

City of Annapolis Maryland



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COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED

JUNE 30, 2016

CITY OF ANNAPOLIS, MARYLAND



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2016

Michael Pantelides

MAYOR

ALDERMEN:

Joe Budge

Jared Littmann

Frederick M. Paone

Kenneth A. Kirby

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Ian Pfeiffer

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Prepared By:
OFFICE OF FINANCE

Bruce T. Miller
Finance Director

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CITY OF ANNAPOLIS, MARYLAND

CITY OF ANNAPOLIS, MARYLAND

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INTRODUCTORY SECTION



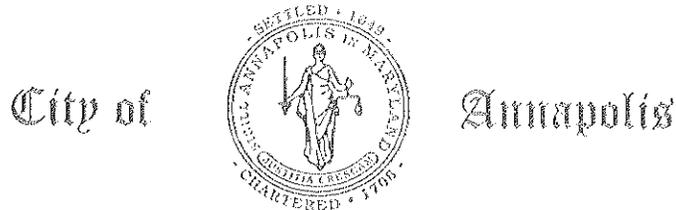
CITY OF

ANNAPOLIS

MARYLAND

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CITY OF ANNAPOLIS, MARYLAND



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

BRUCE T. MILLER
FINANCE DIRECTOR

March 30, 2017

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, 2016.

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, 2016, 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, 2016, 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, fire suppression and emergency services, licenses and permits, streets and street lighting, stormwater management, parks and recreation, dock and harbor services, planning and zoning, water production and distribution, sewage collection, parking and public transportation, and refuse collections. Education is provided by the Board of Education of Anne Arundel County. The City is authorized to issue debt, subject to certain indebtedness limitations, for the purpose of financing its capital projects.

The annual budget serves as the foundation for the City of Annapolis' financial planning and control. All City departments are required to submit budget requests to the Mayor subsequently appropriated by the city council. The Mayor uses these requests as the starting point for developing the proposed budget. The Mayor then presents his proposed budget to the city council for review. The city council is required to hold public hearings on the proposed budget and to appropriate a final budget no later than June 30th. The appropriated budget is prepared by fund and department. Subsequently, department heads may request transfers within a department, however, transfers between departments or between funds and additional expenditures must be approved by the city council. For those funds having appropriations, budget-to-actual comparisons are provided in the subsequent exhibits. For the general fund, this information is presented 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 outlook remains positive, but guarded. The area's unemployment rate is currently 3.3% which is lower than the national rate of

4.9% and the statewide rate of 4.3%. 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. In fiscal year 2016, the City realized an increase in property values as the consequence of the tri-annual real property valuation and expects it to 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, 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. GASB Statement No. 67, *Financial Reporting for Pension Plans*, became effective for the year ended June 30, 2014. This statement required the presentation of new information in the notes to the financial statements and in the 10-year Required Supplementary Information (RSI) schedules. GASB 68, *Accounting and Financial Reporting for Pensions*, became effective for the year ended June 30, 2016. This statement established standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/ expenditures. 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, 2015. 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, 2015. 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

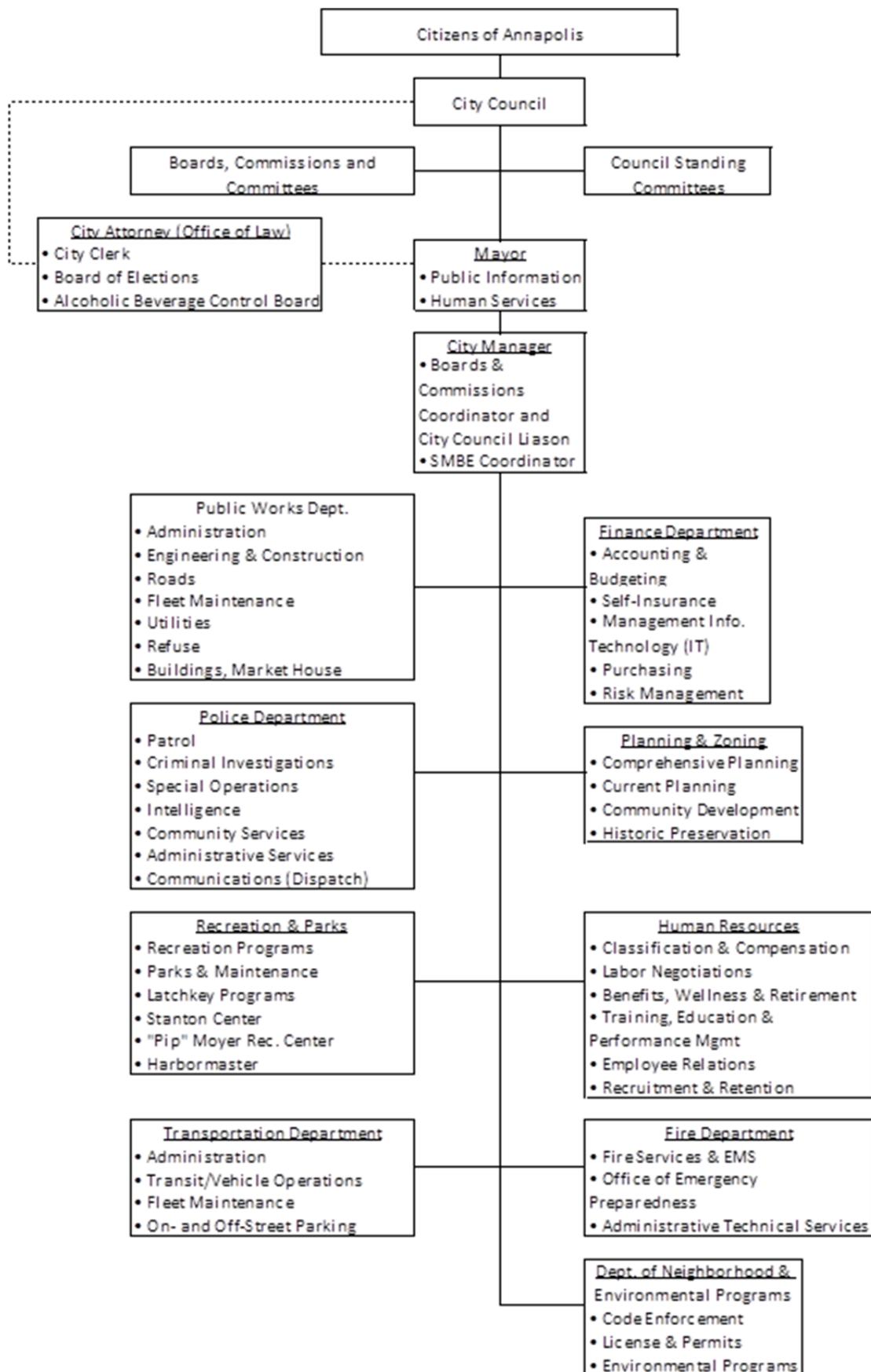
Presented to

City of Annapolis
Maryland

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO



CITY OF ANNAPOLIS, MARYLAND

LIST OF PRINCIPAL OFFICIALS

City Council

Michael Pantelides, Mayor

<u>Ward</u>	<u>Alderman</u>
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

<u>Title</u>	<u>Name</u>
City Manager	Thomas C. Andrews
Director of Finance	Bruce T. Miller
Director of Human Resources, Acting	Patricia L. Hopkins
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 & Environmental 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, Alderman and Citizens of the
City of Annapolis, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Annapolis, Maryland (the City), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Annapolis, Maryland as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2017, 2017, 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.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Baltimore, Maryland
March 30, 2017

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CITY OF ANNAPOLIS, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS
(MD&A)



CITY OF
ANNAPOLIS
MARYLAND

CITY OF ANNAPOLIS, MARYLAND
Management Discussion and Analysis
June 30, 2016

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, 2016. 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 \$47,776,589 (*net position*).
- The City's total net position increased by \$13,366,621. This increase is attributable to the current year activities which included a substantial increase to charges for services and a notable decrease to the Water, Off-Street Parking, and Transportation Expenditures. In fiscal year 2016, governmental activities saw a decrease of \$16,746 and business-type activities saw an increase of \$13,383,367.
- As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$29,237,794, a net decrease of \$14,311,135 in comparison with the prior year.
- The City's total net bonded debt increased by \$18,539,373 through issuance of new debt and normal principal payments, to a year-end balance of \$158,007,783, 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 *Statement 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 *Statement of Activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned and unused vacation leave).

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

CITY OF ANNAPOLIS, MARYLAND
Management Discussion and Analysis
June 30, 2016

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 activities*.

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

CITY OF ANNAPOLIS, MARYLAND
Management Discussion and Analysis

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 30-60 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 61-66 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 67-85 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 \$47,776,589 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	
	FY2016	FY2015	FY2016	FY2015	FY2016	FY2015
Current assets	\$39,931,489	\$52,415,239	\$31,259,478	\$9,760,413	\$71,190,967	\$62,175,652
Noncurrent assets:						
Restricted water and sewer capital facility assessments	-	-	6,838,431	7,134,362	6,838,431	7,134,362
Net capital assets	105,678,776	84,930,366	90,391,522	87,844,587	196,070,298	172,774,953
Total noncurrent assets	105,678,776	84,930,366	97,229,953	94,978,949	202,908,729	179,909,315
Total assets	145,610,265	137,345,605	128,489,431	104,739,362	274,099,696	242,084,967
Deferred outflows of resources	20,414,116	6,054,796	4,291,479	2,979,706	24,705,595	9,034,502
Current liabilities	11,764,212	9,748,950	7,983,241	7,529,777	19,747,453	17,278,727
Noncurrent liabilities	143,810,265	122,442,844	86,207,413	74,755,088	230,017,678	197,197,932
Total liabilities	155,574,477	132,191,794	94,190,654	82,284,865	249,765,131	214,476,659
Deferred inflows of resources	1,103,089	1,845,046	160,482	387,796	1,263,571	2,232,842
Net position						
Net investment in capital assets	54,758,111	35,094,189	20,834,080	37,659,112	75,592,191	72,753,301
Restricted	14,567	11,421,767	11,169,944	18,606,456	11,184,511	30,028,223
Unrestricted	(45,425,863)	(37,152,395)	6,425,750	(31,219,161)	(39,000,113)	(68,371,556)
Total net position	\$9,346,815	\$9,363,561	\$38,429,774	\$25,046,407	\$47,776,589	\$34,409,968

CITY OF ANNAPOLIS, MARYLAND
Management Discussion and Analysis

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, 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 this decrease going forward.

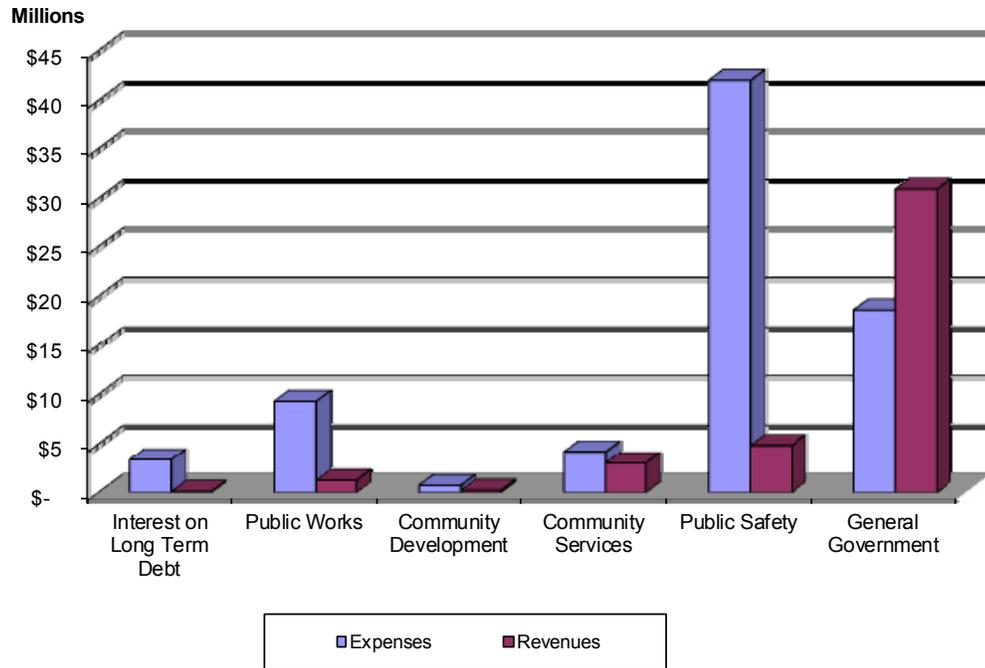
**City of Annapolis
Changes in Net Position**

	Governmental Activities		Business-type Activities		Total	
	FY2016	FY2015	FY2016	FY2015	FY2016	FY2015
Revenues:						
Program revenues:						
Charges for services	\$35,847,266	\$29,064,269	\$27,217,304	\$30,576,368	\$63,064,570	\$59,640,637
Operating grants and contributions	2,702,821	3,850,691	2,725,080	1,309,836	5,427,901	5,160,527
Capital grants and contributions	1,755,221	503,516	427,568	455,863	2,182,789	959,379
General revenues:						
Property taxes	44,194,988	42,439,625	-	-	44,194,988	42,439,625
Other	101,179	16,430	31,952	6,104	133,131	22,534
Total revenues	<u>84,601,475</u>	<u>75,874,531</u>	<u>30,401,904</u>	<u>32,348,171</u>	<u>115,003,379</u>	<u>108,222,702</u>
Expenses:						
General government	18,627,376	18,601,875	-	-	18,627,376	18,601,875
Public safety	42,027,200	39,413,113	-	-	42,027,200	39,413,113
Community services	4,205,009	6,452,677	-	-	4,205,009	6,452,677
Community development	736,673	404,147	-	-	736,673	404,147
Public works	9,323,422	8,253,040	-	-	9,323,422	8,253,040
Interest	3,360,891	2,059,337	-	-	3,360,891	2,059,337
Water	-	-	4,465,639	5,387,428	4,465,639	5,387,428
Sewer	-	-	7,212,440	7,411,281	7,212,440	7,411,281
Off street parking	-	-	4,463,704	6,802,623	4,463,704	6,802,623
Transportation	-	-	4,601,845	6,544,919	4,601,845	6,544,919
Other	-	-	2,612,558	3,913,369	2,612,558	3,913,369
Total expenses	<u>78,280,571</u>	<u>75,184,189</u>	<u>23,356,186</u>	<u>30,059,620</u>	<u>101,636,757</u>	<u>105,243,809</u>
Changes in net position before transfers	6,320,904	690,342	7,045,717	2,288,550	13,366,622	2,978,893
Transfers	(6,337,650)	569,520	6,337,650	(569,520)	-	-
Change in net position	<u>(16,746)</u>	<u>1,259,862</u>	<u>13,383,367</u>	<u>1,719,030</u>	<u>13,366,622</u>	<u>2,978,893</u>
Net position at beginning of year	9,363,561	8,103,699	25,046,407	23,327,377	34,409,968	31,431,076
Net position at end of year	<u>\$9,346,815</u>	<u>\$9,363,561</u>	<u>\$38,429,774</u>	<u>\$25,046,407</u>	<u>\$47,776,590</u>	<u>\$34,409,969</u>

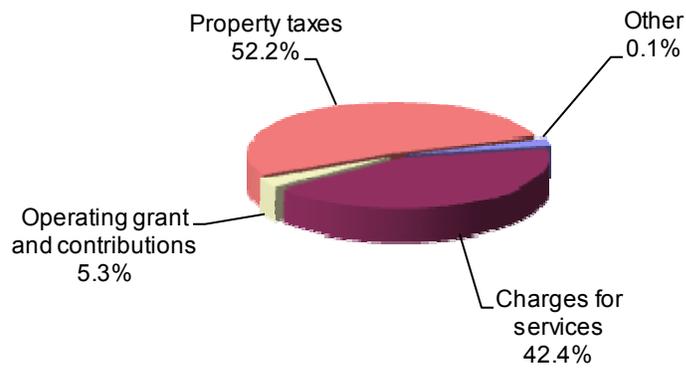
Governmental activities. Governmental activities decreased the City's net position by \$16,746.

CITY OF ANNAPOLIS, MARYLAND
 Management Discussion and Analysis

Expenses and Program Revenues - Governmental Activities
 For the year ended June 30, 2016



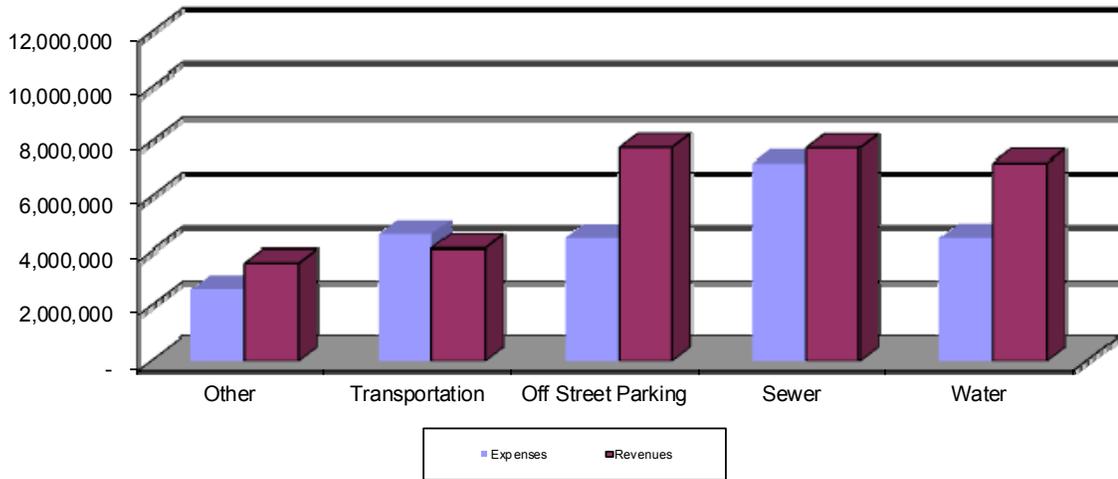
Revenues by Source - Governmental Activities
 For the year ended June 30, 2016



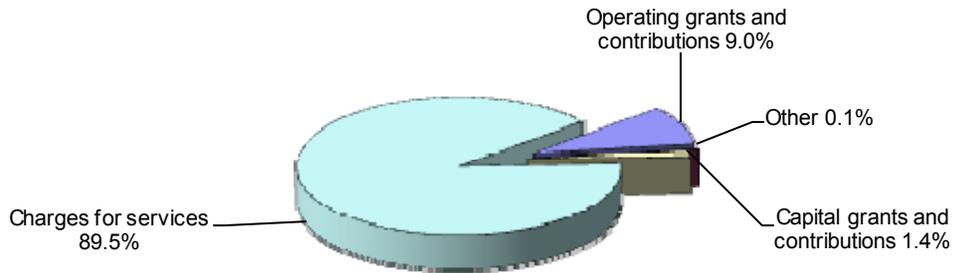
CITY OF ANNAPOLIS, MARYLAND
 Management Discussion and Analysis

Business-Type Activities. Business-Type Activities Net Position increased by \$13,383,367. The increase was partially due to the assistance from the general fund in keeping the proprietary funds self-sustaining to include the consolidation of the dock and market funds with the general fund, and the subsidy of \$5.1 million to offset the transportation fund deficit.

