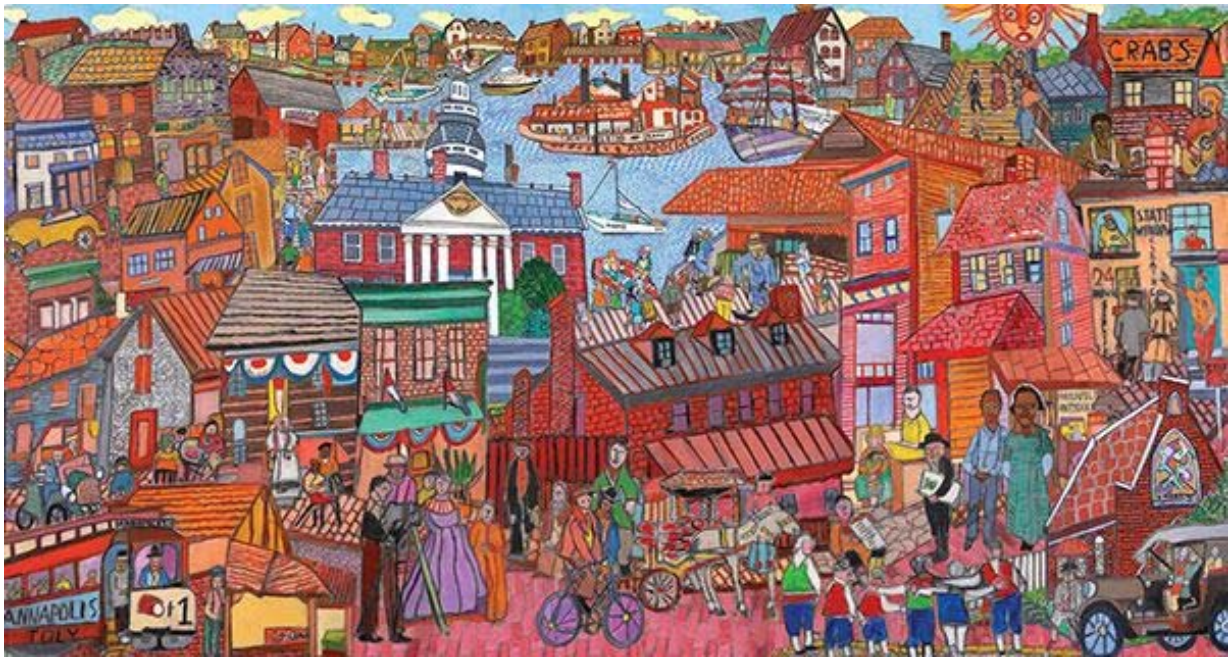
City of Annapolis
Maryland



"Annapolis" by Sy Mohr

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED

JUNE 30, 2017

CITY OF ANNAPOLIS, MARYLAND

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2017

Michael Pantelides

MAYOR

ALDERMEN:

Joe Budge	Jared Littmann
Frederick M. Paone	Kenneth A. Kirby
Rhonda Pindell-Charles	Ian Pfeiffer
Sheila M. Finlayson	Ross H. Arnett, III

Prepared By:
OFFICE OF FINANCE

Bruce T. Miller
Finance Director

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CITY OF ANNAPOLIS, MARYLAND
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June 30, 2017

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INTRODUCTORY SECTION

CITY OF

ANNAPOLIS

MARYLAND

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City of Annapolis

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

BRUCE T. MILLER
FINANCE DIRECTOR

January 31, 2018

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, 2017.

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, 2017, 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, 2017, 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 funds over the amount of $25,000 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 area's unemployment rate is currently 3.5% which is lower than the national rate of 4.3% and the statewide rate of 4.2%. The

region's growth and economic diversity are expected to be the basis for continued health of the local economy in coming years.

Long-term financial planning
Looking forward, 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 2017, 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 year 2018. Fiscal year 2019 is the first year of the next tri-annual real property valuation.

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 contribution provisions and amend benefit changes as part of labor negotiations. The Systems were created by the Maryland General Assembly and the Police and Fire System was established by City legislation. Government Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*, became effective for the year ended June 30, 2014. This statement required the presentation of new information in the notes to the financial statements and in the 10-year Required Supplementary Information (RSI) schedules. GASB 68, *Accounting and Financial Reporting for Pensions*, became effective 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.

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, GASB 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. Effective June 30, 2017 was GASB No. 74, *Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans*, which was established in an effort to improve the usefulness of information about postemployment benefits other than pensions included in the general purpose external financial repots of state and local government OPEB plans for making decisions and assessing accountability. GASB No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*, was created to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. GASB No. 74 was implemented in fiscal year 2017, and GASB No. 75 will be implemented in fiscal year 2018.

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.

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, 2016. This was the twenty-eighth 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, 2016. 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

Bruce T. Miller
Director of Finance

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Annapolis

Maryland

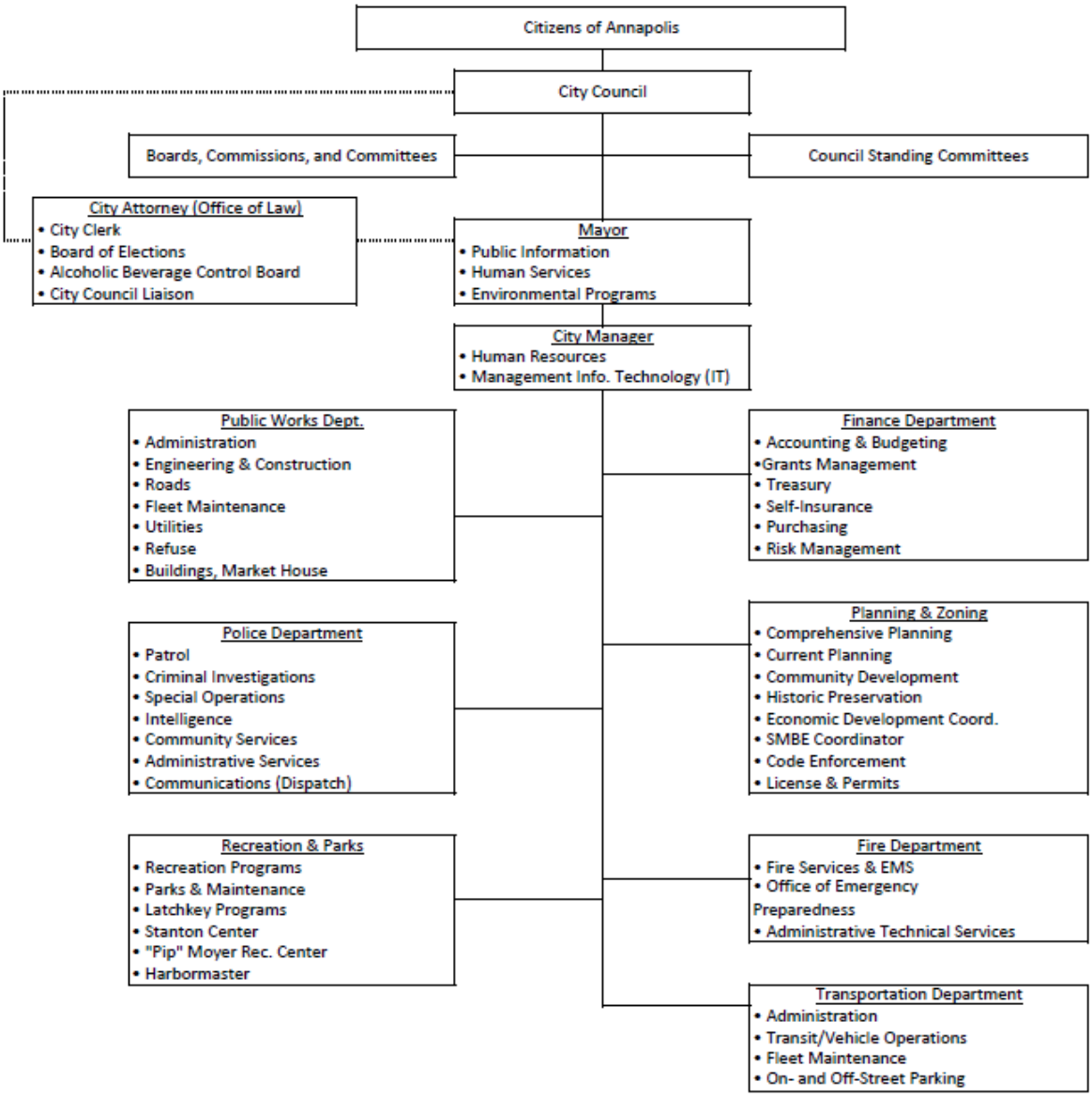
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Christopher P. Morrill

Executive Director/CEO

Government Organizational Chart



CITY OF ANNAPOLIS, MARYLAND

LIST OF PRINCIPAL OFFICIALS

City Council

Michael Pantelides, Mayor

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

Management Team

Title	Name
City Manager	Thomas C. Andrews
Director of Finance	Bruce T. Miller
Director of Public Works	David Jarrell, P.E.
Director of Planning and Zoning	C. Peter Gutwald, AICP
Chief of Police	Scott S. Baker
Fire Chief	David L. Stokes, Sr.
Director of Transportation	James E. (Rick) Gordon
Director of Recreation and Parks	Archie Trader
City Attorney, Acting	Ashley E. Leonard, Esq.

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CliftonLarsonAllen LLP
CLAconnect.com

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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2017, 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 January 31, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
January 31, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

(MD&A)

CITY OF

ANNAPOLIS

MARYLAND

As management of the City of Annapolis (the City), we offer readers of the City's basic financial statements. This narrative overview and analysis of the financial activities of the City is for the fiscal year ended June 30, 2017. 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 $53,226,216 *(net position*).

- The City's total net position increased by $5,449,627. This increase is attributable to the current year activities which included a sale of City property, the issuance of a general obligation bond and refunding of prior year bonds, an increase in charges for services in the Water and Sewer Funds. In fiscal year 2017, governmental activities saw a increase of $98,288 and business-type activities saw an increase of $5,351,339.

- As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of $33,677,479, a net increase of $4,439,685 in comparison with the prior year.

- The City's total net bonded debt increased by $7,679,141 through issuance of new debt and normal principal payments, to a year-end balance of $160,759,168, which is below the City's legal debt limit.

Overview of the Financial Statements

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

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

The S*tatement of Net Position* presents information on all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

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

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

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

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as, on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activitie*s.

The City maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and capital projects fund, which are both considered major funds and the special revenue fund, which is considered to be 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 six 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 four of six 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 and Other Post-employment benefit plan. The fiduciary fund financial statements can be found on pages 28-29 of this report.

Notes to the Financial Statements. The Notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30-65 of this report.

