353	-	-	-	-
Transfers	389,360	114,000	(35,000)	818,000	(1,105,040)	(664,250)	(3,331,985)	(2,281,369)	(783,630)	(569,520)
Total Business-type Activities	2,088,070	1,096,821	1,453,928	1,791,393	632,198	1,482,630	(3,325,322)	(2,255,237)	(774,871)	(563,416)
Total Primary Government	$ 26,346,484	$ 28,782,075	$ 34,405,506	$ 40,670,413	$ 36,756,767	$ 38,190,990	$ 38,378,024	$ 42,239,919	$ 42,796,898	$ 42,462,159
Change in Net Position										
Governmental Activities	$ (468,370)	$ 718,992	$ (3,266,802)	$ (37,308,392)	$ (12,647,988)	$ (4,673,899)	$ 1,566,933	$ (2,441,240)	$ 807,913	$ 1,259,862
Business-type Activities	(4,614,002)	(2,458,575)	388,776	(1,982,915)	(6,397,591)	(3,104,762)	2,961,410	766,945	1,122,521	1,719,030
Total Primary Government	$ (5,082,372)	$ (1,739,583)	$ (2,878,026)	$ (39,291,307)	$ (19,045,579)	$ (7,778,661)	$ 4,528,343	$ (1,674,295)	$ 1,930,434	$ 2,978,892

CITY OF ANNAPOLIS, MARYLAND
Fund Balances – Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Year Ended June 30,									
	2006	2007	2010	2011	2010	2011	2012	2013	2014	2015
General Fund										
Non-Spendable	$ 422,077	$ 293,235	$ 476,968	$ 711,154	$ 314,552	$ 225,660	$ 214,329	$ 218,712	$ 145,414	$ 173,401
Restricted	-	-	-	-	-	-	-	7,107,625	-	-
Assigned	-	-	-	-	3,478,434	3,536,307	364,208	-	20,539,453	11,212,929
Unassigned	9,619,912	9,534,721	9,124,610	4,407,708	0	8,279,541	23,387,107	25,491,299	14,458,859	32,319,856
Total general fund	$ 10,041,989	$ 9,827,956	$ 9,601,578	$ 5,118,862	$ 3,792,986	$ 12,041,508	$ 23,965,644	$ 32,817,636	$ 35,143,726	$ 43,706,186
Capital Projects Fund										
Restricted	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,624,930	$ -	$ -
Assigned	3,853,548	3,452,477	7,936,578	12,123,072	1,038,021	4,190,198	2,144,609	-	-	-
Unassigned	809,535	(2,926,406)	11,469,059	(1,079,462)	3,826,100	-	-	-	-	(366,096)
Total capital projects fund	$ 4,663,083	$ 526,071	$ 19,405,637	$ 11,043,610	$ 4,864,121	$ 4,190,198	$ 2,144,609	$ 2,624,930	$ -	$ (366,096)
Special Revenue Fund										
Restricted	$ 45,531	$ 35,813	$ 209,427	$ 243,689	$ 150,340	$ 145,087	$ -	$ 319,574	$ 104,847	$ 208,839
Unassigned	(45,531)	(35,813)	(209,427)	(243,689)	(150,340)	(145,087)	316,804	-	-	-
Total special revenue fund	$ -	$ -	$ -	$ -	$ -	$ -	$ 316,804	$ 319,574	$ 104,847	$ 208,839