Expenses and Program Revenues - Business-type Activities
 For the year ended June 30, 2016



Revenues by Source - Business-type Activities
 For the year ended June 30, 2016



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.

CITY OF ANNAPOLIS, MARYLAND
Management Discussion and Analysis

As of the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$29,237,794, a net decrease of \$14,311,135. The fund balance has been restricted for community development and capital projects in the amount of \$16,055,840 and non-spendable as it relates to inventories and other prepaid items of \$178,711. Resolution 9-15, passed on February 27, 2015, created a budget stabilization fund and a capital reserve fund within the assigned portion of fund balance. A one-time contribution of \$5 million created the capital reserve and fifty percent of general fund excess of revenues over expenditures of \$1,539,736 created the budget stabilization fund, leaving an *unassigned fund balance* of \$6,463,507.

The General Fund is the chief operating fund of the City and its fund balance decreased by \$5,129,783 during the current fiscal year. At the end of the current fiscal year, the unassigned fund balance of the general fund accounted for \$15,816,683 of the total fund balance of \$38,567,403. 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 24.0% of total general fund expenditures, while total fund balance represents 58.6% of that same amount.

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

The total increase in net position of the six enterprise funds was \$13,383,367, with an ending balance of \$38,429,774. The fund balance has been restricted for debt service in the amount of \$11,169,944 and net investment in capital assets of \$20,834,080, leaving an *unrestricted fund balance* of \$6,425,750.

General Fund Budgetary Highlights

The difference between the original expense budget and the final amended expense budget was a decrease of \$549,795. 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, 2016, amounts to \$196,070,298 (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 12.0%, which was primarily in the governmental 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	
	FY2016	FY2015	FY2016	FY2015	FY2016	FY2015
Land	\$4,272,593	\$4,260,493	\$3,231,341	\$3,243,441	\$7,503,934	\$7,503,934
Buildings	\$33,607,481	\$33,590,374	\$32,600,250	\$34,535,630	\$66,207,731	\$68,126,004
Improvements/infrastructure other than buildings	\$42,747,870	\$28,851,816	\$20,065,776	\$25,252,326	\$62,813,646	\$54,104,142
Equipment	\$3,566,907	\$3,612,682	\$1,351,908	\$2,245,705	\$4,918,815	\$5,858,387
Construction in progress	\$21,483,925	\$14,615,001	\$33,142,247	\$22,567,485	\$54,626,172	\$37,182,486
Total	\$105,678,776	\$84,930,366	\$90,391,522	\$87,844,587	\$196,070,298	\$172,774,953

Additional information on the City's capital assets can be found in note 4 on pages 40-41 of this report.

CITY OF ANNAPOLIS, MARYLAND
Management Discussion and Analysis

Long-Term Debt. At the end of the current fiscal year, the City had total General Obligation Bond debt outstanding of \$139,402,515 excluding premium and refunding losses. At June 30, 2016, other debt outstanding of \$18,605,268 consisted of a Capital Lease and State of Maryland loan for \$333,153 and \$18,272,115, respectively.

City of Annapolis
Outstanding Debt net of Premiums and Refunding Losses

	Governmental Activities		Business-type Activities		Total	
	<u>FY2016</u>	<u>FY2015</u>	<u>FY2016</u>	<u>FY2015</u>	<u>FY2016</u>	<u>FY2015</u>
General obligation bonds	\$72,757,170	\$63,213,100	\$66,645,345	\$63,776,900	\$139,402,515	\$126,990,000
Other debt	304,713	520,883	18,300,555	5,627,344	18,605,268	6,148,227
Total	<u>\$73,061,883</u>	<u>\$63,733,983</u>	<u>\$84,945,900</u>	<u>\$69,404,244</u>	<u>\$158,007,783</u>	<u>\$133,138,227</u>

The City's net total debt increased by \$24,869,556 (18.7%) during the current fiscal year due to the new 2016 new and refunding bonds issued during the fiscal year ended June 30, 2016.

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 41-45 of this report.

Economic Factors and Next Year's Budgets and Rates

The unemployment rate for the City area is currently 3.3 percent, which decreased from the rate of 4.1 percent from a year ago. This compares favorably to the state's average unemployment rate of 4.3 percent and the national average rate of 4.9 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 2.74 percent increase in taxable property due to the 2015 tri-annual valuation.

The focus for fiscal year 2017 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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CITY OF ANNAPOLIS, MARYLAND

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**



CITY OF

ANNAPOLIS

MARYLAND

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CITY OF ANNAPOLIS, MARYLAND

CITY OF ANNAPOLIS, MARYLAND
Statement of Net Position
June 30, 2016

	Governmental Activities	Business-type Activities	Totals
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ -	\$ 50	\$ 50
Equity in Pooled Cash	9,851,084	34,860,684	44,711,768
Restricted cash	16,041,273	618,348	16,659,621
Receivables, net of allowances	6,052,356	3,493,356	9,545,712
Internal balances	7,808,065	(7,808,065)	-
Inventories	176,711	95,105	271,816
Prepaid items	2,000	-	2,000
Total Current Assets	<u>39,931,489</u>	<u>31,259,478</u>	<u>71,190,967</u>
Non-current Assets:			
Restricted water and sewer capital facility assessments	-	6,838,431	6,838,431
Capital assets (net of accumulated depreciation):			
Land	4,272,593	3,231,341	7,503,934
Buildings	33,607,481	32,600,250	66,207,731
Improvements other than buildings	42,747,870	20,065,776	62,813,646
Equipment	3,566,907	1,351,908	4,918,815
Construction in progress	21,483,925	33,142,247	54,626,172
Total capital assets	<u>105,678,776</u>	<u>90,391,522</u>	<u>196,070,298</u>
Total Non-current Assets	<u>105,678,776</u>	<u>97,229,953</u>	<u>202,908,729</u>
Total assets	<u>145,610,265</u>	<u>128,489,431</u>	<u>274,099,696</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred outflows related to pensions	18,392,848	802,166	19,195,014
Deferred Loss on Refunding	2,021,268	3,489,313	5,510,581
Total deferred outflow of resources	<u>20,414,116</u>	<u>4,291,479</u>	<u>24,705,595</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	4,207,644	3,148,447	7,356,091
Accrued payables and other liabilities	1,788,738	446,924	2,235,662
Compensated absences	80,617	26,410	107,027
Unearned revenue	107,470	338,454	445,924
Escrowed funds	675,823	34,327	710,150
Accrued Interest	1,195,168	990,411	2,185,579
Current portion long term debt	3,708,752	2,998,268	6,707,020
Total Current Liabilities	<u>11,764,212</u>	<u>7,983,241</u>	<u>19,747,453</u>
Non-current Liabilities:			
Compensated absences	927,097	303,710	1,230,807
Accrued liability for other post employment benefits	24,261,767	1,806,756	26,068,523
Accrued self insurance costs, net of current portion	4,497,629	-	4,497,629
City Pension Liability	14,176,237	2,149,315	16,325,552
Police & Fire Pension Liability	30,594,404	-	30,594,404
Long-term debt, net of current portion	69,353,131	81,947,632	151,300,763
Total Non-current Liabilities	<u>143,810,265</u>	<u>86,207,413</u>	<u>230,017,678</u>
Total liabilities	<u>155,574,477</u>	<u>94,190,654</u>	<u>249,765,131</u>
DEFERRED INFLOW OF RESOURCES			
Deferred inflows related to pensions	1,103,089	160,482	1,263,571
NET POSITION			
Net investment in capital assets	54,758,111	20,834,080	75,592,191
Restricted for:			
Capital projects	-	11,169,944	11,169,944
Community development	14,567	-	14,567
Unrestricted	(45,425,863)	6,425,750	(39,000,113)
Total net position	<u>\$ 9,346,815</u>	<u>\$ 38,429,774</u>	<u>\$ 47,776,589</u>

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, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Change in Net Position		Totals
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	
Governmental Activities:							
General government	\$ 18,627,376	\$ 29,120,482	\$ 90,520	\$ 1,755,221	\$ 12,338,847	\$ -	\$ 12,338,847
Public safety	42,027,200	2,521,232	2,344,441	-	(37,161,527)	-	(37,161,527)
Community services	4,205,009	2,972,130	38,641	-	(1,194,238)	-	(1,194,238)
Community development	736,673	-	227,653	-	(509,020)	-	(509,020)
Public works	9,323,422	1,233,422	1,566	-	(8,088,434)	-	(8,088,434)
Interest on long term debt	3,360,891	-	-	-	(3,360,891)	-	(3,360,891)
Total Governmental Activities	78,280,571	35,847,266	2,702,821	1,755,221	(37,975,263)	-	(37,975,263)
Business-type Activities:							
Water	4,465,639	7,214,584	-	-	-	2,748,945	2,748,945
Sewer	7,212,440	7,759,646	-	-	-	547,206	547,206
Off Street Parking	4,463,704	7,772,048	-	-	-	3,308,344	3,308,344
Transportation	4,601,845	937,916	2,725,080	427,568	-	(511,281)	(511,281)
Stormwater Management	514,327	947,886	-	-	-	433,559	433,559
Refuse	2,098,231	2,585,224	-	-	-	486,993	486,993
Total Business-type Activities	23,356,186	27,217,304	2,725,080	427,568	-	7,013,766	7,013,766
Total	\$ 101,636,757	\$ 63,064,570	\$ 5,427,901	\$ 2,182,789	(37,975,263)	7,013,766	(30,961,497)
General Revenues:							
Taxes							
Real					40,457,783	-	40,457,783
Unincorporated					45,410	-	45,410
Public utility					1,699,124	-	1,699,124
Corporations					1,779,476	-	1,779,476
Penalties, interest and transfer fees					213,195	-	213,195
Interest and investment earnings					101,179	31,952	133,131
Transfers					(5,079,098)	5,079,098	-
Fund Transfer					(1,258,552)	1,258,552	-
Total general revenues and transfers					37,958,517	6,369,602	44,328,119
Change in net position					(16,746)	13,383,367	13,366,621
Net position as of beginning of year					9,363,561	25,046,407	34,409,968
Net position as of end of year					\$ 9,346,815	\$ 38,429,774	\$ 47,776,589

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

CITY OF ANNAPOLIS, MARYLAND
Balance Sheet
Governmental Funds
June 30, 2016

	General	Capital Projects	Non-Major Governmental Fund	Totals
ASSETS				
Cash and cash equivalents	\$ 5,992,374	\$ -	\$ 14,567	\$ 6,006,941
Restricted cash	16,041,273	-	-	16,041,273
Receivables, net of allowances	5,874,800	-	-	5,874,800
Due from other funds	15,125,726	-	-	15,125,726
Inventories	176,711	-	-	176,711
Prepaid items	2,000	-	-	2,000
Total assets	\$ 43,212,884	\$ -	\$ 14,567	\$ 43,227,451
LIABILITIES				
Accounts payable	\$ 1,864,968	\$ 1,967,360	\$ 65,748	\$ 3,898,076
Accrued payables and other liabilities	1,786,331	2,407	-	1,788,738
Due to General Fund	-	7,317,661	-	7,317,661
Unearned revenue	107,470	-	-	107,470
Escrowed funds	675,823	-	-	675,823
Total liabilities	4,434,592	9,287,428	65,748	13,787,768
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	201,889	-	-	201,889
Total deferred inflows of resources	201,889	-	-	201,889
FUND BALANCE				
Non Spendable				
Inventories and prepaid items	178,711	-	-	178,711
Restricted for:				
Community development	-	-	14,567	14,567
Capital projects	16,041,273	-	-	16,041,273
Capital reserve fund	5,000,000	-	-	5,000,000
Budget stabilization fund	1,539,736	-	-	1,539,736
Unassigned	15,816,683	(9,287,428)	(65,748)	6,463,507
Total fund balances (deficits)	38,576,403	(9,287,428)	(51,181)	29,237,794
Total liabilities, deferred inflows of resources and fund balances	\$ 43,212,884	\$ -	\$ 14,567	\$ 43,227,451

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, 2016

Total Governmental Fund Balances	\$	29,237,794
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.		105,678,776
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds		201,889
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	\$ (1,007,714)	
Accrued interest	(1,195,168)	
OPEB	(24,261,767)	
Net pension liability	<u>(44,770,641)</u>	(71,235,290)
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	73,061,883	
Loss on refunding deferred outflow	<u>(2,021,268)</u>	(71,040,615)
The net effect of the deferred outflows and deferred inflows of resources recorded in conjunction with the recognition of the pension liability is shown in the governmental activities but not included in the governmental statements.		17,289,759
Internal service funds are used by management to charge the costs of self insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		<u>(785,498)</u>
Net position of Governmental Activities	\$	<u>9,346,815</u>

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

CITY OF ANNAPOLIS, MARYLAND
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
Year Ended June 30, 2016

	General	Capital Projects	Non-Major Governmental Fund	Totals
Revenues				
Taxes	\$ 44,194,988	\$ -	\$ -	\$ 44,194,988
Licenses and permits	3,096,704	-	-	3,096,704
Fines and forfeitures	378,159	-	-	378,159
Money and property	1,840,860	-	-	1,840,860
Intergovernmental	14,408,643	1,755,221	227,653	16,391,517
Current services	5,038,147	-	-	5,038,147
Total revenues	<u>68,957,501</u>	<u>1,755,221</u>	<u>227,653</u>	<u>70,940,375</u>
Expenditures				
Current:				
General government	7,458,323	-	-	7,458,323
Public safety	38,613,454	-	-	38,613,454
Community services	4,706,217	-	-	4,706,217
Community development	249,000	-	487,673	736,673
Public works	7,361,838	-	-	7,361,838
Debt service:				
Principal	3,701,604	-	-	3,701,604
Interest	2,426,863	-	-	2,426,863
Capital outlays	1,360,730	11,253,261	-	12,613,991
Total expenditures	<u>65,878,029</u>	<u>11,253,261</u>	<u>487,673</u>	<u>77,618,963</u>
Excess (deficiency) of revenues over expenditures	<u>3,079,472</u>	<u>(9,498,040)</u>	<u>(260,020)</u>	<u>(6,678,588)</u>
Other financing sources (uses)				
Dissolution of Dock Fund	(1,751,887)	-	-	(1,751,887)
Dissolution of Market Fund	(706,422)	(95,140)	-	(801,562)
Subsidy to Transit	(5,061,898)	-	-	(5,061,898)
Transfers in	2,400,000	671,848	-	3,071,848
Transfers out	<u>(3,089,048)</u>	<u>-</u>	<u>-</u>	<u>(3,089,048)</u>
Total other financing sources (uses)	<u>(8,209,255)</u>	<u>576,708</u>	<u>-</u>	<u>(7,632,547)</u>
Net change in fund balance	(5,129,783)	(8,921,332)	(260,020)	(14,311,135)
Fund balance at beginning of year	43,706,186	(366,096)	208,839	43,548,929
Fund balance at end of year	<u>\$ 38,576,403</u>	<u>\$ (9,287,428)</u>	<u>\$ (51,181)</u>	<u>\$ 29,237,794</u>

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, 2016

Net Change in Fund Balance - Total Government Funds	\$	(14,311,135)
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	\$ 13,141,113	
Depreciation Expense	<u>(3,270,049)</u>	9,871,064
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.		
		(180,034)
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.		
		(158,281)
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:		
Amortization of premium	715,879	
Amortization of loss on refunding	(934,028)	
Principal repayments		
General obligation bonds	3,490,044	
Capital leases	<u>218,708</u>	3,490,603
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	919,813	
Increase in other postemployment benefits	(1,834,931)	
Increase in accrued interest payable	<u>(496,928)</u>	(1,412,046)
The net effect of the expenses for recording pension liability from employee retirement plans.		
		(1,471,892)
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.		
		2,587,351
Dissolution of Dock and Market Funds- Assets transferred		
		1,567,624
Change in Net Position of Governmental Activities	\$	<u><u>(16,746)</u></u>

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

CITY OF ANNAPOLIS, MARYLAND
Statement of Net Position
Proprietary Funds
June 30, 2016