Other information. In addition to the basic financial statements and the accompanying notes, this report also presents certain *required supplementary information,* concerning the City's progress in funding its obligation to provide pension benefits to its police and fire employees and other post-employment benefits to retirees. Required supplementary information can be found on pages 66-73 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 74-94 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 $53,226,216 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	
	FY2017	FY2016	FY2017	FY2016	FY2017	FY2016
Current assets	$45,377,973	$39,931,489	$33,018,592	$31,259,478	$78,396,565	$71,190,967
Noncurrent assets:						
Restricted water and sewer capital facility assessments	-	-	6,466,324	6,838,431	6,466,324	6,838,431
Net capital assets	110,857,648	105,678,776	98,553,952	90,391,522	209,411,600	196,070,298
Total noncurrent assets	110,857,648	105,678,776	105,020,276	97,229,953	215,877,924	202,908,729
Total assets	156,235,621	145,610,265	138,038,868	128,489,431	294,274,489	274,099,696
Deferred outflows of resources	13,481,410	20,414,116	3,574,565	4,291,479	17,055,975	24,705,595
Current liabilities	12,234,190	11,764,212	8,039,604	7,983,241	20,273,794	19,747,453
Noncurrent liabilities	143,698,978	143,810,265	89,603,412	86,207,413	233,302,390	230,017,678
Total liabilities	155,933,168	155,574,477	97,643,016	94,190,654	253,576,184	249,765,131
Deferred inflows of resources	4,338,760	1,103,089	189,304	160,482	4,528,064	1,263,571
Net position						
Net investment in capital assets	53,340,522	54,758,111	31,840,814	20,834,080	85,181,336	75,592,191
Restricted	12,139,729	14,567	20,162,006	11,169,944	32,301,735	11,184,511
Unrestricted	(56,035,148)	(45,425,863)	(8,221,707)	6,425,750	(64,256,855)	(39,000,113)
Total net position	$9,445,103	$9,346,815	$43,781,113	$38,429,774	$53,226,216	$47,776,589

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

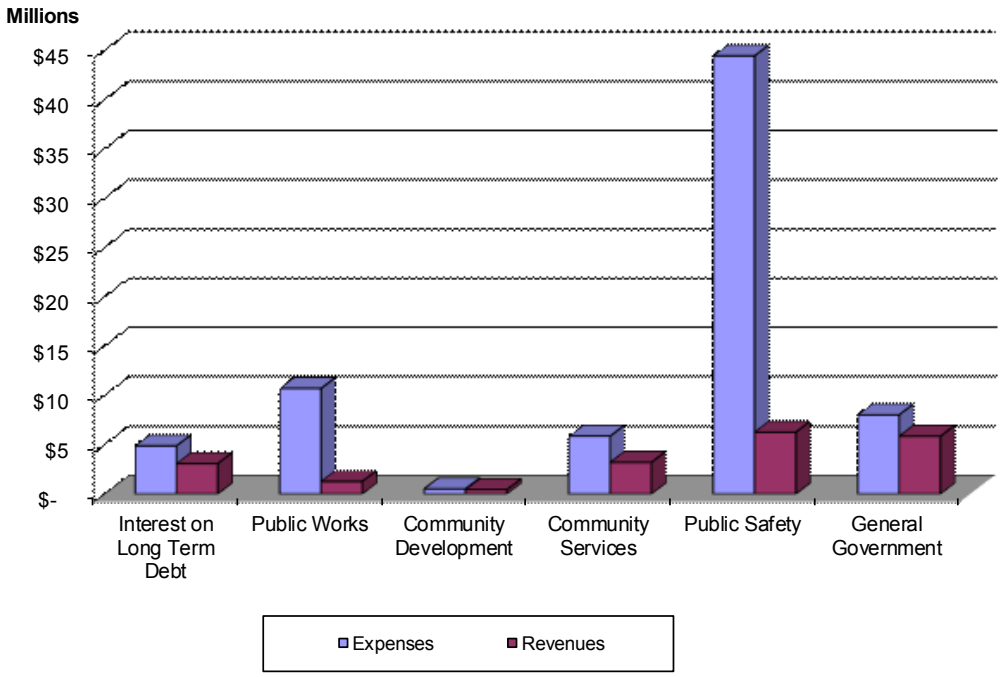
At the end of the current fiscal year, the City is able to report a positive total net position of the government as a whole as well as for its separate governmental activities and business-type activities. For its governmental activities, the unrestricted portion of net position has a negative balance 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

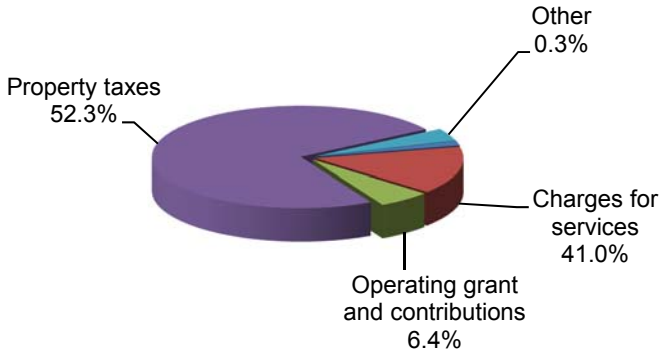
	Governmental Activities		Business-type Activities		Total	
	FY2017	FY2016	FY2017	FY2016	FY2017	FY2016
Revenues:						
Program revenues:						
Charges for services	$11,538,284	$35,847,266	$29,163,958	$27,217,304	$40,702,242	$63,064,570
Operating grants and contributions	4,435,879	2,702,821	1,863,750	2,725,080	6,299,629	5,427,901
Capital grants and contributions	1,098,816	1,755,221	2,717,290	427,568	3,816,106	2,182,789
General revenues:						
Property taxes	56,700,771	44,194,988	-	-	56,700,771	44,194,988
Other	3,087,706	101,179	6,986	31,952	3,094,692	133,131
Total revenues	76,861,456	84,601,475	33,751,984	30,401,904	110,613,440	115,003,379
Expenses:						
General government	8,027,778	18,627,376	-	-	8,027,778	18,627,376
Public safety	44,465,088	42,027,200	-	-	44,465,088	42,027,200
Community services	5,875,892	4,205,009	-	-	5,875,892	4,205,009
Community development	520,738	736,673	-	-	520,738	736,673
Public works	10,717,392	9,323,422	-	-	10,717,392	9,323,422
Interest	4,885,029	3,360,891	-	-	4,885,029	3,360,891
Water	-	-	5,486,621	4,465,639	5,486,621	4,465,639
Sewer	-	-	8,484,824	7,212,440	8,484,824	7,212,440
Off street parking	-	-	5,164,268	4,463,704	5,164,268	4,463,704
Transportation	-	-	5,895,274	4,601,845	5,895,274	4,601,845
Other	-	-	2,894,658	2,612,558	2,894,658	2,612,558
Total expenses	74,491,917	78,280,571	27,925,645	23,356,186	102,417,562	101,636,757
Changes in net position before transfers	2,369,539	6,320,904	5,826,339	7,045,717	8,195,878	13,366,622
Transfers	475,000	(6,337,650)	(475,000)	6,337,650	-	-
OPEB Transfer	(2,746,251)	-	-	-	(2,746,251)	-
Change in net position	2,844,539	(16,746)	5,351,339	13,383,367	8,195,878	13,366,622
Net position at beginning of year	9,346,815	9,363,561	38,429,774	25,046,407	47,776,589	34,409,968
Net positon at end of year	$12,191,354	$9,346,815	$43,781,113	$38,429,774	$55,972,467	$47,776,590

Governmental activities. Governmental activities increased the City's net position by $98,288.

Expenses and Program Revenues - Governmental Activities
For the year ended June 30, 2017

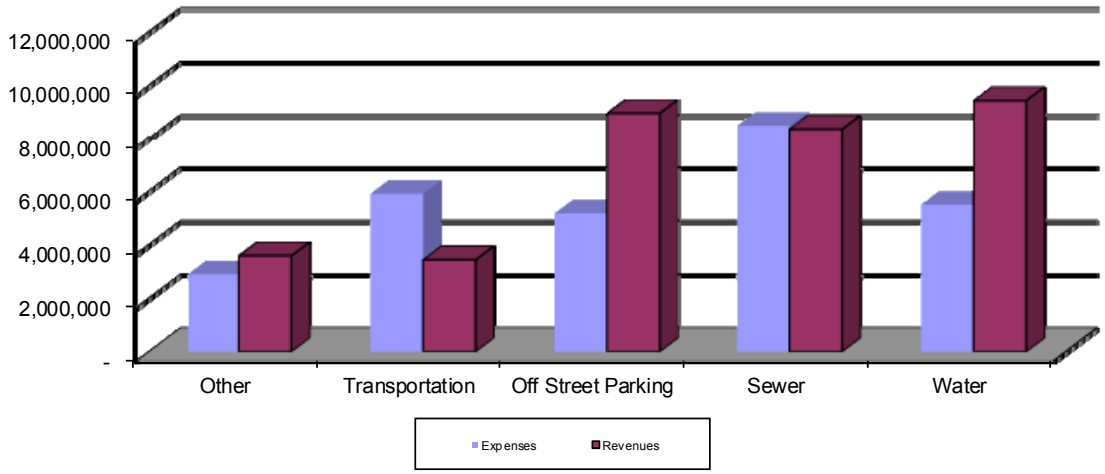


Revenues by Source - Governmental Activities
For the year ended June 30, 2017

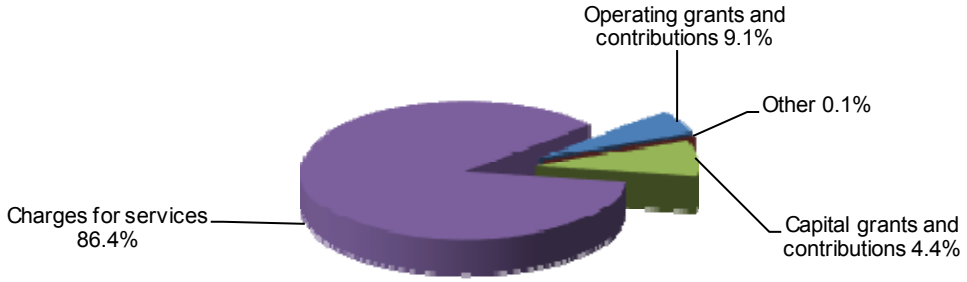


Business-Type Activities. Business-Type Activities Net Position increased by $5,351,339. The increase was due to the increase of charges for services in the Water and Sewer Funds, and an increase in operating and capital grants and contributions in the Water, Parking and Transportation Funds.

Expenses and Program Revenues - Business-type Activities
For the year ended June 30, 2017



Revenues by Source - Business-type Activities
For the year ended June 30, 2017



Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of $33,677,479, a net increase of $4,439,685. The fund balance has been restricted for community development and capital projects in the amount of $7,060,874 and non-spendable as it relates to inventories and other prepaid items of $143,209. 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 and fifty percent of general fund excess of revenues over expenditures created the capital reserve fund for a total of $6,539,736. The remaining fifty percent of general fund excess of revenues over expenditures of $1,539,736 created the budget stabilization fund. The fiscal year 2017 general fund excess of revenues over expenditures of $3,063,405 added an additional $1,531,703 to both the capital reserve fund and budget stabilization fund leaving an unassigned fund balance of $14,457,294. The City also sold the property at 9 St. Mary's Street, of which $625,000 was added to restricted for capital projects and $873,225 was added to the capital reserve fund.

The General Fund is the chief operating fund of the City and its fund balance decreased by $11,292,920 during the current fiscal year. At the end of the current fiscal year, the unassigned fund balance of the general fund accounted for $14,489,172 of the total fund balance of $27,283,483. 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 20.8% of total general fund expenditures, while total fund balance represents 39.2% 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 $5,351,339 with an ending balance of $43,781,113. The fund balance has been restricted for debt service in the amount of $20,162,006 and net investment in capital assets of $36,425,466, leaving an *unrestricted fund balanc*e of $(12,806,359).