CITY OF ANNAPOLIS, MARYLAND
Changes in Fund Balance – Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Year Ended June 30,									
	2006	2007	2010	2011	2010	2011	2012	2013	2014	2015
Revenues										
Taxes	$ 23,245,058	$ 25,537,992	$ 29,230,562	$ 33,258,155	$ 34,681,916	$ 35,335,848	$ 37,931,675	$ 40,132,899	$ 42,583,342	$ 42,439,625
Licenses and Permits	3,111,501	2,439,944	2,442,382	2,107,922	2,772,254	2,665,256	2,664,044	2,697,107	2,669,615	2,786,607
Fines and Forfeitures	1,472,700	1,266,856	1,225,606	1,229,028	947,614	829,371	1,435,632	416,035	733,127	518,255
Money and Property	1,481,808	1,585,400	1,601,163	1,370,121	846,380	820,868	1,845,211	1,122,180	831,850	1,926,216
Intergovernmental	14,731,845	15,194,452	14,726,788	17,269,785	13,664,388	11,715,145	13,348,548	12,610,554	15,215,063	14,365,954
Current Services	2,036,336	1,981,137	2,212,966	2,514,092	3,576,382	5,191,968	4,593,785	2,855,777	4,355,550	3,947,671
Total Revenues	46,079,248	48,005,781	51,439,467	57,749,103	56,488,934	56,558,456	61,818,895	59,834,552	66,388,547	65,984,328
Expenditures										
General Government	5,944,514	6,677,290	7,570,479	10,276,604	10,032,462	7,888,621	7,662,771	6,532,872	7,737,535	6,462,211
Public Safety	28,729,951	28,248,150	31,172,702	33,723,835	35,960,535	31,265,195	32,780,903	36,176,980	38,708,075	37,909,541
Community Services	2,781,799	3,041,586	3,311,135	3,518,025	3,685,663	3,880,465	3,502,561	4,308,369	4,245,059	4,324,737
Community Development	781,479	583,811	363,854	727,629	979,789	439,922	204,998	824,734	892,026	404,147
Public Works	3,050,781	3,225,274	3,509,319	5,007,541	4,630,337	3,103,894	4,715,492	8,103,021	7,587,085	7,750,185
Interfund Charges (Credits)	-	-	-	-	-	-	-	-	-	-
Debt Service										
Principal	1,733,449	2,259,738	2,218,594	4,014,768	4,390,146	3,066,709	1,696,411	1,221,718	2,687,294	2,852,010
Interest	1,104,761	1,055,341	1,805,649	2,014,351	1,613,968	1,423,064	2,610,539	2,708,332	1,719,726	2,532,202
Bond Issuance Costs	-	-	-	-	-	-	-	851,819	-	-
Capital Outlays	10,576,659	7,151,636	6,929,984	13,348,193	18,297,251	1,812,456	-	2,479,045	4,108,944	3,182,796
Total Expenditures	54,703,393	52,242,826	56,881,716	72,630,946	79,590,151	52,880,326	53,173,675	63,206,890	67,685,744	65,417,829
Excess of Revenues Over (Under) Expenditures	(8,624,145)	(4,237,045)	(5,442,249)	(14,881,843)	(23,101,217)	3,678,130	8,645,220	(3,372,338)	(1,297,197)	566,499
Other Financing Sources (Uses)	11,653,140	(114,000)	24,095,437	2,037,100	15,595,852	3,896,469	3,278,916	12,707,421	783,630	6,198,856
Net Change In Fund Balances	$ 3,028,995	$ (4,351,045)	$ 18,653,188	$ (12,844,743)	$ (7,505,365)	$ 7,574,599	$ 11,924,136	$ 9,335,083	$ (513,567)	$ 6,765,355
Debt Service as a Percentage of Noncapital Expenditures	6.43%	7.35%	8.06%	10.17%	9.80%	8.79%	8.10%	6.47%	6.93%	8.65%

CITY OF ANNAPOLIS, MARYLAND
Revenue Capacity
Last Ten Fiscal Years

ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Fiscal Year	Real Property Assessed Market Value	Personal Property Assessed Market Value	Total Assessed Market Value
2006	4,001,452,390	149,530,300	4,150,982,690
2007	4,895,040,025	148,227,760	5,043,267,785
2008	5,755,096,342	155,927,620	5,911,023,962
2009	5,877,500,225	163,439,530	6,040,939,755
2010	6,150,926,937	172,134,090	6,323,061,027
2011	6,251,651,651	185,615,717	6,437,267,368
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

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
2006	0.56	0.56	0.13	1.25
2007	0.53	0.55	0.11	1.19
2008	0.53	0.53	0.11	1.17
2009	0.53	0.53	0.11	1.17
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