	Business-type Activities						Governmental	
	Water Fund	Sewer Fund	Off Street	Transportation Fund	Dock Fund	Non-Major Enterprise Funds	Total	Internal Service
			Parking Fund					Fund
ASSETS								
Current assets								
Cash and cash equivalents	\$ 17,017,483	\$ 11,845,756	\$ -	\$ 50	\$ -	\$ 5,997,445	\$ 34,860,734	\$ 3,844,143
Restricted cash	618,348	-	-	-	-	-	618,348	-
Accounts receivable								
Service charges and penalties	1,059,984	1,424,017	8,580	312,243	-	675,536	3,480,360	-
Capital and other charges	12,996	-	-	-	-	-	12,996	177,556
Total accounts receivable, net	1,072,980	1,424,017	8,580	312,243	-	675,536	3,493,356	177,556
Inventories	74,518	-	-	20,587	-	-	95,105	-
Prepaid expenses	-	-	-	-	-	-	-	-
Total current assets	18,783,329	13,269,773	8,580	332,880	-	6,672,981	39,067,543	4,021,699
Noncurrent assets								
Restricted water and sewer capital facility assessments	3,476,941	3,361,490	-	-	-	-	6,838,431	-
Net capital assets	39,200,693	16,959,420	29,907,446	3,465,755	-	858,208	90,391,522	-
Total noncurrent assets	42,677,634	20,320,910	29,907,446	3,465,755	-	858,208	97,229,953	-
Total assets	61,460,963	33,590,683	29,916,026	3,798,635	-	7,531,189	136,297,496	4,021,699
DEFERRED OUTFLOWS OF RESOURCES								
Deferred outflows related to pensions	239,171	82,717	60,504	363,739	-	56,035	802,166	-
Deferred loss on refunding	1,163,787	615,173	1,698,633	829	-	10,891	3,489,313	-
Total deferred outflows of resources	1,402,958	697,890	1,759,137	364,568	-	66,926	4,291,479	-
LIABILITIES								
Current liabilities								
Accounts payable	2,061,331	400,076	376,146	73,835	-	237,059	3,148,447	309,568
Accrued expenses and other liabilities	71,296	28,806	95,506	229,419	-	21,897	446,924	-
Accrued self insurance costs - current portion	-	-	-	-	-	-	-	1,484,952
Accrued Interest	493,791	484,784	-	-	-	11,836	990,411	-
Due to General Fund	-	-	5,701,755	2,106,310	-	-	7,808,065	-
Compensated absences-current portion	10,490	2,175	-	12,225	-	1,520	26,410	-
Unearned revenue	5,000	234,949	8,580	5,388	-	84,537	338,454	-
Escrowed funds	-	29,871	-	-	-	4,456	34,327	-
Current portion of long-term debt	1,004,771	369,277	1,596,588	902	-	26,730	2,998,268	-
Total current liabilities	3,646,679	1,549,938	7,778,575	2,428,079	-	388,035	15,791,306	1,794,520
Noncurrent liabilities								
Compensated absences, net of current portion	120,631	25,017	-	140,588	-	17,474	303,710	-
Accrued liability for other post employment benefits	592,955	144,293	-	486,600	-	582,908	1,806,756	-
Accrued self insurance costs, net of current portion	-	-	-	-	-	-	-	3,012,677
Net Pension Liability	592,714	226,569	165,041	1,006,437	-	158,554	2,149,315	-
Long-term debt, net of current portion	42,985,620	15,366,188	23,098,101	26,352	-	471,371	81,947,632	-
Total noncurrent liabilities	44,291,920	15,762,067	23,263,142	1,659,977	-	1,230,307	86,207,413	3,012,677
Total liabilities	47,938,599	17,312,005	31,041,717	4,088,056	-	1,618,342	101,998,719	4,807,197
DEFERRED INFLOWS OF RESOURCES								
Deferred inflows related to pensions	44,256	16,917	12,323	75,147	-	11,839	160,482	-
Total deferred inflows of resources	44,256	16,917	12,323	75,147	-	11,839	160,482	-
NET POSITION								
Net investment in capital assets	4,309,944	5,685,577	6,971,309	3,439,330	-	427,920	20,834,080	-
Restricted for debt service	7,285,683	3,817,756	-	-	-	66,505	11,169,944	-
Unrestricted	3,285,439	7,456,318	(6,350,186)	(3,439,330)	-	5,473,509	6,425,750	(785,498)
Total net position	\$ 14,881,066	\$ 16,959,651	\$ 621,123	\$ -	\$ -	\$ 5,967,934	\$ 38,429,774	\$ (785,498)

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, 2016

	Business-type Activities						Governmental	
	Water Fund	Sewer Fund	Off Street Parking Fund	Transportation Fund	Dock Fund	Non-Major Enterprise Funds	Internal Service Fund Total	
Operating revenues						Total		
Charges for services	\$ 7,103,569	\$ 7,759,646	\$ 5,510,461	\$ 937,916	\$ -	\$ 3,533,110	\$ 24,844,702	\$ -
Grant Income	-	-	-	2,725,080	-	-	2,725,080	-
Other	111,015	-	2,261,587	-	-	-	2,372,602	13,471,039
Total operating revenues	<u>7,214,584</u>	<u>7,759,646</u>	<u>7,772,048</u>	<u>3,662,996</u>	<u>-</u>	<u>3,533,110</u>	<u>29,942,384</u>	<u>13,471,039</u>
Operating expenses								
Salaries	1,600,140	631,121	485,390	2,553,736	-	492,037	5,762,424	-
Utilities	282,371	154,764	115,240	23,320	-	9,652	585,347	-
Repairs and maintenance	274,291	174,627	47,360	372,467	-	6,846	875,591	-
Materials and supplies	268,492	84,537	291,394	304,438	-	136,875	1,085,736	-
Treatment plant operations	-	3,607,560	-	-	-	-	3,607,560	-
Contractual services	149,876	93,669	1,178,181	17,780	-	1,433,178	2,872,684	-
Administrative charge from General Fund	651,445	1,160,723	589,924	642,568	-	515,877	3,560,537	-
Depreciation	439,801	742,019	896,213	683,525	-	3,608	2,765,166	-
Claim payments	-	-	-	-	-	-	-	10,818,502
Other	138,851	2,938	860,002	4,011	-	-	1,005,802	65,186
Total operating expenses	<u>3,805,267</u>	<u>6,651,958</u>	<u>4,463,704</u>	<u>4,601,845</u>	<u>-</u>	<u>2,598,073</u>	<u>22,120,847</u>	<u>10,883,688</u>
Operating (loss) income	<u>3,409,317</u>	<u>1,107,688</u>	<u>3,308,344</u>	<u>(938,849)</u>	<u>-</u>	<u>935,037</u>	<u>7,821,537</u>	<u>2,587,351</u>
Non-operating revenues (expenses)								
Capital grants	-	-	-	427,568	-	-	427,568	-
Interest income	14,593	13,796	1,064	2,498	-	-	31,951	-
Interest expense	(427,942)	(551,932)	-	-	-	(14,485)	(994,359)	-
Bond Issuance Cost	(232,430)	(8,550)	-	-	-	-	(240,980)	-
Total non-operating revenues (expenses), net	<u>(645,779)</u>	<u>(546,686)</u>	<u>1,064</u>	<u>430,066</u>	<u>-</u>	<u>(14,485)</u>	<u>(775,820)</u>	<u>-</u>
Income (loss) before contributions and transfers	<u>2,763,538</u>	<u>561,002</u>	<u>3,309,408</u>	<u>(508,783)</u>	<u>-</u>	<u>920,552</u>	<u>7,045,717</u>	<u>2,587,351</u>
Transfers in	-	-	-	7,479,098	-	-	7,479,098	-
Transfers out	-	-	(2,400,000)	-	-	-	(2,400,000)	-
Dissolution of Dock and Market Funds	-	-	-	-	1,374,457	(211,045)	1,163,412	-
Transfer to Capital Projects Fund	-	-	-	-	-	95,140	95,140	-
Change in net position	<u>2,763,538</u>	<u>561,002</u>	<u>909,408</u>	<u>6,970,315</u>	<u>1,374,457</u>	<u>804,647</u>	<u>13,383,367</u>	<u>2,587,351</u>
Net position at beginning of year	12,117,528	16,398,649	(288,285)	(6,970,315)	(1,374,457)	5,163,287	25,046,407	(3,372,849)
Net position at end of year	<u>\$ 14,881,066</u>	<u>\$ 16,959,651</u>	<u>\$ 621,123</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,967,934</u>	<u>\$ 38,429,774</u>	<u>\$ (785,498)</u>

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, 2016

	Business-type Activities						Governmental
	Water Fund	Sewer Fund	Off Street Parking Fund	Transportation Fund	Dock Fund	Non-Major Enterprise Funds	Internal Service Fund Total
Cash flows from operating activities							
Receipts from customers and users	\$ 7,393,778	\$ 7,975,052	\$ 5,693,653	\$ 1,164,043	\$ -	\$ 3,720,675	\$ 25,947,201
Receipts from contributions and other sources	111,015	-	2,261,587	2,725,080	-	-	5,097,682
Receipts from interfund services provided	-	-	-	-	-	-	-
Payments to suppliers for goods and services	(1,633,646)	(5,497,392)	(2,847,217)	(1,337,107)	(126,075)	(2,285,976)	(13,727,413)
Payments to employees for services	(2,158,826)	(810,957)	(605,434)	(3,637,090)	(250,918)	(341,030)	(7,804,255)
Payments for interfund services used	-	-	-	-	-	-	-
Net cash provided by (used for) operating activities	<u>3,712,321</u>	<u>1,666,703</u>	<u>4,502,589</u>	<u>(1,085,074)</u>	<u>(376,993)</u>	<u>1,093,669</u>	<u>9,513,215</u>
Cash flows from noncapital financing activities							
Effect of change from Due From to Equity in Pooled Cash	-	-	404,144	(5,859,510)	(1,609,923)	(813,677)	(7,878,966)
Transfer from other funds	-	-	-	7,479,098	-	-	7,479,098
Transfer to other funds	-	-	(2,400,000)	-	-	-	(2,400,000)
Dissolution of Dock and Market Fund	-	-	-	-	1,374,457	(115,905)	1,258,552
Net cash provided by (used for) noncapital financing activities	<u>-</u>	<u>-</u>	<u>(1,995,856)</u>	<u>1,619,588</u>	<u>(235,466)</u>	<u>(929,582)</u>	<u>(1,541,316)</u>
Cash flows from capital and related financing activities							
Acquisition of capital assets	(12,776,623)	(1,660,354)	(813,825)	(964,116)	-	(147,945)	(16,362,863)
Retirements and transfers of capital assets	(84,369)	-	-	77,750	9,253,762	1,803,619	11,050,762
Proceeds from issuance of long term debt	20,037,518	12,109,554	-	-	-	-	32,147,072
Principal payments of long term debt	(12,298,843)	(379,662)	(1,693,972)	(78,214)	-	(162,089)	(14,612,780)
Refunding and transfers of long term debt	10,661,526	(5,755,400)	-	-	(8,641,803)	(867,794)	(4,603,471)
Capital grant proceeds	-	-	-	427,568	-	-	427,568
Interest	(427,942)	(551,932)	-	-	-	(14,485)	(994,359)
Bond Issuance Costs	(232,430)	(8,550)	-	-	-	-	(240,980)
Net cash provided by (used for) capital and related financing activities	<u>4,878,837</u>	<u>3,753,656</u>	<u>(2,507,797)</u>	<u>(537,012)</u>	<u>611,959</u>	<u>611,306</u>	<u>6,810,949</u>
Cash flows from investing activities:							
Interest received	14,593	13,796	1,064	2,498	-	-	31,951
Net cash provided by (used for) investing activities	<u>14,593</u>	<u>13,796</u>	<u>1,064</u>	<u>2,498</u>	<u>-</u>	<u>-</u>	<u>31,951</u>
Net increase (decrease) in cash and cash equivalents	8,605,751	5,434,155	-	-	(500)	775,393	14,814,799
Cash and cash equivalents at beginning of year	8,411,732	6,411,601	-	50	500	5,222,052	20,045,935
Cash and cash equivalents at end of year	<u>\$ 17,017,483</u>	<u>\$ 11,845,756</u>	<u>\$ -</u>	<u>\$ 50</u>	<u>\$ -</u>	<u>\$ 5,997,445</u>	<u>\$ 34,860,734</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities							
Operating income (loss)	\$ 3,409,317	\$ 1,107,688	\$ 3,308,344	\$ (938,849)	\$ -	\$ 935,037	\$ 7,821,537
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:							
Depreciation	439,802	742,019	896,212	683,525	-	3,608	2,765,166
Effect of changes in non-cash operating assets and liabilities:							
Accounts receivable	186,609	177,284	174,612	236,244	46,162	178,372	999,283
Restricted cash	169,377	-	-	-	-	-	169,377
Restricted water and sewer capital facility assessments	153,600	142,331	-	-	-	-	295,931
Inventories	16,908	-	-	9,131	-	-	26,039
Prepaid expenses	-	-	-	-	-	-	-
Accounts payable	(54,606)	(153,061)	234,885	18,346	(126,075)	(168,114)	(248,625)
Accrued expenses and other liabilities	(3,964)	(2,413)	2,245	(31,194)	(16,389)	8,911	(42,804)
Compensated absences	15,501	2,584	-	(6,151)	(13,201)	6,854	5,587
Deferred revenue	(50,000)	(104,209)	8,580	(10,117)	(46,162)	9,193	(192,715)
Escrowed funds	-	(65,513)	-	-	-	(15,434)	(80,947)
Deferred outflows	(199,945)	(69,097)	(51,242)	(294,004)	8,172	(49,497)	(655,613)
Net pension liability	(355,583)	(102,701)	(58,863)	(679,425)	(197,562)	146,113	(1,248,021)
Deferred inflows	(59,541)	(19,123)	(12,184)	(109,382)	(21,624)	(5,460)	(227,314)
Other post employment benefits	44,846	10,914	-	36,802	(10,314)	44,086	126,334
Claims payable	-	-	-	-	-	-	-
Total adjustments	<u>303,004</u>	<u>559,015</u>	<u>1,194,245</u>	<u>(146,225)</u>	<u>(376,993)</u>	<u>158,632</u>	<u>1,691,678</u>
Net cash provided by (used for) operating activities	<u>\$ 3,712,321</u>	<u>\$ 1,666,703</u>	<u>\$ 4,502,589</u>	<u>\$ (1,085,074)</u>	<u>\$ (376,993)</u>	<u>\$ 1,093,669</u>	<u>\$ 9,513,215</u>

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

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CITY OF ANNAPOLIS, MARYLAND

**FIDUCIARY FUND
FINANCIAL STATEMENTS**



CITY OF
ANNAPOLIS

MARYLAND

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CITY OF ANNAPOLIS, MARYLAND

CITY OF ANNAPOLIS, MARYLAND
Statement of Fiduciary Net Position
Pension Trust Fund
June 30, 2016

		Pension Trust Fund
ASSETS		
Cash	\$	95
Investments, at fair value:		
Common stocks		58,932,951
Corporate bonds		7,064,942
Money market		5,924,609
U.S. Agency securities		21,535,674
Limited partnerships and alternative investments		54,691,542
Real estate		9,088,951
Total investments		<u>157,238,669</u>
Total assets		<u>\$ 157,238,764</u>
NET POSITION		
Total net position, held in trust for Pension Benefits	\$	<u>157,238,764</u>

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

CITY OF ANNAPOLIS, MARYLAND
Statement of Changes in Fiduciary Net Position
Pension Trust Fund
Year Ended June 30, 2016

		<u>Pension Trust Fund</u>
ADDITIONS		
Contributions		
Employer	\$	2,877,922
Plan member		1,324,069
Total Contributions		<u>4,201,991</u>
Investment Income		
Dividends		2,516,224
Net depreciation in fair value of investments		(1,999,716)
Real estate operating income, net		1,133,325
Total investment income		<u>1,649,833</u>
Total additions		<u>5,851,824</u>
DEDUCTIONS		
Benefits		9,327,917
Administrative expenses		1,606,931
Total deductions		<u>10,934,848</u>
Change in net position		(5,083,024)
Net position as of beginning of year		162,321,788
Net position as of end of year	\$	<u><u>157,238,764</u></u>

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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CITY OF ANNAPOLIS, MARYLAND

CITY OF ANNAPOLIS, MARYLAND

Notes to Basic Financial Statements

June 30, 2016

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.

CITY OF ANNAPOLIS, MARYLAND

Notes to Basic Financial Statements

June 30, 2016

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 is reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by laws through constitutional provisions or enabling legislation. The 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. 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.

CITY OF ANNAPOLIS, MARYLAND

Notes to Basic Financial Statements

June 30, 2016

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.

CITY OF ANNAPOLIS, MARYLAND

Notes to Basic Financial Statements

June 30, 2016

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. As of July 1, 2015, this fund was dissolved and net assets of the fund were transferred to the General Fund and Governmental Activities.

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. As of July 1, 2015, this fund was dissolved and net assets of the fund were transferred to the General fund and Governmental Activities.

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.

CITY OF ANNAPOLIS, MARYLAND

Notes to Basic Financial Statements

June 30, 2016

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, 2016 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.

CITY OF ANNAPOLIS, MARYLAND

Notes to Basic Financial Statements

June 30, 2016

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 \$549,795, decreasing the original budget from \$65,516,714 to a revised budget of \$64,966,919.

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

Police	\$	646,701
Fire		230,221
Non-Allocated		1,184,736

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, 2016 was \$387,402.

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.

CITY OF ANNAPOLIS, MARYLAND

Notes to Basic Financial Statements

June 30, 2016

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, 2016.

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, 2016 the City also had deferred outflows of resources for FY16 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.

CITY OF ANNAPOLIS, MARYLAND

Notes to Basic Financial Statements

June 30, 2016

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 2016, 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 negative fund balance within the Internal Service Fund through assessments to other funds for the payment of claims as they become due. The negative fund balance within the Capital Projects Fund will be eliminated through bond and grant proceeds, as well as transfers from the General Fund. The negative fund balance in the Special Revenue Fund will be eliminated through future grant proceeds.

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.

<u>Primary Government</u>	
General Fund (Miscellaneous Billing)	\$ 48,952
General Fund (Personal Property)	83,260
	<u>\$ 132,212</u>

New Accounting Pronouncement

The City implemented GASB Statement No. 72, *Fair Value Measurement and Application* (GASB 72) and GASB Statement No. 70, *Certain External Investment Pools and Pool Participants* (GASB 79) during the year ended June 30, 2016. GASB 72 addresses accounting and financial reporting related to the fair value measurement of assets and liabilities. Our auditors' opinion was not modified with respect to this implementation. GASB Statement No 79, *Certain External Investment Pools and Participants*, addresses accounting and financial reporting for certain investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes.