General Fund Budgetary Highlights

The difference between the original expense budget and the final amended expense budget was an increase of $1,104,420. 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, 2017, amounts to $209,411,600 (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 6.8%, which was primarily in the business-type activities.

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

- Annual road and sidewalk improvement projects
- Building and other improvements

City of Annapolis Capital Assets
(Net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	FY2017	FY2016	FY2017	FY2016	FY2017	FY2016
Land	$4,269,293	$4,272,593	$3,231,341	$3,231,341	$7,500,634	$7,503,934
Buildings	$32,706,231	$33,607,481	$31,205,126	$32,600,250	$63,911,357	$66,207,731
Improvements/infrastructure other than buildings	$54,202,338	$42,747,870	$21,292,633	$20,065,776	$75,494,971	$62,813,646
Equipment	$3,049,575	$3,566,907	$898,529	$1,351,908	$3,948,104	$4,918,815
Construction in progress	$16,630,211	$21,483,925	$41,926,323	$33,142,247	$58,556,534	$54,626,172
Total	$110,857,648	$105,678,776	$98,553,952	$90,391,522	$209,411,600	$196,070,298

Additional information on the City's capital assets can be found in note 4 on pages 41-42 of this report.

Long-Term Debt. At the end of the current fiscal year, the City had total General Obligation Bond debt outstanding of $138,477,143 excluding premium and refunding losses. At June 30, 2017, other debt outstanding of $22,282,025 consisted of a Capital Lease and State of Maryland loan for $37,848 and $22,244,177, respectively.

City of Annapolis
Outstanding Debt net of Premiums and Refunding Losses

	Governmental Activities		Business-type Activities		Total	
	FY2017	FY2016	FY2017	FY2016	FY2017	FY2016
General obligation bonds	$78,737,725	$72,757,170	$64,577,507	$66,645,345	$143,315,232	$139,402,515
Other debt	36,182	304,713	22,245,843	18,300,555	22,282,025	18,605,268
Total	$78,773,907	$73,061,883	$86,823,350	$84,945,900	$165,597,257	$158,007,783

The City's net total debt increased by $7,679,141 (4.8%) during the current fiscal year due to the new and refunding bonds issued during the fiscal year ended June 30, 2017.

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 42-47 of this report.

Economic Factors and Next Year's Budgets and Rates

The unemployment rate for the City area is currently 3.5 percent, which increased from the rate of 3.3 percent from a year ago. This compares favorably to the state's average unemployment rate of 4.2 percent and the national average rate of 4.3 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 3.94 percent increase in taxable property due to the 2015 tri-annual valuation.

The focus for fiscal year 2018 will be on the following concepts; increasing operational efficiencies, increasing performance outcomes, driving down service to delivery costs and maintaining a constant real-estate tax rate.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of Finance, City of Annapolis, 160 Duke of Gloucester Street, Annapolis, Maryland, 21401.

FINANCIAL SECTION

CITY OF

ANNAPOLIS

MARYLAND

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GOVERNMENT-WIDE

FINANCIAL STATEMENTS

CITY OF

ANNAPOLIS

MARYLAND

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CITY OF ANNAPOLIS, MARYLAND
Statement of Net Position
June 30, 2017

	Governmental Activities	Business-type Activities	Totals
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 13,250,991	$ 15,388,723	$ 28,639,714
Cash and cash equivalents - restricted	21,035,081	20,162,006	41,197,087
Receivables, net of allowances	3,515,217	4,494,336	8,009,553
Internal balances	7,433,475	(7,433,475)	-
Inventories	143,209	407,002	550,211
Total Current Assets	45,377,973	33,018,592	78,396,565
Non-current Assets:			
Restricted water and sewer capital facility assessments	-	6,466,324	6,466,324
Capital assets (net of accumulated depreciation):			
Land	4,269,293	3,231,341	7,500,634
Buildings	32,706,231	31,205,126	63,911,357
Improvements other than buildings	54,202,338	21,292,633	75,494,971
Equipment	3,049,575	898,529	3,948,104
Construction in progress	16,630,211	41,926,323	58,556,534
Total capital assets	110,857,648	98,553,952	209,411,600
Total Non-current Assets	110,857,648	105,020,276	215,877,924
Total assets	156,235,621	138,038,868	294,274,489
DEFERRED OUTFLOW OF RESOURCES			
Deferred outflows related to pensions	12,259,710	620,289	12,879,999
Deferred Loss on refunding	1,221,700	2,954,276	4,175,976
Total deferred outflow of resources	13,481,410	3,574,565	17,055,975
LIABILITIES			
Current Liabilities:			
Accounts payable	3,254,768	3,855,475	7,110,243
Accrued payables and other liabilities	2,457,505	1,454,474	3,911,979
Compensated absences	79,784	24,514	104,298
Unearned revenue	14,820	21,747	36,567
Escrowed funds	712,037	264,642	976,679
Accrued Interest	1,212,064	774,141	1,986,205
Current portion long term debt	4,503,212	1,644,611	6,147,823
Total Current Liabilities	12,234,190	8,039,604	20,273,794
Non-current Liablities:			
Compensated absences	917,517	281,907	1,199,424
Accrued liability for other post employment benefits	25,550,943	1,902,759	27,453,702
Accrued self insurance costs, net of current portion	4,070,710	-	4,070,710
City Pension Liability	15,468,419	2,240,007	17,708,426
Police & Fire Pension Liability	23,420,694	-	23,420,694
Long-term debt, net of current portion	74,270,695	85,178,739	159,449,434
Total Non-current Liabilities	143,698,978	89,603,412	233,302,390
Total liablilites	155,933,168	97,643,016	253,576,184
DEFERRED INFLOW OF RESOURCES			
Deferred inflows related to pensions	4,338,760	189,304	4,528,064
NET POSITION			
Net investment in capital assets	53,340,522	31,840,814	85,181,336
Restricted for:			
Capital projects	-	20,162,006	20,162,006
Community development	123,626	-	123,626
Capital reserve fund	8,944,664	-	8,944,664
Budget stabilization fund	3,071,439	-	3,071,439
Unrestricted	(56,035,148)	(8,221,707)	(64,256,855)
Total net position	$ 9,445,103	$ 43,781,113	$ 53,226,216

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, 2017

		Program Revenues			Net (Expense) Revenues and Change in Net Position		
					Primary Government		
Functions/Programs	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
Governmental Activities:							
General government	$ 8,027,778	$ 4,626,240	$ 137,711	$ 1,098,816	$ (2,165,011)	$ -	$ (2,165,011)
Public safety	44,465,088	2,845,731	3,431,289	-	(38,188,068)	-	(38,188,068)
Community services	5,875,892	2,790,525	421,377	-	(2,663,990)	-	(2,663,990)
Community development	520,738	-	445,502	-	(75,236)	-	(75,236)
Public works	10,717,392	1,275,788	-	-	(9,441,604)	-	(9,441,604)
Interest on long term debt	4,885,028	-	-	-	(4,885,028)	-	(4,885,028)
Total Governmental Activities	74,491,917	11,538,284	4,435,879	1,098,816	(57,418,938)	-	(57,418,938)
Business-type Activities:							
Water	5,486,621	8,209,879	-	1,216,050	-	3,939,308	3,939,308
Sewer	8,484,824	8,356,869	-	-	-	(127,955)	(127,955)
Off Street Parking	5,164,268	8,131,099	-	823,672	-	3,790,503	3,790,503
Transportation	5,895,274	884,316	1,558,360	982,958	-	(2,469,640)	(2,469,640)
Stormwater Management	719,818	1,077,499	-	-	-	357,681	357,681
Refuse	2,174,839	2,504,296	-	-	-	329,457	329,457
Total Business-type Activities	27,925,644	29,163,958	1,558,360	3,022,680	-	5,819,354	5,819,354
Total	$ 102,417,561	$ 40,702,242	$ 5,994,239	$ 4,121,496	(57,418,938)	5,819,354	(51,599,584)
General Revenues:							
Taxes							
Real					41,475,676	-	41,475,676
Unincorporated					48,610	-	48,610
Public utility					1,708,019	-	1,708,019
Corporations					1,726,253	-	1,726,253
Penalties, interest and transfer fees					201,438	-	201,438
Shared state taxes and other					11,540,775	-	11,540,775
Interest and investment earnings					233,794	6,986	240,780
Miscellaneous					2,853,912	-	2,853,912
Transfers					475,000	(475,000)	-
OPEB Transfer					(2,746,251)	-	(2,746,251)
Total general revenues and transfers					57,517,226	(468,014)	57,049,212
Change in net position					98,288	5,351,339	5,449,627
Net position as of beginning of year					9,346,815	$ 38,429,774	$ 47,776,589
Net position as of end of year					$ 9,445,103	$ 43,781,113	$ 53,226,216

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

FUND FINANCIAL STATEMENTS

CITY OF

ANNAPOLIS

MARYLAND

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CITY OF ANNAPOLIS, MARYLAND
Balance Sheet
Governmental Funds
June 30, 2017

	General	Capital Projects	Non-Major Governmental Fund	Totals
ASSETS				
Cash and cash equivalents	$ 8,188,244	$ -	14,449	$ 8,202,693
Cash and cash equivalents - restricted	-	21,035,081	-	21,035,081
Receivables, net of allowances	3,305,382	-	109,177	3,414,559
Due from other funds	20,652,581	-	-	20,652,581
Inventories	143,209	-	-	143,209
Prepaid items	-	-	-	-
Total assets	$ 32,289,416	$ 21,035,081	123,626	$ 53,448,123
LIABILITIES				
Accounts payable	$ 1,738,617	$ 1,456,560	31,878	$ 3,227,055
Accrued payables and other liabilities	2,152,293	57,167	-	2,209,460
Due to General Fund	-	13,219,106	-	13,219,106
Unearned revenue	14,820	-	-	14,820
Escrowed funds	712,037	-	-	712,037
Total liabilities	4,617,767	14,732,833	31,878	19,382,478
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	388,166	-	-	388,166
Total deferred inflows of resources	388,166	-	-	388,166
FUND BALANCE				
Non Spendable				
Inventories and prepaid items	143,209	-	-	143,209
Restricted for:				
Community development	-	-	123,626	123,626
Capital projects	635,000	6,302,248	-	6,937,248
Capital reserve fund	8,944,664	-	-	8,944,664
Budget stabilization fund	3,071,439	-	-	3,071,439
Unassigned	14,489,171	-	(31,878)	14,457,293
Total fund balances	27,283,483	6,302,248	91,748	33,677,479
Total liabilities, deferred inflows of resources and fund balances	$ 32,289,416	$ 21,035,081	123,626	$ 53,448,123

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, 2017

Total Governmental Fund Balances		$ 33,677,479
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.		110,857,648
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds		388,166
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	$ (997,301)	
Accrued interest	(1,212,064)	
OPEB	(25,550,943)	
Net pension liability	(38,889,113)	
		(66,649,421)
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	78,773,907	
Loss on refunding deferred outflow	(1,221,700)	
		(77,552,207)
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.		7,920,950
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.		802,488
Net position of Governmental Activities		$ 9,445,103