PRINCIPAL TAXPAYERS
Current Year and Nine Years Ago

	2015			2006	
Taxpayer	Assessed Market Valuation	Percentage of Total Assessed Market Valuation	Taxpayer	Assessed Market Valuation	Percentage of Total Assessed Market Valuation
1901 WEST INVESTORS LLC	$ 50,081,700	0.83%	VERIZON	$ 71,123,900	1.78%
CL WATERGATE LLC	48,245,800	0.80%	BALTIMORE GAS & ELECTRIC	65,009,000	1.62%
APTCO ANNAPOLIS LLC	37,618,300	0.62%	BAYWOODS COOPERATIVE HSG	49,300,000	1.23%
GUARDIAN PARK PLACE LLC	31,538,567	0.52%	YACHT BASIN CO OF MARYLAND	41,259,400	1.03%
YACHT BASIN CO OF MARYLAND	31,163,767	0.52%	LOEWS ANNAPOLIS HOTEL CORP	32,857,800	0.82%
HOME PROPERTIES ANNAPOLIS	29,746,067	0.49%	COLUMBIA REALTY VENTURE	31,461,900	0.79%
CH RLTY/ANNAPOLIS HOTEL PRTS	25,744,833	0.43%	FAIRFIELD ANNAPOLIS LP	26,954,300	0.67%
ADMIRAL FARRAGUT JNT VNT	21,831,367	0.36%	ANNAPOLIS RDS APART. CO	18,020,900	0.45%
KMF ANNAPOLIS LLC	20,881,267	0.35%	SPA COVE APARTMENTS	16,406,200	0.41%
PARK PLACE II TRUST	19,511,233	0.32%	HOLLANDER, RONALD B.	15,567,450	0.39%
	$ 316,362,901	5.25%		$ 367,960,850	9.20%

CITY OF ANNAPOLIS, MARYLAND
Revenue Capacity
Last Ten Fiscal Years

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)		Accumulated Delinquent Taxes	Accumulated Delinquent Taxes as % of Current Year's Tax Levy
				Amount	Percent	Amount	Percent		
2006	23,152,799	156,000	23,308,799	23,224,757	99.64%	23,148,211	99.31%	205,343	0.88%
2007	25,280,936	156,000	25,436,936	25,412,398	99.90%	25,412,420	99.90%	166,054	0.65%
2008	28,823,331	156,000	28,979,331	28,892,153	99.70%	29,049,720	100.24%	229,683	0.79%
2009	32,988,815	156,000	33,144,815	33,096,516	99.85%	33,052,358	99.72%	144,196	0.44%
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		38,980,982	38,806,799	99.55%	38,844,504	99.65%	28,658	0.07%

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

	Governmental Activities		Business-Type Activities					
Fiscal Year	General Obligation Bonds	Other Debt	General Obligation Bonds	Other Debt	Total Bonded Debt	Percentage of Personal Income [1]	Per Capita [1]	Percentage of Market Value [2]
2006	28,107,195	-	20,157,659	843,192	49,108,046	2.71%	1,317	1.18%
2007	25,847,457	-	18,229,818	761,035	44,838,310	2.38%	1,235	0.89%
2008	45,182,144	1,608,355	23,947,551	899,125	71,637,175	2.55%	1,968	1.21%
2009	44,355,776	1,275,055	18,961,352	766,090	65,358,273	2.46%	1,752	1.08%
2010	55,026,790	931,215	28,648,357	625,178	85,231,540	3.25%	2,191	1.35%
2011	56,733,851	569,945	28,626,150	482,545	86,412,491	3.47%	2,285	1.34%
2012 *	55,413,563	193,822	50,635,557	334,851	106,577,793	3.87%	2,747	1.61%
2013	62,876,856	947,092	63,096,140	731,346	127,651,434	4.68%	3,305	2.09%
2014	60,401,296	735,358	59,893,697	2,266,324	123,296,675	7.37%	3,180	2.01%
2015	63,213,100	520,883	63,776,900	5,627,394	133,138,277	7.64%	3,361	2.15%

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

Fiscal Year	Assessable Base	Debt Limit: 10% of Assessable Base	City Debt Limitation	Debt Margin	Ratio of City Debt to Assessable Base
2006	4,150,982,690	415,098,269	39,161,946	375,936,323	0.94%
2007	5,043,267,785	504,326,779	45,231,035	459,095,744	0.90%
2008	5,911,023,962	591,102,396	71,962,479	519,139,917	1.22%
2009	6,040,939,755	604,093,976	65,616,145	538,477,831	1.09%
2010	6,323,061,027	632,306,103	85,431,393	546,874,710	1.35%
2011	6,437,267,368	643,726,737	86,590,528	557,136,209	1.35%
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%