CITY OF ANNAPOLIS, MARYLAND

Notes to Basic Financial Statements

June 30, 2016

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, 2016, was approximately \$6,178,531,331 and \$181,062,070 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 \$1,944,418 and the bank balances were \$2,679,971 as of June 30, 2016. The bank balances were covered by federal depository insurance or collateral held by the City's agent in the City's name.

Teller and petty cash was \$3,625 at June 30, 2016.

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 \$41,204,871 as of June 30, 2016. 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.

The Retiree Health Trust investments are invested in the Maryland Association of Counties Pooled OPEB Trust (MACO Trust). The MACO Trust is administered by Davenport & Company LLC, and is a wholly-owned instrumentality of its members. The nine members who are the sole contributors to the Trust consist of the following: Allegany, St. Mary's, Queen Anne's, and Talbot Counties, City of Annapolis, College of Southern Maryland, Town of Bel Air, Talbot County Board of Education, and St. Mary's County Metropolitan Commission.

The assets of the Trust are managed by a Board of Trustees and consist of U.S. Treasury obligations, U.S. government agencies, corporate and foreign bonds, municipal obligations, taxable fixed income securities, mutual funds, global funds, and international equity securities.

CITY OF ANNAPOLIS, MARYLAND

Notes to Basic Financial Statements

June 30, 2016

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk - The City plans its investments to match cash flow requirements. In accordance with its investment policy, the City does not directly invest in securities maturing more than one year from the date of purchase. The Maryland Local Government Investment Pool (MLGIP) used by the City is operated in accordance with Rule 2a7 of the Investment Company Act of 1940. The City's investments in the pool are not included in the computation of weighted average maturity. The City's investment in MLGIP was \$16,754,325 as of June 30, 2016.

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

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

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

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

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

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Balance June 30, 2016</u>
Investments by fair value level				
MACO OPEB Trust	\$ -	\$ -	\$ 1,464,200	\$ 1,464,200
Total Investment by fair value level	-	-	1,464,200	1,464,200
Cash and Investments carried at amortized cost:				
Cash on hand				3,625
Deposits				1,944,418
Money Market Mutual Funds				41,204,871
MLGIP				16,754,325
Total Cash and Investments at amortized cost				<u>59,907,239</u>
Total Cash and Investments				<u>\$ 61,371,439</u>

CITY OF ANNAPOLIS, MARYLAND
Notes to Basic Financial Statements
June 30, 2016

NOTE 4 – CAPITAL ASSETS AND DEPRECIATION

	Beginning Balance	Fund Transfer*	Increases	Decreases	Ending Balance
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 4,260,493	12,100	\$ -	\$ -	\$ 4,272,593
Construction in process	14,615,002	1,387,503	11,646,507	(6,165,087)	21,483,925
Total capital assets not being depreciated	<u>18,875,495</u>	<u>1,399,603</u>	<u>11,646,507</u>	<u>(6,165,087)</u>	<u>25,756,518</u>
Capital assets being depreciated:					
Buildings	48,913,848	1,965,909	-	-	50,879,757
Improvements/infrastructure	64,557,924	11,256,615	6,165,087	-	81,979,626
Equipment	16,151,286	375,682	1,494,606	(774,959)	17,246,615
Subtotal	<u>129,623,058</u>	<u>13,598,206</u>	<u>7,659,693</u>	<u>(774,959)</u>	<u>150,105,998</u>
Less accumulated depreciation:					
Buildings	(15,323,473)	(1,047,552)	(901,251)	-	(17,272,276)
Improvements/infrastructure	(35,706,110)	(2,541,179)	(984,467)	-	(39,231,756)
Equipment	(12,538,604)	(351,698)	(1,384,331)	594,925	(13,679,708)
Subtotal	<u>(63,568,187)</u>	<u>(3,940,429)</u>	<u>(3,270,049)</u>	<u>594,925</u>	<u>(70,183,740)</u>
Total capital assets being depreciated, net	<u>66,054,871</u>	<u>9,657,777</u>	<u>4,389,644</u>	<u>(180,034)</u>	<u>79,922,258</u>
Net capital assets	<u>\$ 84,930,366</u>	<u>\$ 11,057,380</u>	<u>\$ 16,036,151</u>	<u>\$ (6,345,121)</u>	<u>\$ 105,678,776</u>
	Beginning Balance	Fund Transfer*	Increases	Decreases	Ending Balance
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 3,243,441	\$ (12,100)	\$ -	\$ -	\$ 3,231,341
Construction in process	22,567,483	(1,387,503)	15,078,090	(3,115,823)	33,142,247
Total capital assets not being depreciated	<u>25,810,924</u>	<u>(1,399,603)</u>	<u>15,078,090</u>	<u>(3,115,823)</u>	<u>36,373,588</u>
Capital assets being depreciated:					
Buildings	62,885,898	(1,965,909)	394,511	(41,385)	61,273,115
Improvements/infrastructure	42,434,054	(11,256,615)	4,080,229	-	35,257,668
Equipment	9,506,395	(332,331)	86,740	(442,244)	8,818,560
Subtotal	<u>114,826,347</u>	<u>(13,554,855)</u>	<u>4,561,480</u>	<u>(483,629)</u>	<u>105,349,343</u>
Less accumulated depreciation:					
Buildings	(28,350,268)	1,047,552	(1,411,535)	41,385	(28,672,866)
Improvements/infrastructure	(17,181,729)	2,541,179	(551,342)	-	(15,191,892)
Equipment	(7,260,689)	308,347	(802,289)	287,979	(7,466,652)
Subtotal	<u>(52,792,686)</u>	<u>3,897,078</u>	<u>(2,765,166)</u>	<u>329,364</u>	<u>(51,331,410)</u>
Total capital assets being depreciated, net	<u>62,033,661</u>	<u>(9,657,777)</u>	<u>1,796,314</u>	<u>(154,265)</u>	<u>54,017,933</u>
Net capital assets	<u>\$ 87,844,585</u>	<u>\$ (11,057,380)</u>	<u>\$ 16,874,405</u>	<u>\$ (3,270,088)</u>	<u>\$ 90,391,522</u>

* Fund Transfer column consists of the transfer of Business-type capital assets into Governmental Activities in relation to the dissolution of the Dock and Market Funds as of July 1, 2015.

CITY OF ANNAPOLIS, MARYLAND

Notes to Basic Financial Statements

June 30, 2016

NOTE 4 – CAPITAL ASSETS AND DEPRECIATION (CONTINUED)

Depreciation was charged to functions for governmental activities as follows:

Governmental activities:	
General government	\$ 95,957
Public safety	888,950
Community services	1,846,236
Public works	<u>438,906</u>
Total governmental activities depreciation expense	<u>\$ 3,270,049</u>

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

Business-type activities:	
Water	\$ 439,801
Sewer	742,019
Off street parking	896,213
Transportation	683,525
Non Major Funds	<u>3,608</u>
Total business-type activities depreciation expense	<u>\$ 2,765,166</u>

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 December 1, 2015, the City sold \$30,755,000 Water and Sewer System Revenue and Refunding Bonds, Series 2015A and 2015B for system improvements of which \$18,645,446, was allocated to the Water Fund and \$12,109,554 was allocated to the Sewer Fund to fund capital needs, provide working capital, and fund debt service reserve accounts of the Water and Sewer funds and to refund portions of existing debt in the amount of \$11,485,000 in the Water Fund and \$5,515,000 in the Sewer fund. The 2015A bond series have an average interest rate of 3% to 4%, due serially to 2046, and the 2015B bond series have an average interest rate of 3% to 4% due serially to 2046.

CITY OF ANNAPOLIS, MARYLAND
Notes to Basic Financial Statements
June 30, 2016

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 December 1, 2015, the City refunded \$17,000,000 of general obligation bonds which increased the bond defeasance on June 30, 2016, to \$52,145,000 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. In fiscal year 2016, St. John's College refunded the 1998 bonds to a portion of the 2007 bonds. The amount of conduit debt outstanding as of June 30, 2016 was \$4,040,000 for the 2007A issuance.

The following is a summary of changes in long-term liabilities by type of the City for the year ended June 30, 2016:

	Beginning Balance	Fund Transfer*	Additions and Adjustments	Reductions	Ending Balance	Amount due within one year
Governmental activities:						
General obligation bonds	\$ 63,213,100	9,201,314	\$ -	(3,490,044)	\$ 68,924,370	\$ 3,490,044
Unamortized premium	4,009,739	538,940	-	(715,879)	3,832,800	-
Other debt	520,883	2,538	-	(218,708)	304,713	218,708
Total Long term debt	<u>67,743,722</u>	<u>9,742,792</u>	<u>-</u>	<u>(4,424,631)</u>	<u>73,061,883</u>	<u>3,708,752</u>
OPEB	22,416,523	10,313	1,834,931	-	24,261,767	-
Compensated absences	1,914,325	13,202	-	(919,813)	1,007,714	80,617
Net pension liability	27,579,526	197,562	16,520,786	-	44,297,874	-
Total long-term liabilities	<u>\$ 119,654,096</u>	<u>9,963,869</u>	<u>18,355,717</u>	<u>(5,344,444)</u>	<u>142,629,238</u>	<u>\$ 3,789,369</u>

	Beginning Balance	Fund Transfer*	Additions and Adjustments	Reductions	Ending Balance	Amount due within one year
Business-type activities:						
General obligation bonds	\$ 63,776,900	(9,201,314)	\$ 30,755,000	(19,780,197)	\$ 65,550,389	\$ 2,796,955
Unamortized premium	2,320,444	(538,940)	-	(686,548)	1,094,956	-
Other debt	5,627,344	(2,538)	12,877,062	(201,313)	18,300,555	201,313
Total Long term debt	<u>71,724,688</u>	<u>(9,742,792)</u>	<u>43,632,062</u>	<u>(20,668,058)</u>	<u>84,945,900</u>	<u>2,998,268</u>
OPEB	1,680,422	(10,313)	136,647	-	1,806,756	-
Compensated absences	325,589	(13,202)	17,733	-	330,120	26,410
Net pension liability	3,542,945	(197,562)	-	(1,196,068)	2,149,315	-
Total long-term liabilities	<u>\$ 77,273,644</u>	<u>(9,963,869)</u>	<u>43,786,442</u>	<u>(21,864,126)</u>	<u>89,232,091</u>	<u>\$ 3,024,678</u>

* Fund Transfer column consists of the transfer of Business-type long-term liabilities into Governmental Activities in relation to the dissolution of the Dock and Market Funds as of July 1, 2015.

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.

CITY OF ANNAPOLIS, MARYLAND
Notes to Basic Financial Statements
June 30, 2016

NOTE 5 - DEBT (CONTINUED)

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, 2016, the debt margin of the City was as follows:

Assessed value of taxable real and personal property, July 1, 2015	\$ <u>6,359,593,401</u>
Debt limit; 10% of assessable basis	\$ 635,959,340
Debt subject to limitation	<u>153,080,027</u>
Debt margin	\$ <u>482,879,313</u>

Long-term debt amounts are comprised of the following as of June 30, 2016:

Governmental activities:

General obligation bonds:

Public Improvement Bonds of 2007: \$21,391,600; interest 4.25%; due serially to 2022	\$ 1,874,958
Public Improvement Bonds of 2009: \$19,418,400; interest 2.0%; due serially to 2029	3,661,805
Public Improvements and Refunding Bonds of 2011: \$22,738,856; interest 2.0% to 5.0%; due serially to 2040	19,644,363
Public Improvements and Refunding Bonds of 2012: \$11,357,343; interest 2.0% to 5.0%; due serially to 2040	11,959,085
Public Improvement Bonds of 2013: \$5,336,000; interest 4.25%; due serially to 2022	5,195,516
Public Improvement Bonds of 2015: \$11,500,000; interest 3.0 to 4.0%; due serially to 2035	11,500,000
Public Refunding Bonds of 2015: \$15,088,643; interest 3.0% to 4.0%; due serially to 2028	<u>15,088,643</u>
Total general obligation bonds	<u>68,924,370</u>
Other debt:	
Capital lease and vehicle loan	<u>304,713</u>
Total governmental activities long-term debt	\$ <u>69,229,083</u>

CITY OF ANNAPOLIS, MARYLAND
Notes to Basic Financial Statements
June 30, 2016

NOTE 5 - DEBT (CONTINUED)

Business-type activities:

General obligation bonds:

Public Improvement Bonds of 2007: \$7,508,400; interest 4.25%; due serially to 2022	\$ 440,042
Public Improvement Bonds of 2009: \$7,551,600; interest 2.0%; due serially to 2029	1,333,194
Public Improvements and Refunding Bonds of 2011: \$13,081,144; interest 2.0% to 5.0%; due serially to 2040	5,910,637
Public Improvements and Refunding Bonds of 2012: \$7,887,657; interest 2.0% to 5.0%; due serially to 2040	1,405,915
Refunding Bonds of 2013: \$20,035,000; interest 2.54% to 3.89%; due serially to 2035	18,449,760
Public Improvement Bonds of 2013: \$9,814,000; interest 3.5%; due serially to 2025	2,379,484
Public Refunding Bonds of 2015: \$4,876,357; interest 3.0% to 4.0%; due serially to 2028	4,876,357
Public Refunding Bonds of 2016: \$13,755,000; interest 3.0% to 4.0%; due serially to 2046	13,460,000
Public Refunding Bonds of 2016: \$17,000,000; interest 3.0% to 4.0%; due serially to 2046	17,295,000
Total general obligation bonds	<u>65,550,389</u>

Other debt:

State of Maryland Water Quality loan: \$18,272,115; interest 0.900%; due semiannually to 2043	18,272,115
Capital lease and vehicle Loan; \$1,030,000; interest 1.34%; due quarterly to 2017	28,440
	<u>18,300,555</u>

Total business-type activities debt \$ 83,850,944

Interest costs incurred on general obligation bonds allocated to the business-type activities were \$994,359 for the year ended June 30, 2016.

Long-term debt maturities excluding the unamortized loss on refunding of \$2,021,268 and \$3,502,831 in governmental and business-type activities respectively are scheduled as follows:

	General obligation bonds		Other debt		Total
	Principal	Interest	Principal	Interest	
Governmental activities:					
2017	3,827,617	2,709,936	226,950	3,170	6,767,673
2018	3,817,762	2,552,137	77,763	518	6,448,180
2019	4,042,562	2,395,958	-	-	6,438,520
2020	4,278,598	2,235,366	-	-	6,513,964
2021	4,502,670	2,040,990			
2022 - 2026	22,257,978	7,356,629	-	-	29,614,607
2027 - 2031	17,738,869	2,957,580	-	-	20,696,449
2032 - 2036	6,090,688	755,991	-	-	6,846,679
2037 - 2040	2,367,626	88,264	-	-	2,455,890
Total	<u>\$ 68,924,370</u>	<u>\$ 23,092,851</u>	<u>\$ 304,713</u>	<u>\$ 3,688</u>	<u>\$ 85,781,962</u>

CITY OF ANNAPOLIS, MARYLAND
Notes to Basic Financial Statements
June 30, 2016

NOTE 5 - DEBT (CONTINUED)

	General obligation bonds		Other debt		Total
	Principal	Interest	Principal	Interest	
Business-type activities:					
2017	1,017,382	2,547,498	21,282	282	3,586,444
2018	1,631,998	2,362,378	7,158	39	4,001,573
2019	1,887,438	2,301,137	-	-	4,188,575
2020	2,011,402	2,234,353	-	-	4,245,755
2021	2,012,330	2,155,411			
2022 - 2026	12,852,022	9,554,151	-	-	22,406,173
2027 - 2031	13,836,131	7,210,693	-	-	21,046,824
2032 - 2036	10,924,312	4,930,368	-	-	15,854,680
2037 - 2040	8,982,374	2,593,894	-	-	11,576,268
2041 - 2046	10,395,000	1,582,759			
Total	<u>\$ 65,550,389</u>	<u>\$ 37,472,642</u>	<u>\$ 28,440</u>	<u>\$ 321</u>	<u>\$ 86,906,292</u>

Other debt does not include the MDE Water Quality Loan in the amount of \$18,272,115. 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 \$264,762 and \$68,391, respectively as of June 30, 2016.

The assets acquired through these capital leases are as follows:

	Equipment	Less: accumulated depreciation	Total asset value under capital leases
Governmental Activities	\$ 1,022,898	\$ (808,496)	\$ 214,402
Water Fund	45,511	(36,408)	9,103
Sewer Fund	45,511	(36,408)	9,103
Off Street Parking Fund	300,000	(18,000)	282,000
Transportation Fund	236,136	(19,397)	216,739
Total	<u>\$ 1,650,056</u>	<u>\$ (918,709)</u>	<u>\$ 731,347</u>

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.

CITY OF ANNAPOLIS, MARYLAND
Notes to Basic Financial Statements
June 30, 2016

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 retiree's benefits allowance will be computed. Some of these options require actuarial reductions based on the retiree's and/or designated beneficiary's attained age and similar actuarial factors.

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

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.

CITY OF ANNAPOLIS, MARYLAND

Notes to Basic Financial Statements

June 30, 2016

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, 2016, 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, 2016, of \$1,462,128.

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

At June 30, 2016, the City reported a liability of \$16,325,552 for its proportionate share of the net pension liability of the System. 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. 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, 2015. The contributions were increased to adjust for differences between actuarial determined contributions and actual contributions by the State of Maryland. As of June 30, 2015, the City's proportionate share was 0.0786%.

For the year ended June 30, 2016, the City recognized pension expense of \$1,543,620. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>
Net difference between projected and actual experience	\$ -	\$	334,333
Changes in assumptions	960,118		-
Change in proportion	616,447		-
Net difference between projected and actual earnings on pension plan investments	356,719		-
Change in proportionate share of contribution	-		884,637
City contributions subsequent to the measurement date	1,462,128		-
Total	<u>\$ 3,395,412</u>	\$	<u>1,218,970</u>

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:

2017	\$	(100,384)
2018		(100,384)
2019		(100,384)
2020		(413,162)

CITY OF ANNAPOLIS, MARYLAND
Notes to Basic Financial Statements
June 30, 2016

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	2.90% general; 3.20% wage
Salary increases	3.45% to 10.7%, including inflation
Investment rate of return	7.55%

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, 2015 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 2.95% price inflation are being phased in over a four-year period. As a result, an investment return assumption of 7.55% and an inflation assumption of 2.90% were used for the June 30, 2015 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Public Equity	35%	6.30%
Fixed Income	10%	0.60%
Credit Opportunity	10%	3.20%
Real Return	14%	1.80%
Absolute Return	10%	4.20%
Private Equity	10%	7.20%
Real Estate	10%	4.40%
Cash	1%	0.00%
Total	<u>100%</u>	

The above was the System's Board of Trustees adopted asset allocation policy and best estimate of geometric real rates for each major asset class as of June 30, 2015.