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, 2017

	General	Capital Projects	Non-Major Governmental Fund	Totals
Revenues				
Taxes	$ 45,159,996	$ -	$ -	$ 45,159,996
Licenses and permits	3,462,155	-	-	3,462,155
Fines and forfeitures	250,002	-	-	250,002
Money and property	2,853,185	-	-	2,853,185
Intergovernmental	15,544,324	1,098,816	411,002	17,054,142
Current services	5,345,699	-	-	5,345,699
Total revenues	72,615,361	1,098,816	411,002	74,125,179
Expenditures				
Current:				
General government	6,847,993	-	-	6,847,993
Public safety	40,562,978	-	-	40,562,978
Community services	5,163,066	-	-	5,163,066
Community development	252,665	-	268,073	520,738
Public works	8,455,632	-	-	8,455,632
Debt service:			-	-
Principal	4,213,897	-	-	4,213,897
Interest	3,279,663	-	-	3,279,663
Capital outlays	776,062	8,302,446	-	9,078,508
Total expenditures	69,551,956	8,302,446	268,073	78,122,475
Excess (deficiency) of revenues over expenditures	3,063,405	(7,203,630)	142,929	(3,997,296)
Other financing sources (uses)				
Bond proceeds	13,241,198	-	-	13,241,198
Payment to escrow agent	(2,532,966)	-	-	(2,532,966)
Transfer to OPEB Trust Fund	(2,746,251)	-	-	(2,746,251)
Transfers in	2,700,000	22,793,306	-	25,493,306
Transfers out	(25,018,306)	-	-	(25,018,306)
Total other financing sources (uses)	(14,356,325)	22,793,306	-	8,436,981
Net change in fund balance	(11,292,920)	15,589,676	142,929	4,439,685
Fund balance at beginning of year	38,576,403	(9,287,428)	(51,181)	29,237,794
Fund balance at end of year	$ 27,283,483	$ 6,302,248	$ 91,748	$ 33,677,479

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, 2017

Net Change in Fund Balance - Total Government Funds		$ 4,439,685
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	$ 8,824,123	
Depreciation Expense	(3,396,731)	
		5,427,392
In the statement of activities, only the gain or loss on capital assets is reported. However, in the governmental funds, all proceeds or losses are reported as financial resources. Thus, the change in net position differs from the change in fund balance by the value of disposed capital assets.		(248,520)
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.		186,277
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Debt issued or incurred:		
General obligation bonds	(13,241,198)	
Amortization of premium	785,606	
Amortization of loss on refunding	(799,568)	
Principal repayments		
General obligation bonds	6,475,037	
Capital leases	268,531	
		(6,511,592)
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	10,410	
Increase in other postemployment benefits	(1,289,176)	
Increase in accrued interest payable	(16,893)	
		(1,295,659)
The net effect of the expenses for recording pension liability from employee retirement plans.		(3,487,281)
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.		1,587,986
Change in Net Position of Governmental Activities		$ 98,288

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

PROPRIETARY FUND

FINANCIAL STATEMENTS

CITY OF

ANNAPOLIS

MARYLAND

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CITY OF ANNAPOLIS, MARYLAND
Statement of Net Position
Proprietary Funds
June 30, 2017

	Business-type Activities						Governmental Activities
	Water Fund	Sewer Fund	Off Street Parking Fund	Transportation Fund	Non-Major Enterprise Funds	Total	Internal Service Fund Total
ASSETS							
Current assets							
Cash and cash equivalents	$ 8,799,314	$ -	$ -	$ 50	$ 6,589,359	$ 15,388,723	$ 5,048,298
Cash and cash equivalents - restricted	10,371,835	9,699,944	65,545	-	24,682	20,162,006	-
Accounts receivable							
Service charges and penalties	1,426,591	1,639,457	14,938	739,659	673,529	4,494,174	-
Capital and other charges	162	-	-	-	-	162	100,658
Total accounts receivable, net	1,426,753	1,639,457	14,938	739,659	673,529	4,494,336	100,658
Inventories	391,953	-	-	15,049	-	407,002	-
Prepaid expenses	-	-	-	-	-	-	-
Total current assets	20,989,855	11,339,401	80,483	754,758	7,287,570	40,452,067	5,148,956
Noncurrent assets							
Restricted water and sewer capital facility assessments	3,284,622	3,181,702	-	-	-	6,466,324	-
Net capital assets	48,280,623	17,287,471	28,990,761	3,044,643	950,454	98,553,952	-
Total noncurrent assets	51,565,245	20,469,173	28,990,761	3,044,643	950,454	105,020,276	-
Total assets	72,555,100	31,808,574	29,071,244	3,799,401	8,238,024	145,472,343	5,148,956
DEFERRED OUTFLOWS OF RESOURCES							
Deferred outflows related to pensions	176,159	76,013	16,006	289,863	62,248	620,289	-
Deferred loss on refunding	902,112	473,582	1,570,625	738	7,219	2,954,276	-
Total deferred outflows of resources	1,078,271	549,595	1,586,631	290,601	69,467	3,574,565	-
LIABILITIES							
Current liabilities							
Accounts payable	2,560,930	886,971	8,649	133,727	265,198	3,855,475	27,713
Accrued expenses and other liabilities	97,646	779,619	268,721	265,707	42,781	1,454,474	248,045
Accrued self insurance costs - current portion	-	-	-	-	-	-	1,456,508
Accrued Interest	556,650	210,731	-	-	6,760	774,141	-
Due to General Fund	-	114,864	5,195,494	2,123,117	-	7,433,475	-
Compensated absences-current portion	11,087	1,926	-	10,164	1,337	24,514	-
Unearned revenue	5,000	5,000	492	10,685	570	21,747	-
Escrowed funds	-	260,186	-	-	4,456	264,642	-
Current portion of long-term debt	672,017	327,440	606,117	1,021	38,016	1,644,611	-
Total current liabilities	3,903,330	2,586,737	6,079,473	2,544,421	359,118	15,473,079	1,732,266
Noncurrent liabilities							
Compensated absences, net of current portion	127,504	22,157	-	116,883	15,363	281,907	-
Accrued liability for other post employment benefits	624,462	151,960	-	512,456	613,881	1,902,759	-
Accrued self insurance costs, net of current portion	-	-	-	-	-	-	2,614,202
Net Pension Liability	636,147	274,503	57,803	1,046,762	224,792	2,240,007	-
Long-term debt, net of current portion	49,463,396	12,464,991	22,804,088	24,058	422,206	85,178,739	-
Total noncurrent liabilities	50,851,509	12,913,611	22,861,891	1,700,159	1,276,242	89,603,412	2,614,202
Total liabilities	54,754,839	15,500,348	28,941,364	4,244,580	1,635,360	105,076,491	4,346,468
DEFERRED INFLOWS OF RESOURCES							
Deferred inflows related to pensions	53,761	23,198	4,885	88,462	18,998	189,304	-
Total deferred outflows of resources	53,761	23,198	4,885	88,462	18,998	189,304	-
NET POSITION							
Net investment in capital assets	9,419,157	14,668,566	8,787,351	3,021,040	529,352	36,425,466	-
Restricted for debt service	10,371,835	9,699,944	65,545	-	24,682	20,162,006	-
Unrestricted	(966,221)	(7,533,887)	(7,141,270)	(3,264,080)	6,099,099	(12,806,359)	802,488
Total net position	$ 18,824,771	$ 16,834,623	$ 1,711,626	$ (243,040)	$ 6,653,133	$ 43,781,113	$ 802,488

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, 2017

	Business-type Activities						Governmental Activities
	Water Fund	Sewer Fund	Off Street Parking Fund	Transportation Fund	Non-Major Enterprise Funds	Total	Internal Service Fund Total
Operating revenues							
Charges for services	$ 8,063,267	$ 8,356,869	$ 5,454,815	$ 828,552	$ 3,581,795	$ 26,285,298	$ -
Grant Income	-	-	-	1,558,360	-	1,558,360	-
Other	146,612	-	2,676,284	55,764	-	2,878,660	12,057,986
Total operating revenues	8,209,879	8,356,869	8,131,099	2,442,676	3,581,795	30,722,318	12,057,986
Operating expenses							
Salaries	2,503,009	1,650,086	139,493	3,678,244	832,256	8,803,088	-
Utilities	303,919	264,050	64,243	25,141	8,660	666,013	-
Repairs and maintenance	345,556	214,177	77,812	576,953	14,923	1,229,421	-
Materials and supplies	239,012	62,880	4,134	349,013	98,483	753,522	-
Treatment plant operations	-	3,313,617	-	-	-	3,313,617	-
Contractual services	171,633	365,981	2,556,506	6,238	1,401,350	4,501,708	-
Administrative charge from General Fund	706,193	1,615,109	676,039	766,381	523,785	4,287,507	-
Depreciation	435,464	799,927	941,466	488,888	9,111	2,674,856	-
Claim payments	-	-	-	-	-	-	10,341,000
Other	354,003	(8,339)	-	3,293	1,823	350,780	129,000
Total operating expenses	5,058,789	8,277,488	4,459,693	5,894,151	2,890,391	26,580,512	10,470,000
Operating (loss) income	3,151,090	79,381	3,671,406	(3,451,475)	691,404	4,141,806	1,587,986
Non-operating revenues (expenses)							
Capital grants	1,216,050	-	823,672	982,958	-	3,022,680	-
Interest income and other	4,397	2,927	-	1,600	(1,939)	6,985	-
Interest expense	(424,239)	(207,336)	(695,350)	-	(4,266)	(1,331,191)	-
Bond Issuance Cost	(3,593)	-	(9,225)	(1,123)	-	(13,941)	-
Total non-operating revenues (expenses), net	792,615	(204,409)	119,097	983,435	(6,205)	1,684,533	-
Income (loss) before contributions and transfers	3,943,705	(125,028)	3,790,503	(2,468,040)	685,199	5,826,339	1,587,986
Transfers in	-	-	-	2,225,000	-	2,225,000	-
Transfers out	-	-	(2,700,000)	-	-	(2,700,000)	-
Change in net position	3,943,705	(125,028)	1,090,503	(243,040)	685,199	5,351,339	1,587,986
Net position at beginning of year	14,881,066	16,959,651	621,123	-	5,967,934	38,429,774	(785,498)
Net position at end of year	$ 18,824,771	$ 16,834,623	$ 1,711,626	$ (243,040)	$ 6,653,133	$ 43,781,113	$ 802,488