COMPUTATION OF DIRECT AND OVERLAPPING DEBT
Year Ended June 30, 2015

Jurisdiction		Net Debt Outstanding	Percentage Applicable to City of Annapolis		Amount Applicable to City of Annapolis
City of Annapolis	$	63,733,983	100%	$	63,733,983
Anne Arundel County - Education		1,018,774,000	8%		81,501,920
Total	$	1,082,507,983		$	145,235,903

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	Expenditures: Total General Fund	Debt Service as a Percentage of Total
2006	2,838,210	43,026,881	6.60%
2007	3,315,079	44,507,379	7.45%
2008	4,024,243	49,587,770	8.12%
2009	6,029,119	58,555,154	10.30%
2010	6,702,986	61,011,983	10.99%
2011	4,489,773	50,627,948	8.87%
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%

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)
2006	37,300	1,812,034	48,580	3.4%	4,570
2007	36,300	1,883,607	51,890	3.4%	4,600
2008	36,400	2,811,609	77,242	3.6%	5,530
2009	37,300	2,659,229	71,293	6.4%	5,650
2010	38,900	2,618,943	67,325	7.0%	6,270
2011	37,825	2,489,301	65,811	6.0%	6,892
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

Sources:
(1) Population estimates are from the City of Annapolis Economic Affairs.
(2) U.S. Bureau of Economic Analysis, Regional Economic Inforrmation 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

	2015		2006	
Employer	Employees	Percentage of City Employment	Employees	Percentage of City Employment
United States Naval Academy	2,340	5.91%	2,052	5.67%
TeleCommunication Systems, Inc.	650	1.64%	250	0.69%
ARC of the Central Chesapeake Region	402	1.01%	250	0.69%
Towne Park Ltd.	250	0.63%	103	0.28%
St. John's College	200	0.50%	213	0.59%
Buddy's Crabs & Ribs, Inc.	175	0.44%	185	0.51%
BB&T Bank Chesapeake Division	175	0.44%	175	0.48%
Westin Annapolis	175	0.44%	175	0.48%
Annapolis Marriott Waterfront Hotel/Pussers Restaurant	170	0.43%	200	0.55%
Chart House Restaurant	157	0.40%	157	0.43%
Loews Annapolis Hotel	150	0.38%	150	0.41%
Severn Savings Bank FSB	142	0.36%	100	0.28%
Rams Head Tavern, Inc.	125	0.32%	115	0.32%
Main Ingredient Café & Catering	100	0.25%	100	0.28%
McGarvey's Saloon & Oyster Bar	95	0.24%	95	0.26%
Grauls Market Inc.	90	0.23%	90	0.25%
	5,396	13.62%	4,410	12.19%

Note:
Excludes state and local government.
Source:
City of Annapolis - Department of Economic Affairs

CITY OF ANNAPOLIS, MARYLAND
Demographic and Economic Information
Last Ten Fiscal Years

FULL TIME EQUIVALENT EMPLOYEES BY FUNCTION

Fiscal Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Government	62	64	67	63	68	57	59	56	76	75
Public Safety	303	320	331	341	340	307	320	335	322	318
Public Works	50	50	48	51	49	46	45	40	42	60
Recreation & Parks	20	21	21	20	20	18	12	20	21	26
Water Fund	23	23	26	27	27	27	26	25	22	25
Sewer Fund	7	7	7	7	7	6	5	6	6	6
Dock Fund	3	3	3	3	3	3	2	3	3	2
Transportation Fund	49	49	49	55	55	49	37	38	50	55
Stormwater Mgmt Fund	3	3	3	3	3	3	3	3	3	3
Refuse Fund	22	22	22	22	22	21	23	1	2	2
Total	542	562	577	592	594	537	537	527	547	572