CITY OF ANNAPOLIS, MARYLAND
Notes to Basic Financial Statements
June 30, 2016

NOTE 6 – PENSION PLANS (CONTINUED)

For the year ended June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of the pension plan expense was 2.71%. 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 7.55%. This single discount rate was based on the expected rate of return on pension plan investments of 7.55%. 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 7.55%, 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.

	Discount Rate		
	1% Decrease	Current	1% Decrease
	(6.55%)	(7.55%)	(8.55%)
City's Proportionate Share	\$ 12,073,664	\$ 16,325,552	\$ 10,730,022

**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, 2016, the City had an actuarially determined contribution of \$3,740,905, and the City made a contribution of \$2,877,922. 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.

CITY OF ANNAPOLIS, MARYLAND

Notes to Basic Financial Statements

June 30, 2016

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 Type	Fair Value	Investment Maturities (in years)			
		Less than 1	1-5	5-10	Over 10
Corporate bonds	\$ 7,064,942	\$ 2,006,562	\$ 3,046,120	\$ 2,012,260	\$ -
U.S. Agency securities	21,535,674	2,552,721	8,166,033	7,232,738	3,584,182
	<u>\$ 28,600,616</u>	<u>\$ -</u>	<u>\$ 11,212,153</u>	<u>\$ 9,244,998</u>	<u>\$ 3,584,182</u>

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

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

As of June 30, 2016, the City's fixed income investments had the following risk characteristics:

SP Rating or Comparable	Percent of	
	Total Investments	Fair Value
AAA	11.74%	\$ 3,358,964
AA	70.01%	20,023,592
A	6.07%	1,734,827
BBB	12.18%	3,483,233
	<u>100.00%</u>	<u>\$ 28,600,616</u>

Custodial Credit Risk - State Street invests in a money market fund on behalf of the Plan. As of June 30, 2016, the amount in the money market fund was \$5,924,609. 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.

CITY OF ANNAPOLIS, MARYLAND
Notes to Basic Financial Statements
June 30, 2016

NOTE 6 – PENSION PLANS (CONTINUED)

	Level 1	Level 2	Level 3	Balance June 30, 2016
Investments by fair value level:				
Debt securities:				
Corporate bonds	\$ -	\$ 7,064,942	\$ -	\$ 7,064,942
U.S. agency securities	<u>21,535,674</u>	<u>-</u>	<u>-</u>	<u>21,535,674</u>
Total Debt securities	21,535,674	7,064,942	-	28,600,616
Equity Securities:				
Common stocks	<u>58,932,951</u>	<u>-</u>	<u>-</u>	<u>58,932,951</u>
Total Equity securities	58,932,951	-	-	58,932,951
Total investments measured at fair value level	<u>80,468,625</u>	<u>7,064,942</u>	<u>-</u>	<u>87,533,567</u>
Investments measured at the net asset value (NAV)				
Limited partnerships & Alternative investments ¹				54,691,542
Real estate investment trust ²				<u>9,088,951</u>
Total Investments measured at the NAV				63,780,493
Total Investments measured at fair value				<u>151,314,060</u>
Cash and Investments carried at amortized cost:				
Cash on hand				95
Money Market Mutual Funds				<u>5,924,609</u>
Total Cash and Investments at amortized cost				5,924,704
Total Cash and Investments				<u>\$ 157,238,764</u>

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

<u>Investment</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Limited partnerships & Alternative investments ¹	54,691,542	-	Monthly, Quarterly	30-75 days
Real estate investment trust ²	9,088,951	-	N/A	N/A

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

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

CITY OF ANNAPOLIS, MARYLAND
Notes to Basic Financial Statements
June 30, 2016

NOTE 6 – PENSION PLANS (CONTINUED)

Police and Fire Retirement Pension Fund

Non-Active Members:	
Retirees and beneficiaries receiving benefits	248
Terminated employees not yet receiving benefits	2
Total non-active members	250
Active Members:	
Fully vested	12
Non-vested	212
Total active members	224
Total	474

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, 2016, the Plan had cash totaling \$95 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, 2016:

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, 2016:

Investments	% of Pension Fiduciary Net Position	Fair Value
Common Stocks	37.4%	58,932,951
Corporate Bonds	1.3%	7,064,942
Money Market Funds	3.8%	5,924,609
U.S. Agency Securities	16.9%	21,535,674
Limited Partnerships and Alternative investments	34.8%	54,691,542
Real Estate Investment Trust	5.8%	9,088,951
Total		\$ 157,238,669

CITY OF ANNAPOLIS, MARYLAND
Notes to Basic Financial Statements
June 30, 2016

NOTE 6 – PENSION PLANS (CONTINUED)

At June 30, 2016, the City reported a liability of \$30,594,404 for the Police and Fire Retirement Fund net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2016, for measurement date June 30, 2016, is as follows:

Total pension liability	\$	187,833,168
Plan fiduciary net position		(157,238,764)
 Net pension liability	 \$	 <u><u>30,594,404</u></u>
 Plan fiduciary net position as a percentage of the total per		 83.7%

At June 30, 2016, 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	\$	2,379,181	\$	44,601
Net difference between projected and actual earnings on pension plan investments		13,420,421		-
Total	\$	<u>15,799,602</u>	\$	<u>44,601</u>

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

Year ended June 30:

2017	\$	(4,281,320)
2018		(4,281,319)
2019		(4,303,621)
2020		(2,888,741)

Actuarial assumptions. The total pension liability in the June 30, 2016 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.

CITY OF ANNAPOLIS, MARYLAND
Notes to Basic Financial Statements
June 30, 2016

NOTE 6 – PENSION PLANS (CONTINUED)

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:

<u>Asset Class/Style</u>	<u>Target</u>	<u>Return</u>
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 - International Blended IG	29%	2.2%
Fixed Income - Cash	2%	1.0%
Total	<u>100%</u>	

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, 2016.

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, 2015 measurement date 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 16% of payroll in Fiscal Year (FY) 2016, increasing 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, 2016 is 7.5%, the long-term expected rate-of-return as defined by GASB No.68.

CITY OF ANNAPOLIS, MARYLAND
Notes to Basic Financial Statements
June 30, 2016

NOTE 6 – PENSION PLANS (CONTINUED)

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balance at June 30, 2015	\$ 180,273,463	\$ 162,321,787	\$ 17,951,676
<u>Changes for the year</u>			
Service Cost	3,651,655	-	3,651,655
Interest	13,302,868	-	13,302,868
Difference between expected and actual experience	(66,901)	-	(66,901)
Contributions - City	-	2,877,922	(2,877,922)
Contributions - Employee	-	1,324,069	(1,324,069)
Net investment income	-	1,649,833	(1,649,833)
Benefit payments	(9,327,917)	(9,327,917)	-
Administrative expenses	-	(1,606,930)	1,606,930
Net changes	<u>7,559,705</u>	<u>(5,083,023)</u>	<u>12,642,728</u>
Balance at June 30, 2016	<u>\$ 187,833,168</u>	<u>\$ 157,238,764</u>	<u>\$ 30,594,404</u>

Sensitivity of Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of the City calculated using the discount rate of 7.5%, 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:

	<u>Discount Rate</u>		
	<u>1% Decrease (6.50%)</u>	<u>Current (7.50%)</u>	<u>1 % Increase (8.50%)</u>
Total Pension Liability	\$ 206,745,849	\$ 187,833,168	\$ 165,787,344
Plan Fiduciary Net Position	157,238,764	157,238,764	157,238,764
Net Pension Liability	<u>\$ 49,507,085</u>	<u>\$ 30,594,404</u>	<u>\$ 8,548,580</u>
Percentage of the Total Pension Liability	76.1%	83.7%	94.8%

Rate of Return on Investments: The annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, for FY2016 was (0.8)%. The money-weighted rate of return expresses investment performance, net of expenses, adjusted for the changing amounts actually invested.

CITY OF ANNAPOLIS, MARYLAND

Notes to Basic Financial Statements

June 30, 2016

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 required contribution (ARC)	\$ 3,925,230
Interest on net OPEB asset	1,204,800
Adjustment to ARC	<u>(1,173,313)</u>
Annual OPEB expense	3,956,717
Contributions made	<u>(1,985,138)</u>
Increase in OPEB liability	1,971,579
Net OPEB obligation, Beginning of year	<u>24,096,944</u>
Net OPEB obligation, End of year	<u><u>\$ 26,068,523</u></u>

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
2014	4,643,699	31.1%	22,091,859
2015	4,089,504	51.0%	24,096,945
2016	3,956,717	50.2%	26,068,523

CITY OF ANNAPOLIS, MARYLAND
Notes to Basic Financial Statements
June 30, 2016

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	6/30/2016
Actuarial cost method	Entry age normal
Amortization method	Level dollar closed
Remaining amortization period	30 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases	3.5% (plus merit scale)
Rate of medical inflation	7% grading down to 3.5% over 15 years
Rate of prescription inflation	10% grading down to 3.5% over 15 years
Rate of dental and vision inflation	3.5% 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, 2016:

	Payable Fund (Due To)			
	Capital Projects	Off Street Parking	Transportation	Total
Receivable Fund (Due From)				
General Fund	<u>\$ 7,317,661</u>	<u>\$5,701,755</u>	<u>\$ 2,106,310</u>	<u>\$ 15,125,726</u>

CITY OF ANNAPOLIS, MARYLAND
Notes to Basic Financial Statements
June 30, 2016

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

Transfers between other funds and the general fund consist of the following as of June 30, 2016:

<u>Transfer Out</u>	Transfer In			
	General	Transportation	Capital Projects	Total
General	\$ -	\$ 7,479,098	\$ 671,848	\$ 8,150,946
Off Street Parking	2,400,000	-	-	2,400,000
	\$ 2,400,000	\$ 7,479,098	\$ 671,848	\$ 10,550,946

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

NOTE 9 – DISSOLUTION OF DOCK AND MARKET ENTERPRISE FUNDS

Effective July 1, 2015, the Dock and Market funds were dissolved and activities were transferred to the General fund, and Governmental Activities.

The following table represents the components of the transfer as of July 1, 2015:

Transfer From			Transfer To		
Dock Fund Balance 6/30/2015	Market Fund Balance as of 6/30/2015	Total Fund Balance as of 6/30/2015	Governmental Activities	General Fund	Capital Projects Fund
\$ (1,374,457)	\$ 115,905	\$ (1,258,552)	\$ (1,258,552)	\$ (2,458,309)	\$ (95,140)

NOTE 10 - 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 11 – 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.

CITY OF ANNAPOLIS, MARYLAND

Notes to Basic Financial Statements

June 30, 2016

NOTE 12 - 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 13 – 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 2016 and 2015 were as follows:

	<u>FY 2016</u>	<u>FY 2015</u>
Beginning accrued payables and other liabilities	\$ 6,362,565	\$ 5,679,402
Incurred claims and changes in estimates	(372,423)	1,773,948
Claim payments	<u>(1,492,513)</u>	<u>(1,090,785)</u>
Ending accrued payables and other liabilities	<u>\$ 4,497,629</u>	<u>\$ 6,362,565</u>

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

NOTE 14 – 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.

CITY OF ANNAPOLIS, MARYLAND
Notes to Basic Financial Statements
June 30, 2016

NOTE 15 – SUBSEQUENT EVENTS

In December 2016, the City issued General Obligation Public Improvement Bonds - Series A (Tax-Exempt) in the amount of \$9,500,000. The proceeds were used to fund capital needs.

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, 2016

	2016	2015
City's proportion of the net pension liability	0.07855730000000000%	0.07421532712982390%
City's proportionate share of the net pension liability	\$ 16,325,552	\$ 13,170,794
City's covered employee payroll	\$ 11,063,961	\$ 10,803,631
City's proportionate share of the net pension liability as a percentage of its covered employee payroll	147.56%	164.27%
Plan fiduciary net position as a percentage of the total pension liability	68.78%	71.87%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, 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, 2016

<u>Total Pension Liability</u>	2016	2015	2014
Service cost (MOY)	\$ 3,651,655	\$ 3,673,745	\$ 3,821,288
Interest (includes interest on service cost)	13,302,868	12,768,894	12,349,153
Changes of benefit terms	-	(5,211,445)	-
Differences between expected and actual experience	(66,901)	3,568,771	-
Benefit payments, including refunds of member contributions	(9,327,917)	(9,070,882)	(8,654,196)
Net change in total pension liability	7,559,705	5,729,083	7,516,245
Total pension liability - beginning	180,273,463	174,544,380	167,028,135
Total pension liability - ending	\$ 187,833,168	\$ 180,273,463	\$ 174,544,380
<u>Plan fiduciary net position</u>			
Contributions - employer	\$ 2,877,922	\$ 2,451,163	\$ 1,535,001
Contributions - member	1,324,069	1,220,879	1,138,427
Net investment income	1,649,833	5,896,989	20,789,635
Benefit payments, including refunds of member contributions	(9,327,917)	(9,070,882)	(8,654,196)
Administrative expense	(1,606,930)	(961,324)	(215,621)
Net change in plan fiduciary net position	\$ (5,083,023)	\$ (463,175)	\$ 14,593,246
Plan fiduciary net position - beginning	162,321,787	162,784,962	148,191,716
Plan fiduciary net position - ending	\$ 157,238,764	\$ 162,321,787	\$ 162,784,962
Net pension liability - ending	\$ 30,594,404	\$ 17,951,676	\$ 11,759,418
Plan fiduciary net position as a percentage of the total pension liability	83.71%	90.04%	93.26%
Covered employee payroll	16,430,407	16,529,127	16,269,356
Net pension liability as a percentage of covered employee payroll	186.21%	108.61%	72.28%

Notes to Schedule

Valuation Date 6/30/2016

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
Schedules of Employer's Net Pension Liability, Employer Contributions, and Investment Returns
Police and Fire Retirement Pension Fund
Year Ended June 30, 2016

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
2016	\$ 187,833,168	\$ 157,238,764	\$ 30,594,404	83.71%	\$ 16,430,407	186.21%
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%

Schedule of Employer Contributions

FY Ending 30-Jun	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency Excess	Covered Payroll	Actual Contribution as a % of Covered Payroll
2016	\$ 3,740,905	\$ 2,877,922	\$ 862,983	\$ 16,430,407	17.52%
2015	\$ 3,234,493	\$ 2,451,163	\$ 783,330	\$ 16,529,127	14.83%
2014	\$ 3,989,791	\$ 1,535,001	\$ 2,454,790	\$ 16,269,356	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	\$ 8,128,420	\$ -	\$ 8,128,420	\$ 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%

Schedule of Investment Returns*
Police and Fire Retirement Pension Fund
Year Ended June 30, 2016

June 30, 2016	-0.08%
June 30, 2015	4.77%
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%

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

CITY OF ANNAPOLIS, MARYLAND
Required Supplementary Information
Other Post-employment Benefits Plan
Year Ended June 30, 2016

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
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%
2016	3,956,717	(1,985,138)	1,971,579	24,096,944	26,068,523	-50.2%

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, 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%
June 30, 2016	2,743,000	53,477,000	50,734,000	5%	33,762,000	150.3%

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, 2016

	General Fund			Variance - positive (negative)
	Original Budget	Final Budget	Actual	
Revenues				
Taxes				
Real Property	\$ 39,591,920	\$ 39,591,920	\$ 40,457,782	\$ 865,862
Personal Property	3,686,000	3,686,000	3,524,009	(161,991)
Penalties, Interest and Transfer Fees	193,500	193,500	213,195	19,695
Licenses and Permits	2,523,000	2,523,000	3,020,848	497,848
Fines and Forfeitures	468,000	468,000	215,054	(252,946)
Money and Property	1,006,000	1,006,000	953,186	(52,814)
Intergovernmental	10,151,217	10,151,217	11,925,570	1,774,353
Current Services	4,682,500	4,682,500	5,061,174	378,674
Total Revenues	<u>62,302,137</u>	<u>62,302,137</u>	<u>65,370,818</u>	<u>3,068,681</u>
Expenditures				
Current:				
General Government				
Mayor and Aldermen	2,769,557	2,499,557	2,273,460	226,097
Finance	4,370,794	4,370,794	3,903,346	467,447
Human Resources	915,417	915,417	714,777	200,639
Planning and Zoning	1,943,433	1,859,314	1,814,851	44,463
Public Safety				
Police	15,545,718	16,035,599	16,682,300	(646,701)
Fire	15,511,573	15,580,453	15,810,674	(230,221)
Neighborhood and Environmental Programs	2,179,171	2,160,496	2,019,814	140,682
Public Works	7,760,936	7,640,936	7,257,323	383,613
Community Services				
Recreation and Parks	4,737,293	4,725,293	4,382,795	342,497
Community Assistance Grants	-	270,000	249,000	21,000
Nonallocated Expenditures	3,546,500	2,672,739	3,857,475	(1,184,736)
Debt Service:				
Principal and Interest	6,236,323	6,236,323	6,095,470	140,853
Total Expenditures	<u>65,516,714</u>	<u>64,966,919</u>	<u>65,061,286</u>	<u>(94,367)</u>
Excess (Deficiencies) of Revenues over Expenditures	<u>(3,214,577)</u>	<u>(2,664,782)</u>	<u>309,531</u>	<u>2,974,313</u>
Other Financing Sources (Uses)				
Issuance of debt	-	-	(32,977)	(32,977)
Interfund Sources	-	-	4,151,809	4,151,809
Transfers In	6,802,398	6,802,398	5,440,310	(1,362,088)
Transfers Out	(3,089,048)	(3,089,048)	(8,150,946)	(5,061,898)
Total Other Financing Sources (Uses)	<u>3,713,350</u>	<u>3,713,350</u>	<u>1,408,196</u>	<u>(2,305,154)</u>
Net Change in Fund Balance	498,773	1,048,568	1,717,727	669,159
Fund Balance at Beginning of Year	35,677,193	35,195,076	35,907,891	712,815
Fund Balance at End of Year	<u>\$ 36,175,966</u>	<u>\$ 36,243,644</u>	<u>\$ 37,625,618</u>	<u>\$ 1,381,974</u>