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, 2017

	Business-type Activities						Governmental Activities
	Water Fund	Sewer Fund	Off Street Parking Fund	Transportation Fund	Non-Major Enterprise Funds	Total	Internal Service Fund Total
Cash flows from operating activities							
Receipts from customers and users	$ 7,901,813	$ 8,091,268	$ 5,440,369	$ 406,433	$ 3,499,835	$ 25,339,718	$ -
Receipts from contributions and other sources	146,612	-	2,676,284	1,614,124	-	4,437,020	1,204,155
Receipts from interfund services provided	-	-	-	-	-	-	-
Payments to suppliers for goods and services	(1,256,792)	(5,110,265)	(3,680,686)	(1,661,589)	(2,000,001)	(13,709,333)	-
Payments to employees for services	(2,123,069)	(692,205)	91,552	(3,514,259)	(736,393)	(6,974,374)	-
Net cash provided by (used for) operating activities	4,668,564	2,288,798	4,527,519	(3,155,291)	763,441	9,093,031	1,204,155
Cash flows from noncapital financing activities							
Effect of change from Due From to Equity in Pooled Cash	-	114,864	(576,708)	16,807	-	(445,037)	-
Transfer from other funds	-	-	-	-	-	-	-
Transfer to other funds	-	-	(2,700,000)	-	-	(2,700,000)	-
Net cash provided by (used for) noncapital financing activities	-	114,864	(3,276,708)	16,807	-	(3,145,037)	-
Cash flows from capital and related financing activities							
Acquisition of capital assets	(9,699,166)	(1,134,849)	(24,780)	(67,776)	(101,356)	(11,027,927)	-
Retirements and transfers of capital assets	186,721	6,872	-	-	-	193,593	-
Proceeds from issuance of long term debt	6,464,689	69,339	507,494	2,555	5,781	7,049,858	-
Principal payments of long term debt	(413,854)	(252,119)	(1,303,781)	(2,430)	(43,129)	(2,015,313)	-
Refunding and transfers of long term debt	128,124	(2,747,027)	(457,247)	(2,300)	(5,209)	(3,083,659)	-
Capital grant proceeds	1,216,050	-	823,672	3,207,958	-	5,247,680	-
Interest	(424,239)	(494,616)	(721,399)	-	(993)	(1,641,247)	-
Bond Issuance Costs	(3,593)	-	(9,225)	(1,123)	-	(13,941)	-
Net cash provided by (used for) capital and related financing activities	(2,545,268)	(4,552,400)	(1,185,266)	3,136,884	(144,906)	(5,290,956)	-
Cash flows from investing activities:							
Interest received	30,370	2,926	-	1,600	(1,939)	32,957	-
Net cash provided by (used for) investing activities	30,370	2,926	-	1,600	(1,939)	32,957	-
Net increase (decrease) in cash and cash equivalents	2,153,666	(2,145,812)	65,545	-	616,596	689,995	1,204,155
Cash and cash equivalents at beginning of year	17,017,483	11,845,756	-	50	5,997,445	34,860,734	3,844,143
Cash and cash equivalents at end of year	$ 19,171,149	$ 9,699,944	$ 65,545	$ 50	$ 6,614,041	$ 35,550,729	$ 5,048,298
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities							
Operating income (loss)	$ 3,151,090	$ 79,381	$ 3,671,406	$ (3,451,475)	$ 691,404	$ 4,141,806	$ 1,587,986
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:							
Depreciation	435,464	799,927	941,466	488,888	9,111	2,674,856	-
Effect of changes in non-cash operating assets and liabilities:							
Accounts receivable	(353,773)	(215,440)	(6,358)	(427,416)	2,007	(1,000,980)	76,898
Restricted cash	681,360	-	65,545	-	-	746,905	-
Restricted water and sewer capital facility assessments	192,319	179,788	-	-	-	372,107	-
Inventories	(317,435)	-	-	5,538	-	(311,897)	-
Prepaid expenses	-	-	-	-	-	-	-
Accounts payable	499,599	486,895	(367,497)	59,892	28,139	707,028	(33,810)
Accrued expenses and other liabilities	26,350	750,813	173,215	36,288	20,884	1,007,550	-
Compensated absences	7,470	(3,109)	-	(25,766)	(2,294)	(23,699)	-
Deferred revenue	-	(229,949)	(8,088)	5,297	(83,967)	(316,707)	-
Escrowed funds	-	230,315	-	-	-	230,315	-
Deferred outflows	261,675	148,295	172,506	73,967	(6,213)	650,230	-
Net pension liability	43,433	47,934	(107,238)	40,325	66,238	90,692	-
Deferred inflows	9,505	6,281	(7,438)	13,315	7,159	28,822	-
Other post employment benefits	31,507	7,667	-	25,856	30,973	96,003	-
Claims payable	-	-	-	-	-	-	(426,919)
Total adjustments	1,517,474	2,209,417	856,113	296,184	72,037	4,951,225	(383,831)
Net cash provided by (used for) operating activities	$ 4,668,564	$ 2,288,798	$ 4,527,519	$ (3,155,291)	763,441	$ 9,093,031	$ 1,204,155

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

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FIDUCIARY FUND

FINANCIAL STATEMENTS

CITY OF

ANNAPOLIS

MARYLAND

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CITY OF ANNAPOLIS, MARYLAND
Statement of Fiduciary Net Position
Benefit Trust Funds
June 30, 2017

ASSETS		
Cash	$	673,655
Investments, at fair value:		
Pooled investments		2,907,943
Common stocks		93,874,192
Corporate bonds		1,935,984
Money market		7,108,999
U.S. Agency securities		21,789,433
Limited partnerships and alternative investments		34,570,547
Real estate		9,483,234
Total investments		171,670,332
Total assets	$	172,343,987
NET POSITION		
Total net position, held in trust for Pension Benefits	$	172,343,987

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
Benefit Trust Funds
Year Ended June 30, 2017

ADDITIONS		
Contributions		
Employer	$	8,729,523
Plan member		1,445,592
Total Contributions		10,175,115
Investment Income		
Dividends		2,282,687
Net increase in fair value of investments		16,091,112
Real estate operating income, net		516,219
Total investment income		18,890,018
Total additions		29,065,133
DEDUCTIONS		
Benefits		13,105,182
Administrative expenses		854,728
Total deductions		13,959,910
Change in net position		15,105,223
Net position as of beginning of year		157,238,764
Net position as of end of year	$	172,343,987

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

NOTES TO BASIC

FINANCIAL STATEMENTS

CITY OF

ANNAPOLIS

MARYLAND

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

BASIS OF PRESENTATION – FUND ACCOUNTING

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

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

BASIS OF ACCOUNTING

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Net position 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting

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

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

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

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

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

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

PROPRIETARY FUNDS

All proprietary funds are accounted for using the accrual basis of accounting. The accrual basis of accounting recognizes revenues when they are earned and expenses when liabilities are incurred. These funds account for operations that are primarily financed by user charges. All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Net position (i.e., net total position) is segregated into net investment in capital assets, restricted and unrestricted. Proprietary funds operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net position.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The major proprietary funds are:

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

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

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

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

The non-major proprietary funds shown aggregated are:

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The City's only Internal Service Fund is used for coverage of general liability, workers compensation and health insurance claims. The liability for unpaid claims, which is included in other liabilities, is based upon individual case estimates reported as of June 30, 2017 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 FUNDS

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

Pension Trust Fund - For 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.

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

BUDGETARY PROCESS

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

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

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

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

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

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

6. All budgets are on an annual basis except the Capital Projects Fund budget, which is on a project basis. Budgets are adopted using non-GAAP budgetary basis of accounting as used for reporting purposes. Unencumbered appropriations lapse at June 30 for all funds, except the Capital Projects Fund.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgetary Control

Annually, budgets are adopted on a departmental level. Any budget changes subsequent to the adoption by the City Council, including any transfers between expenditures classifications over $25,000 or between funds, must be approved by the Finance Committee and full City Council. Any transfers between expenditure classifications within the same fund under $25,000 require approval by the City Manager, who must report to City Council at the following City Council meeting. For the General Fund, the total amendments were a net increase of $1,104,420, increasing the original budget from $68,514,286 to a revised budget of $69,618,706.

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

Police	$ 354,065
Fire	554,800
Public Works	63,790
Non-Allocated	423,287
Sewer	62,250
Transportation	141,990

Investments

Short-term investments of the City are recorded at fair value. Investments in the Pension and Other Postemployment Benefit Trust Funds 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, 2017 was $703,190.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Vacation and Sick Leave

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

The City records vested vacation benefits as earned. All vacation benefits are accrued when incurred in the government-wide and proprietary fund financial statements. The amount earned and unused is recorded as a liability in the respective funds of the City when notification of termination is received prior to year-end. In accordance with GASB Statement Number 16,"*Accounting for Compensated Absences*," the City also recorded the related social security and Medicare taxes as a liability as of June 30, 2017.

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, 2017 the City also had deferred outflows of resources for fiscal year 2017 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Uncollectible Receivables

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

Primary Government	
General Fund (Miscellaneous Billing)	58,522
General Fund (Personal Property)	75,994
	$ 134,516

New Accounting Pronouncement

The City implemented GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans* during the year ended June 30, 2017. GASB 74 was established to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local government OPEB plans for making decisions and assessing accountability. Our auditors' opinion was not modified with respect to this implementation.

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, 2017, was approximately $6,422,155,949 and $182,024,160 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 and Other Post-employement Benefit Trust Funds, 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.

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

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 $4,332,012 and the bank balances were $5,903,669 as of June 30, 2017. As of June 30, 2017, $1,369,592 of the City's bank balance was exposed to custodial credit risk as it was uninsured and uncollateralized.

Teller and petty cash was $2,475 at June 30, 2017.

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 $39,504,556 as of June 30, 2017. 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 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.

Interest Rate Risk - The City plans its investments to match cash flow requirements. In accordance with its investment policy, the City does not directly invest in securities maturing more than one year from the date of purchase. The Maryland Local Government Investment Pool (MLGIP) used by the City is operated in accordance with Rule2a7 of the Investment Company Act of 1940. The City's investments in the pool are not included in the computation of weighted average maturity. The City's investment in MLGIP was $25,983,309 as of June 30, 2017.

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

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

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

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.

	Level 1	Level 2	Level 3	Balance June 30, 2017
Investments by fair value level				
MACO OPEB Trust	$ -	$ -	$ 2,907,829	$ 2,907,829
Total Investment by fair value level	-	-	2,907,829	2,907,829
Cash and Investments carried at amortized cost:				
Cash on hand				2,475
Deposits				4,332,012
Money Market Mutual Funds				40,192,434
MLGIP				25,983,309
Total Cash and Investments at amortized cost				70,510,230
Total Cash and Investments				$ 73,418,059

NOTE 4 – CAPITAL ASSETS AND DEPRECIATION

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 4,272,593	$ -	$ (3,300)	$ 4,269,293
Construction in process	21,483,925	4,098,876	(8,952,590)	16,630,211
Total capital assets not being depreciated	25,756,518	4,098,876	(8,955,890)	20,899,504
Capital assets being depreciated:				
Buildings	50,879,755	-	(914,162)	49,965,593
Improvements/infrastructure	81,979,629	12,601,955	(35,620)	94,545,964
Equipment	17,203,264	1,035,762	(877,672)	17,361,354
Subtotal	150,062,648	13,637,717	(1,827,454)	161,872,911
Less accumulated depreciation:				
Buildings	(17,272,276)	(901,248)	914,162	(17,259,362)
Improvements/infrastructure	(39,231,753)	(1,147,493)	35,620	(40,343,626)
Equipment	(13,636,324)	(1,347,990)	672,535	(14,311,779)
Subtotal	(70,140,353)	(3,396,731)	1,622,317	(71,914,767)
Total capital assets being depreciated, net	79,922,295	10,240,986	(205,137)	89,958,144
Net capital assets	$ 105,678,813	$ 14,339,862	$ (9,161,027)	$ 110,857,648