Source:
City of Annapolis - Finance Office

CITY OF ANNAPOLIS, MARYLAND
Operating Information
Last Ten Fiscal Years

OPERATING INDICATORS BY FUNCTION

Fiscal Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Government										
Finance:										
Real property tax accounts	13,328	13,774	14,836	15,075	15,195	15,294	15,392	14,857	14,891	14,860
Personal property tax accounts	2,049	2,035	2,109	2,003	1,990	2,112	1,911	1,986	1,965	2,180
Public Safety										
Police										
Calls for service	42,040	41,839	44,496	35,980	36,501	35,233	36,907	35,983	36,780	35,036
Physical arrests	3,015	2,253	4,743	4,168	4,265	2,165	3,945	3,657	3,929	3,330
Parking violations	31,529	28,972	29,743	19,388	5,138	29,655	27,020	25,606	24,358	28,795
Traffic violations	4,869	4,612	4,788	6,729	5,572	4,115	9,535	7,097	7,555	3,619
Fire										
Number of calls answered	9,508	9,388	9,628	9,189	8,310	10,041	10,232	9,344	9,344	9,697
Inspections	2,105	1,197	1,981	1,746	1,100	1,486	1,279	1,440	2,299	1,273
Recreation & Parks										
Programs offered	89	83	110	118	151	N/A	N/A	116	353	362
Enrollment	3,745	3,387	3,797	4,161	4,195	N/A	N/A	4,238	1,433	5,287
Public Works										
Roadways and sidewalks										
Potholes repaired	1,552	1,582	1,834	1,579	1,005	1,241	820	1,431	2,671	2,214
Water Fund										
Water main repairs	39	30	54	26	21	43	14	33	10	22
Number of accounts	12,269	12,362	12,418	12,404	12,411	12,246	12,554	12,526	13,154	12,753
Sewer Fund										
Number of accounts	11,270	11,356	11,410	11,400	11,409	11,197	11,435	10,400	12,026	11,597
Refuse Fund										
Refuse collected (tons per year)	9,020	9,119	8,865	5,297	6,501	7,167	8,801	8,135	7,807	7,416
Recycling collected (tons per year)	2,121	1,596	1,520	2,430	2,366	2,856	2,762	3,312	3,406	3,439
Yard Waste collected (tons per year)	1,999	1,924	1,936	2,318	97	3,368	3,114	1,534	1,826	2,133
Neighborhood & Environmental Programs										
Construction permits isued - Commercial	334	308	296	270	129	290	274	234	208	182
Construction permits isued - Residential	1,329	1,030	1,195	892	787	836	851	682	766	637
Transportation Fund										
Number of routes	11	11	10	10	10	8	8	9	10	10
Number of passengers (in thousands)	1,350	1,350	1,510	1,465	1,580	1,139	650	728	753	597

Source:
Various City of Annapolis departments

CITY OF ANNAPOLIS, MARYLAND
Operating Information
Last Ten Fiscal Years

CAPITAL ASSET STATISTICS BY FUNCTION

Fiscal Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Government										
Buildings	3	3	3	5	6	7	7	7	7	8
Vehicles	12	16	16	22	20	23	23	37	41	43
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Uniformed police officers	126	131	131	131	116	116	112	112	114	114
Police vehicles	93	103	102	100	108	96	92	98	86	86
Fire										
Stations	3	3	3	3	3	3	3	3	3	3
Career firefighters	105	117	125	137	126	133	119	120	127	123
Pumper/ladder trucks	6	6	6	6	6	7	7	7	7	6
Paramedic units	5	5	6	6	6	1	5	5	6	7
Other vehicles	32	32	35	34	37	38	44	40	39	34
Public Works										
Buildings	7	7	7	7	6	6	6	6	6	9
Street (in miles)	86	86	86	99	99	99	91	91	276	276
Traffic signals	28	28	28	28	28	28	26	26	20	20
Recreation & Parks										
Buildings	4	4	4	4	3	3	3	3	4	4
Playgrounds / parks in acres	125	125	126	126	126	126	126	126	126	201
Ballfields	5	5	5	5	5	5	8	8	4	14
Tennis courts	14	14	14	14	14	14	14	14	14	14
Water Fund										
Mains in miles	128	128	128	128	128	128	128	128	128	140
Storage tanks	4	4	5	5	5	5	5	5	5	5
Sewer Fund										
Lines in miles	140	140	140	140	140	140	140	140	140	125
Number of pumping stations	23	23	25	25	25	25	25	25	23	25
Transportation Fund										
Passenger buses	29	29	28	29	33	33	22	22	25	23

Source:
Various City of Annapolis departments