CITY OF ANNAPOLIS, MARYLAND
Notes to the Required Supplemental Information
June 30, 2016

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)	\$ 65,370,818
Grant revenue	3,586,683
Revenues (GAAP basis)	<u>\$ 68,957,501</u>
Expenditures (non-GAAP budgetary basis)	\$ 65,061,286
Grant expenditures	4,968,552
Internal services	(4,151,809)
Expenditures (GAAP basis)	<u>\$ 65,878,029</u>

**CITY OF ANNAPOLIS, MARYLAND
GENERAL FUND**

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

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. 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, 2016

	2016		Variance - positive (negative)
	Budget as revised	Actual	
Taxes			
Real and personal property			
Real property	\$ 39,591,920	\$ 40,457,782	\$ 865,862
Personal	36,000	45,411	9,411
Public utilities	1,750,000	1,699,124	(50,876)
Ordinary business corporations	1,900,000	1,779,475	(120,525)
Total	<u>43,277,920</u>	<u>43,981,792</u>	<u>703,871</u>
Transfer Fees	50,000	81,950	31,950
Penalties and interest	143,500	131,245	(12,255)
Total Taxes	<u>43,471,420</u>	<u>44,194,987</u>	<u>723,567</u>
Licenses and Permits			
Street Use			
Street privileges	190,000	242,309	52,309
Sidewalk	12,000	18,950	6,950
Total street use	<u>202,000</u>	<u>261,259</u>	<u>59,259</u>
Business			
Alcoholic beverages	445,000	483,764	38,764
Amusements	5,000	60	(4,940)
Traders	70,000	73,298	3,298
Occupational	75,000	123,870	48,870
Total Business	<u>645,000</u>	<u>715,112</u>	<u>70,112</u>
Other			
Building	720,000	922,850	202,850
Certificate of occupancy	11,000	24,290	13,290
Use permits	5,000	51,225	46,225
Cable television franchise fees	800,000	920,983	120,983
Other	140,000	125,128	(14,872)
Total Other	<u>1,676,000</u>	<u>2,044,476</u>	<u>368,476</u>
Total Licenses and Permits	<u>2,523,000</u>	<u>3,020,848</u>	<u>497,848</u>
Fines and Forfeitures			
Municipal Infractions	28,000	29,350	1,350
Police - forfeitures	-	-	-
Speed enforcement program	380,000	181,744	(198,256)
Auto Traffic Signal	50,000	2,310	(47,690)
Other fines	10,000	1,650	(8,350)
Total Fines and Forfeitures	<u>468,000</u>	<u>215,054</u>	<u>(252,946)</u>
Money and Property			
Interest and dividends	25,000	101,180	76,180
Rents and concessions	380,000	278,189	(101,811)
Contributions	-	496	496
Miscellaneous sales, non-taxable	436,000	327,513	(108,487)
Payments in lieu of taxes	165,000	245,808	80,808
Total Money and Property	<u>1,006,000</u>	<u>953,186</u>	<u>(52,814)</u>

CITY OF ANNAPOLIS, MARYLAND
General Fund
Detailed Schedule of Revenues Compared to Budget
(Non-GAAP Budgetary Basis)
Year Ended June 30, 2016

	2016		Variance - positive (negative)
	Budget as revised	Actual	
<i>Intergovernmental</i>			
Payments In lieu of taxes	367,000	367,000	-
Utility tax	462,000	473,301	11,301
Hotel/motel tax	1,800,000	1,950,424	150,424
Admissions	900,000	916,201	16,201
Income	5,800,000	7,085,506	1,285,506
Highway	822,217	1,133,138	310,921
Miscellaneous grants	-	-	-
<i>Total Intergovernmental</i>	<u>10,151,217</u>	<u>11,925,570</u>	<u>1,774,353</u>
<i>Current Services</i>			
Zoning and subdivision fees	50,000	100,284	50,284
Recreation rent and fees	2,487,500	2,597,477	109,977
Latchkey	345,000	298,278	(46,722)
Rental unit license	750,000	804,633	54,633
Public safety fees	1,050,000	1,260,502	210,502
<i>Total Current Services</i>	<u>4,682,500</u>	<u>5,061,174</u>	<u>378,674</u>
<i>Total Revenues</i>	<u>\$ 62,302,137</u>	<u>65,370,818</u>	<u>3,068,681</u>

CITY OF ANNAPOLIS, MARYLAND
General Fund
Detailed Schedule of Expenditures Compared to Budget
(Non-GAAP Budgetary Basis)
Year Ended June 30, 2016

	2016		Variance - positive (negative)
	Budget as revised	Actual	
General Government			
Boards and Commissions			
Salaries	\$ 65,492	\$ 79,368	\$ (13,876)
Employee benefits	17,832	26,941	(9,109.20)
Materials and supplies	14,000	8,910	5,090
Total Boards and Commissions	<u>97,324</u>	<u>115,218</u>	<u>(17,894)</u>
Mayor and Aldermen			
Salaries	863,387	842,557	20,831
Employee benefits	179,965	120,039	59,926
Materials and supplies	19,050	11,254	7,797
Utilities	9,950	7,837	2,113
Contractual services	92,000	62,042	29,958
Other	112,900	81,643	31,257
Total Mayor and Aldermen	<u>1,277,253</u>	<u>1,125,371</u>	<u>151,882</u>
Office of Law			
Salaries	738,577	753,464	(14,888)
Employee benefits	273,952	217,376	56,576
Materials and supplies	9,630	7,155	2,475
Utilities	1,800	1,881	(81)
Contractual services	93,522	46,594	46,928
Other	7,500	6,400	1,100
Total Office of Law	<u>1,124,980</u>	<u>1,032,871</u>	<u>92,110</u>
Total Mayor & City Council	<u>2,499,557</u>	<u>2,273,460</u>	<u>226,097</u>
Finance			
Salaries	2,288,211	2,135,408	152,802
Employee benefits	943,530	691,423	252,108
Materials and supplies	53,478	45,324	8,154
Utilities	6,242	5,216	1,026
Contractual services	748,378	701,849	46,528
Repair and maintenance	65,625	61,977	3,648
Capital outlay	250,000	249,452	548
Other	15,330	12,698	2,632
Total Finance	<u>4,370,794</u>	<u>3,903,346</u>	<u>467,447</u>

CITY OF ANNAPOLIS, MARYLAND
General Fund
Detailed Schedule of Expenditures Compared to Budget
(Non-GAAP Budgetary Basis)
Year Ended June 30, 2016

	2016		Variance - positive (negative)
	Budget as revised	Actual	
Human Resources			
Salaries	582,351	490,983	91,368
Employee benefits	201,285	119,795	81,490.19
Materials and supplies	21,500	12,056	9,444
Utilities	1,210	252	958
Contractual services	98,370	84,047	14,323
Repair and maintenance	200	-	200
Other	10,500	7,644	2,856
Total Human Resources	<u>915,417</u>	<u>714,777</u>	<u>200,639</u>
Planning and Zoning			
Salaries	1,169,395	1,155,346	14,049
Employee benefits	359,346	373,532	(14,185)
Materials and supplies	17,000	10,317	6,683
Utilities	670	898	(228)
Contractual services	173,402	150,376	23,026
Repair and maintenance	1,500	1,500	-
Other	138,000	122,881	15,119
Total Planning and Zoning	<u>1,859,314</u>	<u>1,814,851</u>	<u>44,463</u>
Total General Government	<u>9,645,081</u>	<u>8,706,435</u>	<u>938,646</u>
Public safety			
Police			
Salaries	10,678,154	11,053,703	(375,549)
Employee benefits	4,326,372	4,467,225	(140,853)
Training/Special Programs	45,000	44,663	337
Materials and supplies	413,732	505,197	(91,466)
Utilities	172,000	204,735	(32,735)
Contractual services	275,800	274,660	1,140
Repair and maintenance	92,441	89,898	2,543
Rents and Leases	32,100	42,219	(10,119)
Total Police	<u>16,035,599</u>	<u>16,682,300</u>	<u>(646,701)</u>
Fire			
Salaries	10,126,760	10,578,462	(451,702)
Employee benefits	4,410,213	4,334,739	75,474
Training/Education	29,870	26,299	3,571
Materials and supplies	485,472	428,921	56,551
Utilities	162,200	116,924	45,276
Contractual services	161,100	153,876	7,224
Repair and maintenance	108,000	84,041	23,959
Rents and Leases	4,500	3,575	925
Capital Outlay	92,338	83,837	8,500.98
Total Fire	<u>15,580,453</u>	<u>15,810,674</u>	<u>(230,221)</u>

CITY OF ANNAPOLIS, MARYLAND
General Fund
Detailed Schedule of Expenditures Compared to Budget
(Non-GAAP Budgetary Basis)
Year Ended June 30, 2016

	2016		Variance - positive (negative)
	Budget as revised	Actual	
Neighborhood & Environmental Programs			
Salaries	1,523,457	1,419,880	103,577
Employee benefits	534,553	504,468	30,086
Materials and supplies	37,265	29,924	7,341
Utilities	9,199	9,708	(509)
Contractual services	45,050	38,741	6,309
Repair and maintenance	4,669	6,206	(1,537)
Other	6,303	10,888	(4,585)
Total Neighborhood & Environmental Programs	<u>2,160,496</u>	<u>2,019,814</u>	<u>140,682</u>
Total Public Safety	<u>33,776,548</u>	<u>34,512,788</u>	<u>(736,240)</u>
Public Works			
Bureau of Administration			
Salaries	485,789	489,623	(3,833)
Employee benefits	160,832	22,404	138,428
Materials and supplies	7,580	4,498	3,082
Utilities	3,600	2,052	1,548
Repair and maintenance	-	74	(74)
Contractual services	59,210	45,131	14,079
Other	4,200	3,524	676
Total Bureau of Administration	<u>721,211</u>	<u>567,305</u>	<u>153,906</u>
Engineering and Construction			
Salaries	542,950	526,144	16,806
Employee benefits	197,846	151,077	46,769
Materials and supplies	16,593	9,032	7,561
Contractual services	47,394	24,111	23,283
Repair and maintenance	1,460	206	1,254
Utilities	3,600	2,376	1,224
Other	5,970	4,202	1,769
Total Engineering and Construction	<u>815,813</u>	<u>717,148</u>	<u>98,665</u>
Total Administration, Engineering and Construction	<u>1,537,024</u>	<u>1,284,453</u>	<u>252,571</u>
Roadways			
Salaries	1,413,334	1,439,077	(25,743)
Employee benefits	677,675	627,519	50,156
Materials and supplies	123,304	101,459	21,844
Utilities	492,723	542,417	(49,694)
Contractual services	24,196	22,404	1,792
Repair and maintenance	176,182	121,785	54,396
Other	2,100	1,450	650
Total Roadways	<u>2,909,514</u>	<u>2,856,112</u>	<u>53,402</u>

CITY OF ANNAPOLIS, MARYLAND
General Fund
Detailed Schedule of Expenditures Compared to Budget
(Non-GAAP Budgetary Basis)
Year Ended June 30, 2016

	2016		Variance - positive (negative)
	Budget as revised	Actual	
Traffic Control			
Salaries	154,201	167,634	(13,433)
Employee benefits	78,567	(51,023)	129,590
Materials and supplies	28,160	27,043	1,117
Contractual services	12,300	9,617	2,683
Repair and maintenance	18,000	9,888	8,112
Utilities	360	-	360
Other	5,800	819	4,981
Total Traffic Control	<u>297,388</u>	<u>163,978</u>	<u>133,410</u>
Snow and Ice Removal			
Salaries	38,350	87,270	(48,920)
Employee benefits	-	17,743	(17,743)
Materials and supplies	20,630	35,505	(14,875)
Contractual services	14,970	23,875	(8,905)
Repair and maintenance	5,658	8,399	(2,741)
Total Snow and Ice Removal	<u>79,608</u>	<u>172,792</u>	<u>(93,184)</u>
Total Roadways, Traffic Control & Snow/Ice Removal	<u>3,286,509</u>	<u>3,192,882</u>	<u>93,627</u>
Buildings and Maintenance			
Salaries	275,155	290,625	(15,470)
Employee benefits	139,027	115,408	23,619.42
Materials and supplies	16,081	15,715	366
Utilities	177,000	181,235	(4,235)
Contractual services	468,760	419,835	48,925
Rents and Leases	474,538	471,468	3,070
Repair and maintenance	207,535	194,245	13,290
Total Buildings and Maintenance	<u>1,758,096</u>	<u>1,688,529</u>	<u>69,567</u>
Fleet Maintenance Center			
Salaries	546,585	574,852	(28,267)
Employee benefits	193,134	165,156	27,978
Materials and supplies	20,740	13,285	7,455
Utilities	41,820	39,301	2,519
Contractual services	8,170	5,858	2,312
Repair and maintenance	248,357	293,008	(44,651)
Other	500	-	500
Total Fleet Maintenance Center	<u>1,059,306</u>	<u>1,091,459</u>	<u>(32,153)</u>
Total Public Works	<u>7,640,936</u>	<u>7,257,323</u>	<u>383,613</u>

CITY OF ANNAPOLIS, MARYLAND
General Fund
Detailed Schedule of Expenditures Compared to Budget
(Non-GAAP Budgetary Basis)
Year Ended June 30, 2016

	2016		Variance - positive (negative)
	Budget as revised	Actual	
Community Services			
Recreation and Parks			
Salaries	2,785,767	2,697,202	88,565
Employee benefits	693,707	581,963	111,744
Materials and supplies	212,479	185,367	27,112
Utilities	298,770	259,330	39,440
Contractual services	424,300	373,483	50,817
Repair and maintenance	210,700	201,919	8,782
Rents and leases	55,350	47,638	7,712
Other	44,220	35,894	8,326
Total Recreation and Parks	<u>4,725,293</u>	<u>4,382,795</u>	<u>342,497</u>
Community Assistance Grants	270,000	249,000	21,000
Total Community Services	<u>4,995,293</u>	<u>4,631,795</u>	<u>363,497</u>
Nonallocated Expenditures	<u>2,672,739</u>	<u>3,857,475</u>	<u>(1,184,736)</u>
Miscellaneous General			
Debt service			
Bond principal	3,708,397	3,486,168	222,229
Capital lease principal	-	215,436	(215,436)
Total Principal Debt Service	<u>3,708,397</u>	<u>3,701,604</u>	<u>6,793</u>
Bond interest	2,501,926	2,384,380	117,546
Capital lease interest	-	9,486	(9,486)
Total Interest on Debt Service	<u>2,527,926</u>	<u>2,393,866</u>	<u>134,060</u>
Total Debt Service	<u>6,236,323</u>	<u>6,095,470</u>	<u>140,853</u>
Total Miscellaneous General	<u>6,236,323</u>	<u>6,095,470</u>	<u>140,853</u>
Total Expenditures	<u>\$ 64,966,919</u>	<u>\$ 65,061,286</u>	<u>\$ (94,367)</u>

**CITY OF ANNAPOLIS, MARYLAND
ENTERPRISE FUNDS**

The enterprise funds are members of the proprietary fund category and, as such, are accounted for on the accrual basis of accounting. Revenues in the enterprise funds are recognized when 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, 2016

	Market Fund	Stormwater Management Fund	Refuse Fund	Total
ASSETS				
Current assets				
Equity in Pooled Cash	\$ -	\$ 1,335,410	\$ 4,662,035	\$ 5,997,445
Accounts receivable, net	-	-	-	-
Service charges and penalties	-	178,522	497,014	675,536
Total accounts receivable, net	-	178,522	497,014	675,536
Total current assets	-	1,513,932	5,159,049	6,672,981
Noncurrent assets				
Capital assets				
Land	-	-	3,900	3,900
Buildings	-	-	8,000	8,000
Improvements	-	135,399	45,000	180,399
Equipment	-	-	297,881	297,881
Total property, plant and equipment	-	135,399	354,781	490,180
Less accumulated depreciation	-	(18,956)	(322,983)	(341,939)
	-	116,443	31,798	148,241
Construction in progress	-	432,794	277,173	709,967
Net capital assets	-	549,237	308,971	858,208
Total assets	-	2,063,169	5,468,020	7,531,189
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	-	35,562	20,473	56,035
Deferred charge on refunding	-	10,891	-	10,891
Total deferred outflows of resources	-	46,453	20,473	66,926
LIABILITIES				
Current liabilities				
Accounts payable	-	10,739	226,320	237,059
Accrued expenses and other liabilities	-	14,910	6,987	21,897
Accrued Interest	-	8,491	3,345	11,836
Unearned revenues	-	83,967	570	84,537
Due to General Fund	-	-	-	-
Compensated Absences	-	654	866	1,520
Escrowed funds	-	4,456	-	4,456
Current portion of long-term debt	-	13,868	12,862	26,730
Total current liabilities	-	137,085	250,950	388,035
Noncurrent liabilities				
Compensated absences, net of current portion	-	7,520	9,954	17,474
Accrued liability for other post employment benefits	-	194,685	388,223	582,908
Net pension liability	-	114,870	43,684	158,554
Long-term debt, net of current portion	-	257,502	213,869	471,371
Total noncurrent liabilities	-	574,577	655,730	1,230,307
Total liabilities	-	711,662	906,680	1,618,342
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	-	8,577	3,262	11,839
Total deferred inflows of resources	-	8,577	3,262	11,839
NET POSITION				
Net investment in capital assets	-	344,721	83,199	427,920
Restricted for Debt Service	-	65,546	959	66,505
Unrestricted	-	979,116	4,494,393	5,473,509
Total net position	\$ -	\$ 1,389,383	\$ 4,578,551	\$ 5,967,934

CITY OF ANNAPOLIS, MARYLAND
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
Year ended June 30, 2016