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 3,231,341	$ -	$ -	$ 3,231,341
Construction in process	33,142,247	10,852,067	(2,067,991)	41,926,323
Total capital assets not being depreciated	36,373,588	10,852,067	(2,067,991)	45,157,664
Capital assets being depreciated:				
Buildings	61,273,115	-	-	61,273,115
Improvements/infrastructure	35,257,668	2,076,037	(518,654)	36,815,051
Equipment	8,818,560	163,890	(27,374)	8,955,076
Subtotal	105,349,343	2,239,927	(546,028)	107,043,242
Less accumulated depreciation:				
Buildings	(28,672,866)	(1,395,123)	-	(30,067,989)
Improvements/infrastructure	(15,191,892)	(662,464)	331,938	(15,522,418)
Equipment	(7,466,652)	(617,269)	27,374	(8,056,547)
Subtotal	(51,331,410)	(2,674,856)	359,312	(53,646,954)
Total capital assets being depreciated, net	54,017,933	(434,929)	(186,716)	53,396,288
Net capital assets	$ 90,391,521	$ 10,417,139	$ (2,254,707)	$ 98,553,952

NOTE 4 – CAPITAL ASSETS AND DEPRECIATION (CONTINUED)

Depreciation was charged to functions for governmental activities as follows:

Governmental activities:		
General government	$	68,492
Public safety		828,641
Community services		569,624
Public works		1,929,974
Total governmental activities depreciation expense	$	3,396,731

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

Business-type activities:		
Water	$	435,464
Sewer		799,927
Off street parking		941,466
Transportation		488,888
Non major funds		9,111
Total business-type activities depreciation expense	$	2,674,856

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 21, 2016 the City sold $9,500,000 General Obligation Bonds, all of which was allocated to the General Fund for the design, planning, renovation and construction of City facilities and roadways, the replacement of radios City-wide and the implementation of energy performance audit recommendations. The 2016A bond series have an average interest rate of 3% to 5% due serially to 2036.

NOTE 5 - DEBT (CONTINUED)

In prior years, the City defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. On May 4, 2017 the City sold $3,535,000 Public Improvement Refunding Bonds used to refund $2,540,000 of the Public Improvement and Refunding Bonds, Series 2011 and $645,000 of the Public Improvement and Refunding Bonds, Series 2012. Interest on the 2017A Bond will be calculated on the basis of the 360-day year of twelve 30-day months due serially to 2024.

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, 2007 and 2016, the City issued $7,835,000, $13,445,000 and $24,460,000, respectively of these bonds on behalf of St. John's College, a Maryland 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, 2017 was $28,070,000 for the 2007A and 2016 issuances.

The following is a summary of changes in long-term liabilities by type of the City for the year ended June 30, 2017:

	Beginning Balance	Additions and Adjustments	Reductions	Ending Balance	Amount due within one year
Governmental activities:					
General obligation bonds	$ 68,924,370	$ 12,307,657	(6,475,037)	$ 74,756,990	$ 4,467,030
Unamortized premium	3,832,800	933,541	(785,606)	3,980,735	-
Other debt	304,713	-	(268,531)	36,182	36,182
Total Long term debt	73,061,883	13,241,198	(7,529,174)	78,773,907	4,503,212
OPEB	24,261,767	1,289,176	-	25,550,943	-
Compensated absences	1,007,711	-	(10,410)	997,301	79,784
Net pension liability	44,770,641	-	(5,881,528)	38,889,113	-
Total long-term liabilities	$ 143,102,002	14,530,374	(13,421,112)	144,211,264	$ 4,582,996

	Beginning Balance	Additions and Adjustments	Reductions	Ending Balance	Amount due within one year
Business-type activities:					
General obligation bonds	$ 65,550,389	$ 727,343	(2,557,579)	$ 63,720,153	$ 1,643,494
Unamortized premium	1,094,956	-	(237,602)	857,354	-
Other debt	18,300,555	6,126,293	(2,181,005)	22,245,843	1,666
Total Long term debt	84,945,900	6,853,636	(4,976,186)	86,823,350	1,645,160
OPEB	1,806,756	96,003	-	1,902,759	-
Compensated absences	330,120		(23,699)	306,421	24,514
Net pension liability	2,149,315	90,692		2,240,007	-
Total long-term liabilities	$ 89,232,091	7,040,331	(4,999,885)	91,272,537	$ 1,669,674

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.

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, 2017, the debt margin of the City was as follows:

Assessed value of taxable real and personal property, July 1, 2017	$ 6,604,180,109
Debt limit; 10% of assessable basis	$ 660,418,011
Debt subject to limitation	160,759,168
Debt margin	$ 499,658,843

Long-term debt amounts are comprised of the following as of June 30, 2017:

Governmental activities:	
General obligation bonds:	
Public Improvement Bonds of 2007: $21,391,600; interest 4.25%; due serially to 2022	$ 959,751
Public Improvement Bonds of 2009: $19,418,400; interest 2.0%; due serially to 2029	2,785,647
Public Improvements and Refunding Bonds of 2011: $22,738,856; interest 2.0% to 5.0%; due serially to 2040	16,900,183
Public Improvements and Refunding Bonds of 2012: $11,357,343; interest 2.0% to 5.0%; due serially to 2040	11,173,852
Public Improvement Bonds of 2013: $5,336,000; interest 4.25%; due serially to 2022	5,000,516
Public Improvement Bonds of 2015: $11,500,000; interest 3.0 to 4.0%; due serially to 2035	6,431,717
Public Refunding Bonds of 2015: $15,088,643; interest 3.0% to 4.0%; due serially to 2028	19,197,667
Public Refunding Bonds of 2017: $8,969,907; interest 3.0% to 5.0%; due serially to 2036	8,969,907
Public Refunding Bonds of 2017: $3,337,750; interest 2.06%; due serially to 2024	3,337,750
Total general obligation bonds	74,756,990
Other debt:	
Capital lease and vehicle loan	36,182
Total governmental activities long-term debt	$ 74,793,172

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	$	225,247
Public Improvement Bonds of 2009: $7,551,600; interest 2.0%; due serially to 2029		1,015,353
Public Improvements and Refunding Bonds of 2011: $13,081,144; interest 2.0% to 5.0%; due serially to 2040		5,154,819
Public Improvements and Refunding Bonds of 2012: $7,887,657; interest 2.0% to 5.0%; due serially to 2040		1,319,292
Refunding Bonds of 2013: $20,035,000; interest 2.54% to 3.89%; due serially to 2035		17,448,000
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		4,695,615
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
Public Refunding Bonds of 2017: $530,093; interest 3.0% to 5.0%; due serially to 2036		530,093
Public Refunding Bonds of 2017: $197,250; interest 2.06%; due serially to 2024		197,250
Total general obligation bonds		63,720,153
Other debt:		
State of Maryland Water Quality loan: $28,500,000; interest 0.900%; due semiannually to 2043		22,244,177
Capital lease and vehicle Loan; $1,030,000; interest 1.34%; due quarterly to 2017		1,666
		22,245,843
Total business-type activities debt	$	85,965,996

Interest costs incurred on general obligation bonds allocated to the business-type activities were $1,337,649 for the year ended June 30, 2017.

NOTE 5 - DEBT (CONTINUED)

Long-term debt maturities excluding the unamortized loss on refunding of $3,945,336 and $1,883,632 in governmental and business-type activities respectively are scheduled as follows:

	General obligation bonds		Other debt		
	Principal	Interest	Principal	Interest	Total
Governmental activities:					
2018	4,467,030	3,007,009	36,182	538	7,510,759
2019	4,768,111	2,744,470	-	-	7,512,581
2020	5,026,816	2,600,415	-	-	7,627,231
2021	5,274,719	2,376,761	-	-	7,651,480
2022	5,165,310	2,149,875	-	-	7,315,185
2023 - 2027	24,608,796	7,863,509	-	-	32,472,305
2028 - 2032	17,573,830	2,953,908	-	-	20,527,738
2033 - 2037	5,755,991	659,951	-	-	6,415,942
2038 - 2042	2,116,387	53,567	-	-	2,169,954
Total	$ 74,756,990	$ 24,409,465	$ 36,182	$ 538	$ 99,203,175

	General obligation bonds		Other debt		
	Principal	Interest	Principal	Interest	Total
Business-type activities:					
2018	1,643,494	2,342,686	1,666	18	3,987,864
2019	1,646,141	2,281,446	-	-	3,927,587
2020	1,765,529	2,214,662	-	-	3,980,191
2021	1,940,048	2,135,720	-	-	4,075,768
2022	2,390,942	2,050,067	-	-	4,441,009
2023 - 2027	13,709,848	8,964,794	-	-	22,674,642
2028 - 2032	13,012,418	6,647,322	-	-	19,659,740
2033 - 2037	9,815,202	4,491,990	-	-	14,307,192
2038 - 2042	9,315,531	2,702,643	-	-	12,018,174
2043 - 2047	8,481,000	720,938			
Total	$ 63,720,153	$ 33,831,330	$ 1,666	$ 18	$ 89,072,167

Other debt does not include the MDE Water Quality Loan in the amount of $22,244,177. 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 $36,182 and $1,666, respectively as of June 30, 2017.

NOTE 5 - DEBT (CONTINUED)

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	$ (1,022,898)	$ -
Water Fund	45,511	(45,511)	-
Sewer Fund	45,511	(45,511)	-
Off Street Parking Fund	300,000	(24,000)	276,000
Transportation Fund	236,136	(25,863)	210,273
Total	$ 1,650,056	$ (1,163,783)	$ 486,273

NOTE 6 – BENEFIT PLANS

A) Maryland State Retirement and Pension System

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.

General Information about the Plan

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

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

NOTE 6 – BENEFIT PLANS (CONTINUED)

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.

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, 2017, was 7.51% 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, 2017, of $1,462,128

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

At June 30, 2017, the City reported a liability of $17,708,426 for its proportionate share of the net pension liability of the System. 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. 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, 2016. The contributions were increased to adjust for differences between actuarial determined contributions and actual contributions by the State of Maryland. As of June 30, 2016, the City's proportionate share was 0.0751%.

NOTE 6 – BENEFIT PLANS (CONTINUED)

For the year ended June 30, 2017, the City recognized pension expense of $1,965,182. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual experience	$ -	$ 250,750
Changes in assumptions	708,180	-
Change in proportion	462,335	582,320
Net difference between projected and actual earnings on pension plan investments	1,920,166	-
Change in proportionate share of contribution	-	663,478
City contributions subsequent to the measurement date	1,813,039	-
Total	$ 4,903,720	$ 1,496,548

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:	
2018	$ (371,323)
2019	(371,312)
2020	(684,088)
2021	(270,928)
Thereafter	103,518

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	2.90% general; 3.2% wage
Salary increases	3.20% to 9.20%, 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, 2016 valuation were adopted by the System's Board of Trustees based upon review of the System's experience study for the period 2010-2014, which was completed during FY2014. 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, 2016. As a result, an investment return assumption of 7.55% and an inflation assumption of 2.90% were used for the June 30, 2016 valuation. The COLA, salary increase and payroll growth assumptions have also changed as a result of the change in the inflation assumption.

NOTE 6 – BENEFIT 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-range expected rate of return by weighing the expected future real rates by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the Board after considering input from the System's investment consultant(s) and actuary(s). For each major asset class that is included in the System's target asset allocation, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Public Equity	37%	6.60%
Private Equity	10%	7.40%
Rate Sensitive	20%	1.30%
Credit Opportunity	9%	4.20%
Real Assets	15%	4.70%
Absolute Return	9%	3.70%
Total	100%	

The above was the System's Board of Trustees adopted asset allocation policy and best estimate of geometric real rates for each major asset class as of June 30, 2016.

For the year ended June 30, 2017, the annual money-weighted rate of return on pension plan investments, net of the pension plan expense was 1.10%. 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.

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.

NOTE 6 – BENEFIT PLANS (CONTINUED)

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:

	Discount Rate		
	1% Decrease (6.55%)	**Current (7.55%)**	**1% Decrease (8.55%)**
City's Proportionate Share	$ 22,044,889	$ 17,708,426	$ 10,251,607

B) 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 8% 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, 2017, the City had an actuarially determined contribution of $3,817,433, and the City made a contribution of $3,430,988. Administrative costs of the plan are financed through investment earnings. The Plan is considered part of the City's reporting entity and is included in the City's financial statements as Pension Trust funds. There is no separately issued financial report for this plan.

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

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

		Investment Maturities (in years)			
Investment Type	Fair Value	Less than 1	1-5	5-10	Over 10
Corporate bonds	$ 1,935,984	$ 1,935,984	$ -	$ -	$ -
U.S. Agency securities	21,789,433	-	8,901,669	4,896,609	7,991,155
	$ 23,725,417	$ 1,935,984	$ 8,901,669	$ 4,896,609	$ 7,991,155

NOTE 6 – BENEFIT PLANS (CONTINUED)

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, 2017, the City's fixed income investments had the following risk characteristics:

SP Rating or Comparible	Percent of Total Investments	Fair Value
AAA	2.24%	$ 547,909
AA	49.94%	12,194,220
A	11.67%	2,155,683
BBB	14.21%	3,469,372
Not Rated	21.94%	5,358,233
Total	100.00%	$ 23,725,417

Custodial Credit Risk - State Street invests in a money market fund on behalf of the Plan. As of June 30, 2017, the amount in the money market fund was $7,108,999. 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.

	Level 1	Level 2	Level 3	Balance June 30, 2017
Investments by fair value level:				
Debt securities:				
Corporate bonds	$ -	$ 1,935,984	$ -	$ 1,935,984
U.S. agency securities	21,789,433	-	-	21,789,433
Total Debt securities	21,789,433	1,935,984	-	23,725,417
Equity Securities:				
Common stocks	93,874,192	-	-	93,874,192
Total Equity securities	93,874,192	-	-	93,874,192
Total investments measured at fair value level	115,663,625	1,935,984	-	117,599,609
Investments measured at the net asset value (NAV)				
Limited partnerships & Alternative investments[1]				34,570,547
Real estate investment trust[2]				9,483,234
Total Investments measured at the NAV				44,053,781
Total Investments measured at fair value				161,653,390
Cash and Investments carried at amortized cost:				
Cash on hand				340
Money Market Mutual Funds				7,108,999
Total Cash and Investments at amortized cost				7,109,339
Total Cash and Investments				$ 168,762,729

NOTE 6 – BENEFIT PLANS (CONTINUED)

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

Investment	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Limited partnerships & Alternative investments[1]	34,570,547	-	Monthly, Quarterly	30-75 days
Real estate investment trust[2]	9,483,234	-	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.

Police and Fire Retirement Pension Fund

Non-Active Members:	
Retirees and beneficiaries receiving benefits	251
Terminated employees not yet receiving benefits	2
Total non-active members	253
Active Members:	
Fully vested	16
Non-vested	210
Total active members	226
Total	479

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, 2017, the Plan had cash totaling $340 with the Plan's trustee.

NOTE 6 – BENEFIT PLANS (CONTINUED)

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, 2017:

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, 2017:

Investments	% of Pension Fiduciary Net Position	Fair Value
Common Stocks	55.6%	93,874,192
Corporate Bonds	1.2%	1,935,984
Money Market Funds	4.2%	7,108,999
U.S. Agency Securities	12.9%	21,789,433
Limited Partnerships and Alternative investments	20.5%	34,570,547
Real Estate Investment Trust	5.6%	9,483,234
Total		$ 168,762,389

At June 30, 2017, the City reported a liability of $23,420,694 for the Police and Fire Retirement Fund net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2017, for measurement date June 30, 2017, is as follows:

Total pension liability	$	192,183,423
Plan fiduciary net position		(168,762,729)
Net pension liability	$	23,420,694
Plan fiduciary net position as a percentage of the total pension liability		87.8%

NOTE 6 – BENEFIT PLANS (CONTINUED)

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	$ 1,784,386	$ 3,031,516
Net difference between projected and actual earnings on pension plan investments	4,669,838	-
Changes in actuarial assumptions	1,522,055	-
Total	$ 7,976,279	$ 3,031,516

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:		
2018	$	2,665,816
2019		2,665,816
2020		1,250,935
2021		(1,637,804)

Actuarial assumptions. The total pension liability in the June 30, 2017 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.

NOTE 6 – BENEFIT 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:

Asset Class/Style	Target	Return
Equity - U.S.	33%	5.70%
Equity - Global	10%	5.25%
Equity - Emerging Markets	5%	6.25%
Alternatives - Marketable Alts	10%	2.25%
Alternatives - Private Real Estate	13%	4.50%
Alternatives - Commodoties	17%	3.50%
Alternatives - Private Equity	10%	4.25%
Fixed Income - International Blended IG	1%	7.65%
Fixed Income - Cash	2%	0.08%
Total	100%	

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, 2017.

Discount Rate. The discount rate used to measure the total pension liability was 7.41%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will continue to be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be exhausted in the year 2067. Therefore, the discount rate represents the single equivalent rate resulting from discounting at the long-term expected rate of return until 2067, and discounting with the 20 year municipal bond index rate of 3.65% thereafter.

NOTE 6 – BENEFIT PLANS (CONTINUED)

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2016	$ 187,833,168	$ 157,238,764	$ 30,594,404
Changes for the year			
Service Cost	3,751,539	-	3,751,539
Interest	13,652,377	-	13,652,377
Difference between expected and actual experience	(3,733,644)	-	(3,733,644)
Changes in assumptions	1,902,569		1,902,569
Contributions - City	-	3,430,988	(3,430,988)
Contributions - Employee	-	1,445,592	(1,445,592)
Net investment income	-	17,937,648	(17,937,648)
Benefit payments	(11,222,586)	(11,222,586)	-
Adminstrative expenses	-	(67,677)	67,677
Net changes	4,350,255	11,523,965	(7,173,710)
Balance at June 30, 2017	$ 192,183,423	$ 168,762,729	$ 23,420,694

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:

	Discount Rate		
	1% Decrease (6.50%)	Current (7.50%)	1 % Increase (8.50%)
Net Pension Liability	$ 46,517,280	$ 23,420,694	$ 914,120
Percentage of the Total Pension Liability	78.4%	87.8%	99.5%

Rate of Return on Investments: The annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, for FY2017 was 11.6%. The money-weighted rate of return expresses investment performance, net of expenses, adjusted for the changing amounts actually invested.

NOTE 6 – BENEFIT PLANS (CONTINUED)

C) 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)	$	3,983,000
Interest on net OPEB asset		1,123,561
Adjustment to ARC		(1,165,360)
Annual OPEB expense		3,941,201
Contributions made		(2,556,025)
Increase in OPEB liability		1,385,179
Net OPEB obligation, Beginning of year		26,068,523
Net OPEB obligation, End of year	$	27,453,702

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
2015	4,089,504	51.0%	24,096,945
2016	3,956,717	50.2%	26,068,523
2017	3,941,201	64.8%	27,453,702

NOTE 6 – BENEFIT PLANS (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

Net OPEB Liability of the Town – GASB 74 Disclosures

The OPEB liability was based on an actuarial valuation as of July 1, 2016 rolled forward to June 30, 2017.

The components of the net OPEB liability of the City at June 30, 2017, were as follows:

Total OPEB Liability	$ 52,375,503
Plan fiduciary net position	3,581,258
City's OPEB liability	$ 48,794,245
Plan fiduciary net position as a percentage of the total OPEB liability	6.8%

NOTE 6 – BENEFIT PLANS (CONTINUED)

Actuarial assumptions: The total OPEB liability was determined by an actuarial valuation as of July 1, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.00%
Healthcare trend rates	Medical - 7%; Pharmacy - 10% and Dental/Vision 3.5%, all trending over 15 years to 3.5% ultimate
Mortality rates	
General Employees	RP2000 projected to 2025 with Scale AA; Disabled Members - RP2000 Disabled (-4,0)
Police/Fire Employees	RP2000 projected to 2016 with Scale AA; Disabled Members - RP2000 (5,5)

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

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2017 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Weight
Domestic Equity	5.75%	48.00%
International Funds	6.25%	13.00%
Fixed Income - U.S.	2.75%	33.00%
Global Funds	5.00%	6.00%
Cash Equivalents	0.85%	0.00%
		100.00%
Total Weighted Average real Return	4.78%	
Inflation	2.50%	
Total Return	7.28%	
Risk Adjustment	-0.28%	
Total Expected Return	7.00%	

Discount rate: The discount rate used to measure the total OPEB liability was 4.10%. The City does not have a funding policy, but is a portion of the Actuarially Determined Contribution to their OPEB trust fund. It is expected that benefits will be paid from the Trust when a 50% funding level is reached. Based on this information, we project that benefits will be financed on a pay as you go basis until 2038, then from the trust until depletion. Therefore, the expected trust return of 7.00% is blended with the 20 year Aa bond rate of 3.56% resulting in a blended rate of 4.10%.