	Market Fund	Stormwater Management Fund	Refuse Fund	Total
Operating revenues				
Charges for services	\$ -	\$ 947,886	\$ 2,585,224	\$ 3,533,110
Total operating revenues	<u>-</u>	<u>947,886</u>	<u>2,585,224</u>	<u>3,533,110</u>
Operating expenses				
Salaries	-	356,990	135,047	492,037
Utilities	-	6,279	3,373	9,652
Repairs and maintenance	-	6,337	509	6,846
Materials and supplies	-	8,255	128,620	136,875
Contractual services	-	37,863	1,395,315	1,433,178
Administrative charge (credit) from General Fund	-	87,847	428,030	515,877
Depreciation	-	2,708	900	3,608
Other	-	-	-	-
Total operating expenses	<u>-</u>	<u>506,279</u>	<u>2,091,794</u>	<u>2,598,073</u>
Operating income (loss)	<u>-</u>	<u>441,607</u>	<u>493,430</u>	<u>935,037</u>
Non-operating revenues (expenses)				
Interest income	-	-	-	-
Interest expense	-	(8,048)	(6,437)	(14,485)
Bond Issuance Costs	-	-	-	-
Total non-operating revenues (expenses), net	<u>-</u>	<u>(8,048)</u>	<u>(6,437)</u>	<u>(14,485)</u>
Income (loss) before contributions and transfers	<u>-</u>	<u>433,559</u>	<u>486,993</u>	<u>920,552</u>
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Dissolution of Market Fund	(211,045)	-	-	(211,045)
Transfer to Capital Projects Fund	95,140	-	-	95,140
Change in net position	<u>(115,905)</u>	<u>433,559</u>	<u>486,993</u>	<u>804,647</u>
Net position at beginning of year	<u>115,905</u>	<u>955,824</u>	<u>4,091,558</u>	<u>5,163,287</u>
Net position (deficit) at end of year	<u>\$ -</u>	<u>\$ 1,389,383</u>	<u>\$ 4,578,551</u>	<u>\$ 5,967,934</u>

CITY OF ANNAPOLIS, MARYLAND
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Year ended June 30, 2016

	Market Fund	Stormwater Management Fund	Refuse Fund	Total
Cash flows from operating activities				
Receipts from customers and users	\$ 23,027	\$ 1,007,002	\$ 2,690,646	\$ 3,720,675
Payments to suppliers for goods and services	(28,040)	(175,576)	(2,082,360)	(2,285,976)
Payments to employees for services	(1,230)	(199,008)	(140,792)	(341,030)
Payments for interfund services uses	-	-	-	-
Net cash provided by (used for) operating activities	<u>(6,243)</u>	<u>632,418</u>	<u>467,494</u>	<u>1,093,669</u>
Cash flows from noncapital financing activities				
Effect of change from Due From to Equity in Pooled Cash	(813,677)	-	-	(813,677)
Transfer from other funds	-	-	-	-
Transfer to other funds	-	-	-	-
Dissolution of Market Fund	(115,905)	-	-	(115,905)
Net cash used for noncapital financing activities	<u>(929,582)</u>	<u>-</u>	<u>-</u>	<u>(929,582)</u>
Cash flows from capital and related financing activities				
Acquisition of capital assets	-	(143,412)	(4,533)	(147,945)
Retirements and transfers of capital assets	1,803,619	-	-	1,803,619
Proceeds from issuance of long term debt	-	-	-	-
Principal payments of long term debt	-	(152,716)	(9,373)	(162,089)
Refunding and transfers of long term debt	(867,794)	-	-	(867,794)
Interest paid on debt	-	(8,048)	(6,437)	(14,485)
Bond Issuance Cost	-	-	-	-
Proceeds from capital contributions and grants	-	-	-	-
Net cash provided by (used for) capital and related financing activities	<u>935,825</u>	<u>(304,176)</u>	<u>(20,343)</u>	<u>611,306</u>
Cash flows from investing activities:				
Interest received	-	-	-	-
Net increase (decrease) in cash and cash equivalents	<u>-</u>	<u>328,242</u>	<u>447,151</u>	<u>775,393</u>
Cash and cash equivalents at beginning of year	<u>-</u>	<u>1,007,168</u>	<u>4,214,884</u>	<u>5,222,052</u>
Cash and cash equivalents at end of year	<u>\$ -</u>	<u>\$ 1,335,410</u>	<u>\$ 4,662,035</u>	<u>\$ 5,997,445</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities				
Operating income (loss)	\$ -	\$ 441,607	\$ 493,430	\$ 935,037
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	-	2,708	900	3,608
Accounts receivable	23,237	49,448	105,687	178,372
Inventories	-	-	-	-
Accounts payable	(9,206)	(32,720)	(126,188)	(168,114)
Accrued expenses and other liabilities	(1,230)	8,459	1,682	8,911
Compensated absences	-	(222)	7,076	6,854
Deferred Revenues	(210)	9,668	(265)	9,193
Escrowed funds	(18,834)	3,725	(325)	(15,434)
Deferred outflows - pension	-	(31,748)	(17,749)	(49,497)
Pension Liability	-	168,283	(22,170)	146,113
Deferred inflows - pension	-	(1514)	(3,946)	(5,460)
Other post employment benefits	-	14,724	29,362	44,086
Total adjustments	<u>(6,243)</u>	<u>190,811</u>	<u>(25,936)</u>	<u>168,632</u>
Net cash provided by (used for) operating activities	<u>\$ (6,243)</u>	<u>\$ 632,418</u>	<u>\$ 467,494</u>	<u>\$ 1,093,669</u>

CITY OF ANNAPOLIS, MARYLAND
ENTERPRISE FUNDS
SCHEDULE OF REVENUES AND OTHER SOURCES COMPARED TO BUDGET
Year ended June 30, 2016

	2016		Variance - positive (negative)
	Budget as revised	Actual	
Water Fund			
Charges for services	\$ 7,245,000	\$ 7,103,569	\$ (141,431)
Interest income	4,000	14,593	10,593
Other	75,000	111,015	36,015
Total Water Fund	<u>\$ 7,324,000</u>	<u>\$ 7,229,177</u>	<u>\$ (94,823)</u>
Sewer Fund			
Charges for services	\$ 7,500,000	\$ 7,759,646	\$ 259,646
Interest income	6,000	2,048	(3,952)
Other	-	11,748	11,748
Total Sewer Fund	<u>\$ 7,506,000</u>	<u>\$ 7,773,442</u>	<u>\$ 267,442</u>
Off Street Parking Fund			
Charges for services	\$ 7,716,000	\$ 7,772,048	\$ 56,048
Interest income	-	1,064	1,064
Total Off Street Parking Fund	<u>\$ 7,716,000</u>	<u>\$ 7,773,112</u>	<u>\$ 57,112</u>
Transportation Fund			
Charges for services	\$ 1,019,300	\$ 937,916	\$ (81,384)
Grant Income	1,622,285	2,725,080	1,102,795
Operating transfers	2,417,200	7,479,098	5,061,898
Interest income	-	2,498	2,498
Capital grants	177,000	427,568	250,568
Total Transportation Fund	<u>\$ 5,235,785</u>	<u>\$ 11,572,160</u>	<u>\$ 6,336,375</u>
Stormwater Management Fund			
Charges for services	\$ 830,000	\$ 947,886	\$ 117,886
Total Stormwater Management Fund	<u>\$ 830,000</u>	<u>\$ 947,886</u>	<u>\$ 117,886</u>
Refuse Fund			
Charges for services	\$ 2,512,500	\$ 2,585,224	\$ 72,724
Total Refuse Fund	<u>\$ 2,512,500</u>	<u>\$ 2,585,224</u>	<u>\$ 72,724</u>

CITY OF ANNAPOLIS, MARYLAND
ENTERPRISE FUNDS
SCHEDULE OF EXPENSES AND OTHER USES COMPARED TO BUDGET
Year Ended June 30, 2016

	2016		Variance - positive (negative)
	Budget as revised	Actual	
Water Fund			
Salaries	\$ 2,566,878	\$ 1,600,140	\$ 966,739
Utilities	339,800	282,371	57,429
Repairs and maintenance	357,189	274,291	82,898
Materials and supplies	318,978	268,492	50,486
Contractual services	159,617	149,876	9,741
Administrative charge from general fund	651,445	651,445	-
Depreciation	435,000	439,801	(4,801)
Interest expense	1,251,318	427,942	823,376
Other	5,045	371,281	(366,236)
Total Water Fund	\$ 6,085,270	\$ 4,465,639	\$ 1,619,631
Sewer Fund			
Salaries	\$ 716,168	\$ 631,121	\$ 85,047
Utilities	158,883	154,764	4,119
Repairs and maintenance	176,262	174,627	1,635
Materials and supplies	77,953	84,537	(6,584)
Treatment plant operations	3,800,000	3,607,560	192,440
Contractual services	98,559	93,669	4,890
Administrative charge from general fund	1,160,723	1,160,723	(0)
Depreciation	705,000	742,019	(37,019)
Interest expense	355,964	551,932	(195,968)
Other	122,987	11,488	111,499
Total Sewer Fund	\$ 7,372,498	\$ 7,212,440	\$ 160,058
Off Street Parking Fund			
Salaries	\$ 591,187	\$ 485,390	\$ 105,797
Utilities	207,200	115,240	91,960
Repairs and maintenance	95,042	47,360	47,682
Materials and supplies	323,858	291,394	32,464
Contractual services	1,303,513	1,178,181	125,332
Administrative charge from general fund	589,924	589,924	-
Depreciation	875,000	896,213	(21,213)
Interest expense	676,034	-	676,034
Operating transfers and subsidies	2,400,000	2,400,000	-
Other	-	860,002	(860,002)
Total Off Street Parking Fund	\$ 7,061,757	\$ 6,863,704	\$ 198,053

CITY OF ANNAPOLIS, MARYLAND
ENTERPRISE FUNDS
SCHEDULE OF EXPENSES AND OTHER USES COMPARED TO BUDGET
Year Ended June 30, 2016
(continued)

	2016		Variance - positive (negative)
	Budget as revised	Actual	
Transportation Fund			
Salaries	\$ 3,417,007	\$ 2,553,736	\$ 863,271
Utilities	9,908	23,320	(13,413)
Repairs and maintenance	10,302	372,467	(362,165)
Materials and supplies	165,887	304,438	(138,551)
Contractual services	18,151	17,780	371
Administrative charge from general fund	642,568	642,568	-
Depreciation	653,000	683,525	(30,525)
Interest expense	1,141	-	1,141
Other	371,790	4,011	367,779
Total Transportation Fund	\$ 5,289,754	\$ 4,601,845	\$ 687,909
Stormwater Management Fund			
Salaries	\$ 470,724	\$ 356,990	\$ 113,734
Utilities	1,118	6,279	(5,161)
Repairs and maintenance	3,086	6,337	(3,251)
Materials and supplies	12,051	8,255	3,796
Contractual services	44,365	37,863	6502
Administrative charge from general fund	87,847	87,847	-
Depreciation	1,700	2,708	(1,008.02)
Interest expense	10,339	8,048	2,291
Total Stormwater Management Fund	\$ 631,229	\$ 514,327	\$ 116,903
Refuse Fund			
Salaries	\$ 169,834	\$ 135,047	\$ 34,787
Utilities	1,200	3,373	(2,173)
Repairs and maintenance	2,400	509	1,891
Materials and supplies	133,500	128,620	4,880
Professional Services	658,960	658,953	7
Contractual services	858,252	736,362	121,890
Administrative charge from general fund	428,030	428,030	-
Depreciation	900	900	-
Interest expense	9,069	6,437	2,632
Other	150	-	150
Total Refuse Fund	\$ 2,262,295	\$ 2,098,232	\$ 164,063

**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, 2016

		<u>Special Revenue Fund</u>
ASSETS		
Cash and cash equivalents	\$	14,567
Total assets	\$	<u>14,567</u>
LIABILITIES		
Accounts payable	\$	65,748
Total liabilities		<u>65,748</u>
FUND BALANCES		
Restricted - community development		14,567
Unassigned		(65,748)
Total fund balances		<u>(51,181)</u>
Total liabilities and fund balances	\$	<u>14,567</u>

CITY OF ANNAPOLIS, MARYLAND
Non-Major Governmental Fund Statement of Revenues,
Expenditures and Changes in Fund Balance
Special Revenue Fund
June 30, 2016

	Special Revenue Fund
Revenues	
Intergovernmental	\$ 227,653
Total revenues	227,653
Expenditures	
Community development	487,673
Total expenditures	487,673
Excess (deficiency) of revenues over expenditures	(260,020)
Other financing sources (uses)	
Transfers in	-
Transfers out	-
Total other financing sources (uses)	-
Net change in fund balances	(260,020)
Fund balances at beginning of year	208,839
Fund balances at end of year	\$ (51,181)

CITY OF ANNAPOLIS, MARYLAND
Detailed Schedule of Changes in Net Position
Internal Service Fund
Year Ended June 30, 2016

		<u>Internal Service Fund</u>
Operating revenues		
Employer (Active)	\$	7,007,841
Plan Member (Active)		1,743,362
Employer (Retiree)		1,057,151
Plan Member (Retiree)		1,298,613
Total Medical Insurance Contribution		<u>11,106,967</u>
Workman's Compensation Contribution		1,400,000
General Liability Contribution		900,000
Unemployment Contribution		64,072
Total operating revenues		<u>13,471,039</u>
Operating expenses		
Medical Insurance		10,489,041
Optical Insurance		16,301
Dental Insurance		5,657
Disability Insurance		(38,235)
Total Benefits		<u>10,472,764</u>
Contractual services		540,797
Workman's Compensation		(343,840)
General Liability		213,967
Total operating expenses		<u>10,883,688</u>
Operating (loss) income		<u>2,587,351</u>
Non-operating revenues (expenses)		
Interest income		-
Interest expense		-
Total non-operating revenues (expenses), net		<u>-</u>
Income (loss) before contributions and transfers		<u>2,587,351</u>
Transfers in		-
Transfers out		-
Change in net position		<u>2,587,351</u>
Net position at beginning of year		<u>(3,372,849)</u>
Net position at end of year	\$	<u><u>(785,498)</u></u>

**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.

<u>Contents</u>	<u>Page</u>
<i>Financial Trends</i> These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	87
<i>Revenue Capacity</i> These schedules contain information to help the reader assess the City's most significant local revenue source – property tax.	93
<i>Debt Capacity</i> These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue debt in the future.	95
<i>Demographic and Economic Information</i> These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	97
<i>Operating Information</i> 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.	99

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

	Year Ended June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities										
Net Investment in capital assets	\$ 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	\$ 54,758,111
Restricted	-	-	1,650,742	4,882,031	4,190,198	2,144,609	319,574	104,847	11,421,767	14,567
Unrestricted	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)	(45,425,863)
Total governmental activities net position	\$ 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	\$ 9,346,815
Business-type activities										
Net Investment in capital assets	\$ 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	\$ 20,834,080
Restricted	-	-	-	3,493,242	3,610,180	1,764,988	11,201,495	13,422,350	18,606,456	11,169,944
Unrestricted	(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)	6,425,750
Total business-type activities net position	\$ 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	\$ 38,429,774
Primary government										
Net Investment in capital assets	\$ 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	\$ 75,592,191
Restricted	-	-	1,650,742	8,375,273	7,800,378	3,909,597	11,521,069	13,527,197	30,028,223	11,184,511
Unrestricted	(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)	(39,000,113)
Total primary government net position	\$ 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	\$ 47,776,589

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

	Year Ended June 30,									
	2007	2010	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental Activities:										
General government	\$ 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	\$ 18,627,376
Public safety	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	42,027,200
Community services	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	4,205,009
Community development	583,811	363,854	727,629	979,789	439,922	219,690	824,734	1,054,349	404,147	736,673
Public works	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	9,323,422
Interest and bond issuance costs	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	3,360,891
Total Governmental Activities Expenses	<u>47,848,651</u>	<u>56,826,122</u>	<u>99,308,239</u>	<u>69,683,495</u>	<u>61,783,999</u>	<u>66,688,344</u>	<u>76,316,872</u>	<u>76,160,114</u>	<u>75,184,189</u>	<u>78,280,571</u>
Business-type Activities:										
Water	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	4,465,639
Sewer	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	7,212,440
Off Street Parking	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	4,463,704
Transportation	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	4,601,845
Dock*	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*	347,774	455,998	828,273	449,267	171,670	224,104	165,188	232,218	355,987	-
Stormwater Management	275,661	368,468	914,981	703,710	382,467	315,056	528,573	326,889	320,909	514,327
Refuse	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	2,098,231
Total Business-type Activities Expenses	<u>22,456,529</u>	<u>24,695,771</u>	<u>23,962,461</u>	<u>27,377,350</u>	<u>23,743,394</u>	<u>23,369,629</u>	<u>28,368,547</u>	<u>29,940,264</u>	<u>30,059,620</u>	<u>23,356,186</u>
Total Primary Government Expenses	<u>\$ 70,305,180</u>	<u>\$ 81,521,893</u>	<u>\$ 123,270,700</u>	<u>\$ 97,060,845</u>	<u>\$ 85,527,393</u>	<u>\$ 90,057,973</u>	<u>\$ 104,685,419</u>	<u>\$ 106,100,378</u>	<u>\$ 105,243,809</u>	<u>\$ 101,636,757</u>
Program Revenues										
Governmental Activities:										
Charges for Service:										
General government	\$ 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	\$ 29,120,482
Public safety	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	2,521,232
Community services	588,796	618,598	656,056	1,080,135	1,677,594	2,071,191	1,493,932	1,878,428	1,718,270	2,972,130
Public works	916,425	857,857	826,574	824,426	855,577	2,794,677	1,173,707	1,677,748	1,171,131	1,233,422
Operating Grants and Contributions	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	2,702,821
Capital Grants and Contributions	215,548	250,049	1,894,954	344,667	190,892	626,762	45,450	32,750	503,516	1,755,221
Total Governmental Activities										
Program Revenues	<u>20,882,389</u>	<u>20,607,742</u>	<u>23,120,827</u>	<u>20,910,938</u>	<u>20,401,740</u>	<u>26,551,931</u>	<u>29,380,476</u>	<u>33,396,258</u>	<u>33,418,476</u>	<u>40,305,308</u>

*Transferred to General fund and Governmental Activities in 2016.

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

	Year Ended June 30,									
	2007	2010	2011	2010	2011	2012	2013	2014	2015	2016
Program Revenues (continued)										
Business-type Activities:										
Charges for Services:										
Water	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	7,214,584
Sewer	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	7,759,646
Off Street Parking	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	7,772,048
Transportation	970,742	1,059,752	968,705	1,077,233	764,847	1,088,490	938,735	895,661	938,100	937,916
Dock*	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	465,402	467,495	516,776	509,995	493,586	895,510	830,185	831,557	934,653	947,886
Refuse	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	2,585,224
Operating Grants and Contributions	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	2,725,080
Capital Grants and Contributions	304,150	4,853,485	1,501,620	1,808,382	334,290	1,961,369	138,092	149,899	455,863	427,568
Total Business-type Activities Program Revenues	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	30,369,952
Total Primary Government Program Revenues	\$ 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	\$ 70,675,260
Net (expenses) / revenues										
Governmental Activities	\$ (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)	\$ (37,975,263)
Business-type Activities	(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	7,013,766
Total Primary Government Net Expenses	\$ (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)	\$ (30,961,497)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes										
Real	\$ 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	\$ 40,457,783
Unincorporated	40,928	35,659	39,979	28,121	24,841	27,031	33,719	37,187	31,632	45,410
Public utility	945,863	993,430	1,037,624	1,059,395	1,043,491	964,741	1,764,918	1,619,151	1,737,240	1,699,124
Corporations	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	1,779,476
Penalties and interest	125,572	180,842	205,797	176,481	165,501	140,043	148,934	140,660	223,980	213,195
Interest and investment earnings	492,454	1,009,344	296,086	27,695	9,719	17,415	148,041	24,650	16,430	101,179
Miscellaneous	1,768,808	2,676,672	6,142,779	309,918	698,543	422,268	1,382,844	180,147	-	-
Transfers	(114,000)	35,000	(818,000)	1,105,040	664,250	3,331,985	2,281,369	783,630	569,520	(6,337,650)
Total Governmental Activities	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	37,958,517

*Transferred to General fund and Governmental Activities in 2016.

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

	Year Ended June 30,									
	2007	2010	2011	2010	2011	2012	2013	2014	2015	2016
General Revenues and Other Changes in Net Position (continued)										
Business-type Activities:										
Interest and Investment Earnings	3,463	141,667	19,708	4,312	3,527	6,663	26,132	8,759	6,104	31,952
Miscellaneous	979,358	1,347,261	953,685	1,732,926	2,143,353	-	-	-	-	-
Transfers	114,000	(35,000)	818,000	(1,105,040)	(664,250)	(3,331,985)	(2,281,369)	(783,630)	(569,520)	6,337,650
Total Business-type Activities	<u>1,096,821</u>	<u>1,453,928</u>	<u>1,791,393</u>	<u>632,198</u>	<u>1,482,630</u>	<u>(3,325,322)</u>	<u>(2,255,237)</u>	<u>(774,871)</u>	<u>(563,416)</u>	<u>6,369,602</u>
Total Primary Government	<u>\$ 28,782,075</u>	<u>\$ 34,405,506</u>	<u>\$ 40,670,413</u>	<u>\$ 36,756,767</u>	<u>\$ 38,190,990</u>	<u>\$ 38,378,024</u>	<u>\$ 42,239,919</u>	<u>\$ 42,796,898</u>	<u>\$ 42,462,159</u>	<u>\$ 44,328,119</u>
Change in Net Position										
Governmental Activities	\$ 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	\$ (16,746)
Business-type Activities	<u>(2,458,575)</u>	<u>388,776</u>	<u>(1,982,915)</u>	<u>(6,397,591)</u>	<u>(3,104,762)</u>	<u>2,961,410</u>	<u>766,945</u>	<u>1,122,521</u>	<u>1,719,030</u>	<u>13,383,367</u>
Total Primary Government	<u>\$ (1,739,583)</u>	<u>\$ (2,878,026)</u>	<u>\$ (39,291,307)</u>	<u>\$ (19,045,579)</u>	<u>\$ (7,778,661)</u>	<u>\$ 4,528,343</u>	<u>\$ (1,674,295)</u>	<u>\$ 1,930,434</u>	<u>\$ 2,978,892</u>	<u>\$ 13,366,621</u>

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

	Year Ended June 30,									
	2007	2010	2011	2010	2011	2012	2013	2014	2015	2016
General Fund										
Non-Spendable	\$ 293,235	\$ 476,968	\$ 711,154	\$ 314,552	\$ 225,660	\$ 214,329	\$ 218,712	\$ 145,414	\$ 173,401	\$ 178,711
Restricted	-	-	-	-	-	-	7,107,625	-	-	-
Assigned	-	-	-	3,478,434	3,536,307	364,208	-	20,539,453	11,212,929	22,581,009
Unassigned	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	15,816,683
Total general fund	\$ 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	\$ 38,576,403
Capital Projects Fund										
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,624,930	\$ -	\$ -	\$ -
Assigned	3,452,477	7,936,578	12,123,072	1,038,021	4,190,198	2,144,609	-	-	-	-
Unassigned	(2,926,406)	11,469,059	(1,079,462)	3,826,100	-	-	-	-	(366,096)	(9,287,428)
Total capital projects fund	\$ 526,071	\$ 19,405,637	\$ 11,043,610	\$ 4,864,121	\$ 4,190,198	\$ 2,144,609	\$ 2,624,930	\$ -	\$ (366,096)	\$ (9,287,428)
Special Revenue Fund										
Restricted	\$ 35,813	\$ 209,427	\$ 243,689	\$ 150,340	\$ 145,087	\$ -	\$ 319,574	\$ 104,847	\$ 208,839	\$ 14,567
Unassigned	(35,813)	(209,427)	(243,689)	(150,340)	(145,087)	316,804	-	-	-	(65,748)
Total special revenue fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 316,804	\$ 319,574	\$ 104,847	\$ 208,839	\$ (51,181)

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

	Year Ended June 30,									
	2007	2010	2011	2010	2011	2012	2013	2014	2015	2016
Revenues										
Taxes	\$ 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	\$ 44,194,988
Licenses and Permits	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	3,096,704
Fines and Forfeitures	1,266,856	1,225,606	1,229,028	947,614	829,371	1,435,632	416,035	733,127	518,255	378,159
Money and Property	1,585,400	1,601,163	1,370,121	846,380	820,868	1,845,211	1,122,180	831,850	1,926,216	1,840,860
Intergovernmental	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	16,391,517
Current Services	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	5,038,147
Total Revenues	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	70,940,375
Expenditures										
General Government	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	7,458,323
Public Safety	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	38,613,454
Community Services	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	4,706,217
Community Development	583,811	363,854	727,629	979,789	439,922	204,998	824,734	892,026	404,147	736,673
Public Works	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	7,361,838
Debt Service										
Principal	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	3,701,604
Interest	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	2,426,863
Bond Issuance Costs	-	-	-	-	-	-	851,819	-	-	-
Capital Outlays	7,151,636	6,929,984	13,348,193	18,297,251	1,812,456	-	2,479,045	4,108,944	3,182,796	12,613,991
Total Expenditures	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	77,618,963
Excess of Revenues Over (Under) Expenditures	(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	(6,678,588)
Other Financing Sources (Uses)	(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	(7,632,547)
Net Change In Fund Balances	\$ (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	\$ (14,311,135)
Debt Service as a Percentage of Noncapital Expenditures	7.35%	8.06%	10.17%	9.80%	8.79%	8.10%	6.47%	6.93%	8.65%	9.43%

CITY OF ANNAPOLIS, MARYLAND
Revenue Capacity
Last Ten Fiscal Years

ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Fiscal Year	Real Property	Personal Property	Total
	Assessed Market Value	Assessed Market Value	Assessed Market Value
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
2016	6,178,531,331	181,062,070	6,359,593,401

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
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
2016	0.65	0.55	0.11	1.31

PRINCIPAL TAXPAYERS
Current Year and Nine Years Ago

Taxpayer	2016		Taxpayer	2007	
	Assessed Market Valuation	Percentage of Total Assessed Market Valuation		Assessed Market Valuation	Percentage of Total Assessed Market Valuation
1901 WEST INVESTORS LLC	\$ 50,081,700	0.81%	VERIZON	\$ 71,157,375	1.45%
CL WATERGATE LLC	48,245,800	0.78%	BALTIMORE GAS & ELECTRIC	69,486,650	1.42%
BAYWOODS COOPERATIVE HSG	40,989,259	0.66%	BAYWOODS COOPERATIVE HSG	61,629,453	1.26%
APTCO ANNAPOLIS LLC	37,618,300	0.61%	YACHT BASIN CO OF MARYLAND	41,358,133	0.84%
GUARDIAN PARK PLACE LLC	36,157,867	0.59%	LOEWS ANNAPOLIS HOTEL CORP	32,857,800	0.67%
YACHT BASIN CO OF MARYLAND	37,625,833	0.61%	COLUMBIA REALTY VENTURE	37,306,000	0.76%
HOME PROPERTIES ANNA POLIS	29,311,100	0.47%	FAIRFIELD ANNAPOLIS LP	27,682,466	0.57%
CH RLTY/ANNAPOLIS HOTEL PRTS	25,078,166	0.41%	ANNAPOLIS RDS APART. CO	20,095,033	0.41%
ADMIRAL FARRAGUT JNT VNT	21,831,367	0.35%	SPA COVE APARTMENTS	20,774,391	0.42%
KMF ANNAPOLIS LLC	20,881,267	0.34%	ANNAPOLIS MD HOTELS LTD PARTNERSHIP	14,630,933	0.30%
PARK PLACE II TRUST	19,177,900	0.31%			
	<u>\$ 366,998,559</u>	<u>5.94%</u>		<u>\$ 396,978,234</u>	<u>8.11%</u>

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		
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	152,000	39,132,982	38,806,799	99.17%	38,844,504	99.26%	28,658	0.07%
2016	39,955,024	102,000	40,057,024	39,799,132	99.36%	39,848,458	99.48%	127,463	0.32%

Note:

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

CITY OF ANNAPOLIS, MARYLAND
Debt Capacity
Last Ten Fiscal Years

RATIO OF BONDED DEBT BY TYPE
BONDED DEBT PER CAPITA

Fiscal Year	Governmental Activities		Business-Type Activities		Total Bonded Debt	Percentage of Personal Income ¹	Per Capita ¹	Percentage of Market Value ²
	General Obligation Bonds	Other Debt	General Obligation Bonds	Other Debt				
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%
2016	68,924,370	304,713	65,550,389	18,300,555	153,080,027	8.80%	3,837	2.41%

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:		City Debt Limitation	Debt Margin	Ratio of City Debt to Assessable Base
		10% of Assessable Base	City Debt			
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%	
2016	6,359,593,401	635,959,340	153,080,027	482,879,313	2.41%	

COMPUTATION OF DIRECT AND OVERLAPPING DEBT
Year Ended June 30, 2016

Jurisdiction	Net Debt Outstanding	Percentage Applicable to City of Annapolis	Amount Applicable to City of Annapolis
City of Annapolis	\$ 68,958,567	100%	\$ 68,958,467
Anne Arundel County - Education	1,259,099,590	8%	100,727,967
Total	\$ 1,328,058,157		\$ 169,686,434

CITY OF ANNAPOLIS, MARYLAND
Debt Capacity
Last Ten Fiscal Years

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

Fiscal Year	Expenditures		Debt Service as a Percentage of Total
	Debt Service	Total General Fund	
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%
2016	6,128,467	59,749,562	10.26%

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)
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
2016	39,891	1,738,849	43,590	3.3%	7,299

Sources:

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

PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago

Employer	2016		2007	
	Employees	Percentage of City Employment	Employees	Percentage of City Employment
United States Naval Academy	2,340	5.87%	2,052	5.65%
ARC of the Central Chesapeake Region	390	0.98%	250	0.69%
St. John's College	200	0.50%	173	0.48%
Buddy's Crabs & Ribs, Inc.	185	0.46%	185	0.51%
Criswell Acura Audi	140	0.35%	-	0.00%
Westin Annapolis	120	0.30%	-	0.00%
Annapolis Marriott Waterfront Hotel/Pussers Restaurant	280	0.70%	170	0.47%
Ken's Creative Kitchen LLC	150	0.38%	-	0.00%
Chart House Restaurant	157	0.39%	157	0.43%
Loews Annapolis Hotel	150	0.38%	178	0.49%
Severn Savings Bank FSB	155	0.39%	100	0.28%
Rams Head Tavern, Inc.	125	0.31%	115	0.32%
Main Ingredient Café & Catering	100	0.25%	100	0.28%
Capital Gazette Communications	100	0.25%	330	0.91%
Grauls Market Inc.	90	0.23%	90	0.25%
	4,682	11.74%	3,900	10.74%

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	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government	64	67	63	68	57	59	56	76	75	75
Public Safety	320	331	341	340	307	320	335	322	318	316
Public Works	50	48	51	49	46	45	40	42	60	60
Recreation & Parks	21	21	20	20	18	12	20	21	26	25
Water Fund	23	26	27	27	27	26	25	22	25	26
Sewer Fund	7	7	7	7	6	5	6	6	6	6
Dock Fund	3	3	3	3	3	2	3	3	2	2
Transportation Fund	49	49	55	55	49	37	38	50	55	52
Stormwater Mgmt Fund	3	3	3	3	3	3	3	3	3	3
Refuse Fund	22	22	22	22	21	23	1	2	2	2
Total	562	577	592	594	537	537	527	547	572	567

Source:
City of Annapolis - Finance Office

CITY OF ANNAPOLIS, MARYLAND
Operating Information
Last Ten Fiscal Years

CITY OF ANNAPOLIS, MARYLAND
OPERATING INDICATORS BY FUNCTION

Fiscal Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government										
Finance:										
Real property tax accounts	13,774	14,836	15,075	15,195	15,294	15,392	14,857	14,891	14,860	14,842
Personal property tax accounts	2,035	2,109	2,003	1,990	2,112	1,911	1,986	1,965	2,180	1,945
Public Safety										
Police										
Calls for service	41,839	44,496	35,980	36,501	35,233	36,907	35,983	36,780	35,036	35,003
Physical arrests	2,253	4,743	4,168	4,265	2,165	3,945	3,657	3,929	3,330	2,625
Parking violations	28,972	29,743	19,388	5,138	29,655	27,020	25,606	24,358	28,795	1,384
Traffic violations	4,612	4,788	6,729	5,572	4,115	9,535	7,097	7,555	3,619	7,538
Fire										
Number of calls answered	9,388	9,628	9,189	8,310	10,041	10,232	9,344	9,344	9,697	9,847
Inspections	1,197	1,981	1,746	1,100	1,486	1,279	1,440	2,299	1,273	1,569
Recreation & Parks										
Programs offered	83	110	118	151	N/A	N/A	116	353	362	367
Enrollment	3,387	3,797	4,161	4,195	N/A	N/A	4,238	1,433	5,287	5,695
Public Works										
Roadways and sidewalks										
Potholes repaired	1,582	1,834	1,579	1,005	1,241	820	1,431	2,671	2,214	1,931
Water Fund										
Water main repairs	30	54	26	21	43	14	33	10	22	22
Number of accounts	12,362	12,418	12,404	12,411	12,246	12,554	12,526	13,154	12,753	12,663
Sewer Fund										
Number of accounts	11,356	11,410	11,400	11,409	11,197	11,435	10,400	12,026	11,597	11,618
Refuse Fund										
Refuse collected (tons per year)	9,119	8,865	5,297	6,501	7,167	8,801	8,135	7,807	7,416	7,592
Recycling collected (tons per year)	1,596	1,520	2,430	2,366	2,856	2,762	3,312	3,406	3,439	3,592
Yard Waste collected (tons per year)	1,924	1,936	2,318	97	3,368	3,114	1,534	1,826	2,133	1,912
Neighborhood & Environmental Programs										
Construction permits issued - Commercial	308	296	270	129	290	274	234	208	182	152
Construction permits issued - Residential	1,030	1,195	892	787	836	851	682	766	637	596
Transportation Fund										
Number of routes	11	10	10	10	8	8	9	10	10	10
Number of passengers (in thousands)	1,350	1,510	1,465	1,580	1,139	650	728	753	597	445

Source:
Various City of Annapolis departments

CITY OF ANNAPOLIS, MARYLAND
Operating Information
Last Ten Fiscal Years

CAPITAL ASSET STATISTICS BY FUNCTION

Fiscal Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government										
Buildings	3	3	5	6	7	7	7	7	8	9
Vehicles	16	16	22	20	23	23	37	41	43	26
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Uniformed police officers	131	131	131	116	116	112	112	114	114	114
Police vehicles	103	102	100	108	96	92	98	86	86	86
Fire										
Stations	3	3	3	3	3	3	3	3	3	3
Career firefighters	117	125	137	126	133	119	120	127	123	124
Pumper/ladder trucks	6	6	6	6	7	7	7	7	6	7
Paramedic units	5	6	6	6	1	5	5	6	7	7
Other vehicles	32	35	34	37	38	44	40	39	34	32
Public Works										
Buildings	7	7	7	6	6	6	6	6	9	20
Street (in miles)	86	86	99	99	99	91	91	276	276	276
Traffic signals	28	28	28	28	28	26	26	20	20	21
Recreation & Parks										
Buildings	4	4	4	3	3	3	3	4	4	13
Playgrounds / parks in acres	125	126	126	126	126	126	126	126	201	250
Ballfields	5	5	5	5	5	8	8	4	14	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	140	140
Storage tanks	4	5	5	5	5	5	5	5	5	5
Sewer Fund										
Lines in miles	140	140	140	140	140	140	140	140	125	125
Number of pumping stations	23	25	25	25	25	25	25	23	25	25
Transportation Fund										
Passenger buses	29	28	29	33	33	22	22	25	23	22

Source:

Various City of Annapolis departments