NOTE 6 – BENEFIT PLANS (CONTINUED)

Sensitivity of the net OPEB liability to changes in the discount rate: The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.10 percent) or 1-percentage-point higher (5.10 percent) than the current discount rate:

	1% Decrease	Current Discount Rate	1% Increase
	3.10%	4.10%	5.10%
Total OPEB Liability	$ 57,867,355	$ 52,375,503	$ 47,571,172
Plan Net Position	3,581,258	3,581,258	3,581,258
Net OPEB Liability	$ 54,286,097	$ 48,794,245	$ 43,989,914
Ratio of Plan Net Position to Total OPEB Liability	6.19%	6.84%	7.53%

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates: The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (3.25 percent) or 1-percentage-point higher (5.25 percent) than the current healthcare cost trend rates:

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB Liability	$ 46,384,954	$ 52,375,503	$ 59,445,627
Plan Net Position	3,581,258	3,581,258	3,581,258
Net OPEB Liability	$ 42,803,696	$ 48,794,245	$ 55,864,369
Ratio of Plan Net Position to Total OPEB Liability	7.72%	6.84%	6.02%

NOTE 6 – BENEFIT PLANS (CONTINUED)

D) Summarized Financial Information for Benefit Plans

Condensed Statements of Fiduciary Net Position

	Pension Trust Fund	OPEB Trust Fund	Total Benefit Trust Funds
Assets			
Cash	$ 340	$ 673,315	$ 673,655
Investments, at fair value	168,762,389	2,907,943	171,670,332
Total Assets	$ 168,762,729	$ 3,581,258	$ 172,343,987
Net Position	$ 168,762,729	$ 3,581,258	$ 172,343,987

Condensed Statements of Changes in Fiduciary Net Position

	Pension Trust Fund	OPEB Trust Fund	Total Benefit Trust Funds
Additions			
Contributions	$ 4,876,580	$ 5,298,535	$ 10,175,115
Investment income	18,714,219	175,799	18,890,018
Total Additions	23,590,799	5,474,334	29,065,133
Deductions			
Benefits	11,222,586	1,822,596	13,045,182
Administrative expenses	844,248	10,480	854,728
Total Deductions	12,066,834	1,833,076	13,899,910
Change in Net Position	$ 11,523,965	$ 3,641,258	$ 15,165,223

NOTE 7 – 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, 2017:

	Payable Fund (Due To)			
Receivable Fund (Due From)	Capital Projects	Off Street Parking	Transportation	Total
General Fund	$ 7,815,975	$5,129,949	$ 2,123,117	$ 15,069,041

NOTE 7 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)

Transfers between other funds and the general fund consist of the following as of June 30, 2017:

	Transfer In			
Transfer Out	General	Transportation	Capital Projects	Total
General	$ -	$ 2,225,000	$ 22,793,306	$ 25,018,306
Off Street Parking	2,700,000	-	-	2,700,000
	$ 2,700,000	$ 2,225,000	$ 22,793,306	$ 27,718,306

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

NOTE 8 - 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 9 – CAPITAL FACILITIES AND CONNECTION CHARGES

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

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

NOTE 10 - 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 11 – 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 2017 and 2016 were as follows:

	FY 2017	FY 2016
Beginning accrued payables and other liabilities	$ 4,497,629	$ 6,362,565
Incurred claims and changes in estimates	1,036,075	(372,423)
Claim payments	(1,462,994)	(1,492,513)
Ending accrued payables and other liabilities	$ 4,070,710	$ 4,497,629

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 12 – LANDFILL CLOSURE

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

NOTE 13 – SUBSEQUENT EVENTS

On July 12, 2017, the City issued Public Improvement Refunding Bonds, 2017 Series B (Tax-Exempt) in the amount of $6,115,000 and Public Improvement Refunding Bonds, 2017 Series C (Taxable) in the amount of $19,590,000. The proceeds were used to refund $13,390,000 of the 2011 Series Public Improvement and Refunding Bonds, $4,775,000 of the 2013B Series General Obligation Refunding Bonds (Park Place Project), and $6,540,000 of the 2013C Series General Obligation Refunding Revenue Bonds (Park Place Project).

The City also issued a $5,000,000 Bond Anticipation Note (Tax-Exempt) on August 30, 2017 for the purpose of financing the costs of certain public projects approved in the fiscal year 2018 Capital Improvement Program.

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, 2017

	2017	2016
City's proportion of the net pension liability	0.07505470000000000%	0.07855730000000000%
City's proportionate share of the net pension liability	$ 17,708,426	$ 16,325,552
City's covered employee payroll	$ 18,256,495	$ 16,430,407
City's proportionate share of the net pension liability as a percentage of its covered employee payroll	97.00%	99.36%
Plan fiduciary net position as a percentage of the total pension liability	0.00%	68.78%

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, 2017

Total Pension Liability	**2017**	**2016**	**2015**
Service cost (MOY)	$ 3,751,539	$ 3,651,655	$ 3,673,745
Interest (includes interest on service cost)	13,652,377	13,302,868	12,768,894
Changes of benefit terms	-	-	(5,211,445)
Differences between expected and actual experience	(3,733,644)	(66,901)	3,568,771
Changes in assumptions	1,902,569		
Benefit payments, including refunds of member contributions	(11,222,586)	(9,327,917)	(9,070,882)
Net change in total pension liability	**4,350,255**	**7,559,705**	**5,729,083**
Total pension liability - beginning	**187,833,168**	**180,273,463**	**174,544,380**
Total pension liability - ending	**$ 192,183,423**	**$ 187,833,168**	**$ 180,273,463**
Plan fiduciary net position			
Contributions - employer	$ 3,430,988	$ 2,877,922	$ 2,451,163
Contributions - member	1,445,592	1,324,069	1,220,879
Net investment income	17,937,648	1,649,833	5,896,989
Benefit payments, including refunds of member contributions	(11,222,586)	(9,327,917)	(9,070,882)
Administrative expense	(67,677)	(1,606,930)	(961,324)
Net change in plan fiduciary net position	**$ 11,523,965**	**$ (5,083,023)**	**$ (463,175)**
Plan fiduciary net position - beginning	**157,238,764**	**162,321,787**	**162,784,962**
Plan fiduciary net position - ending	**$ 168,762,729**	**$ 157,238,764**	**$ 162,321,787**
Net pension liability - ending	**$ 23,420,694**	**$ 30,594,404**	**$ 17,951,676**
Plan fiduciary net position as a percentage of the total pension liability	87.81%	83.71%	90.04%

Notes to Schedule

Valuation Date	7/01/2016
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	7.41%
Amortization growth rate	0.00%
Price inflation	3.00%
Salary increases	4.00% to 8.00%, based on service
Mortality	RP-2000 Combined Mortality tables, with Blue Collar adjustments, projected to 2016 using Scale AA

CITY OF ANNAPOLIS, MARYLAND
Required Supplementary Information
Schedules of Employer's Net Pension Liability, Employer Contributions, and Investment Returns
Police and Fire Retirement Pension Fund
Year Ended June 30, 2017

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
2017	$ 192,183,423	$ 168,762,729	$ 23,420,694	87.81%	$ 18,256,495	128.29%
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%

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
2017	$ 3,817,433	$ 3,430,988	$ 386,445	$ 18,256,495	$ 18.79%
2016	$ 3,740,905	$ 2,877,922	$ 862,983	$ 16,430,407	$ 17.52%
2015	$ 3,234,493	$ 2,451,163	$ 783,330	$ 16,529,127	$ 14.83%
2014	$ 3,989,791	$ 1,535,001	$ 2,454,790	$ 16,269,356	$ 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%

Schedule of Investment Returns*
Police and Fire Retirement Pension Fund
Year Ended June 30, 2017

June 30, 2017	11.60%
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%

*Actual money-weighted rate of return,

CITY OF ANNAPOLIS, MARYLAND
Required Supplementary Information
OPEB Contributions
Year Ended June 30, 2017

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
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%
2017	3,941,201	(2,556,025)	1,385,179	26,068,523	27,453,702	-64.9%

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, 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%
June 30, 2017	3,581,000	55,593,000	52,012,000	6%	32,156,000	161.7%

CITY OF ANNAPOLIS, MARYLAND
Required Supplementary Information
Change in Net OPEB Liability
Year Ended June 30, 2017

Total net OPEB Liability		**2017**
Service cost	$	1,495,451
Interest		2,100,266
Changes of benefit terms		-
Differences between expected and actual experience		-
Changes in assumptions		-
Benefit payments, including implicit subsidy		(1,882,596)
Net change in total pension liability		**1,713,121**
Total pension liability - beginning		**50,662,382**
Total pension liability - ending	$	**52,375,503**
Plan fiduciary net position		
Contributions - employer	$	2,552,284
Contributions - member		-
Net investment income		175,799
Benefit payments, including refunds of member contributions		(1,882,596)
Administrative expense		(10,480)
Other		-
Net change in plan fiduciary net position	$	**835,007**
Plan fiduciary net position - beginning		**2,746,251**
Plan fiduciary net position - ending	$	**3,581,258**
Net pension liability - Beginning of Year		**47,919,758**
Net pension liability - End of Year	$	**48,794,245**
Plan fiduciary net position as a percentage of the total pension liability		6.80%
Covered employee payroll		32,155,763
Net pension liability as a percentage of covered employee payroll		151.74%

CITY OF ANNAPOLIS, MARYLAND
Required Supplementary Information
OPEB Contributions
Year Ended June 30, 2017

($ in thousands)

Fiscal Year	Actuarially Determined Employer Contribution	Actual Employer Contribution	Contribution Deficiency/ Excess	Covered Payroll	Contribution as a Percent of Payroll
2010	$ 5,817	$ 1,356	$ 4,461	$ 30,230	4.5%
2011	6,189	1,621	4,568	31,350	5.2%
2012	4,660	1,250	3,410	31,842	3.9%
2013	4,575	1,254	3,321	32,445	3.9%
2014	4,852	2,926	1,926	32,345	9.0%
2015	4,060	2,084	1,976	32,262	6.5%
2016	3,925	1,985	1,940	33,762	5.9%
2017	3,983	2,552	1,431	32,156	7.9%

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, 2017

	General Fund			
	Original Budget	Final Budget	Actual	Variance - positive (negative)
Revenues				
Taxes				
Real Property	$ 40,438,765	$ 40,438,765	$ 41,475,676	$ 1,036,911
Personal Property	3,427,000	3,427,000	3,482,882	55,882
Penalties, Interest and Transfer Fees	217,500	217,500	201,437	(16,063)
Licenses and Permits	2,649,500	2,649,500	3,399,951	750,451
Fines and Forfeitures	319,000	319,000	197,403	(121,597)
Money and Property	878,000	878,000	2,443,893	1,565,893
Intergovernmental	10,724,409	10,724,409	11,534,397	809,988
Current Services	4,857,500	4,857,500	5,345,700	488,200
Total Revenues	63,511,674	63,511,674	68,081,339	4,569,665
Expenditures				
Current:				
General Government				
Mayor and Aldermen	5,349,010	5,592,423	5,153,492	438,931
Finance	2,596,812	2,596,812	2,504,810	92,002
Planning and Zoning	4,066,683	3,520,412	3,495,222	25,190
Public Safety				
Police	16,914,461	18,154,461	18,508,526	(354,065)
Fire	16,356,402	16,370,432	16,925,232	(554,800)
Public Works	7,816,734	7,883,582	7,947,372	(63,790)
Community Services				
Recreation and Parks	4,638,879	4,719,279	4,506,739	212,540
Community Assistance Grants	295,000	301,000	252,665	48,335
Nonallocated Expenditures	3,725,000	3,725,000	3,303,389	421,611
Debt Service:				
Principal and Interest	6,755,305	6,755,305	7,178,592	(423,287)
Total Expenditures	68,514,286	69,618,706	69,776,039	(157,333)
Excess (Deficiencies) of Revenues over Expenditures	(5,002,612)	(6,107,032)	(1,694,700)	4,412,331
Other Financing Sources (Uses)				
Issuance of debt	-	-	13,241,198	13,241,198
Bond Premiums, net of issuance costs	-	-	(333,263)	(333,263)
Payment to refunded bond escrow agent	-	-	(2,529,671)	(2,529,671)
Interfund Sources	3,371,900	4,621,900	4,808,430	186,530
Transfers In	4,529,093	4,529,093	4,983,466	454,373
Transfers Out	(2,896,848)	(2,896,848)	(3,983,225)	(1,086,377)
Total Other Financing Sources (Uses)	5,004,145	6,254,145	16,186,935	9,932,790
Net Change in Fund Balance	1,533	147,113	14,492,235	14,345,122
Fund Balance at Beginning of Year	36,175,966	36,243,644	37,625,618	1,381,974
Fund Balance at End of Year	$ 36,177,499	$ 36,390,757	$ 52,117,853	$ 15,727,096

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)	$	68,081,339
Grant revenue		4,534,022
Revenues (GAAP basis)	$	72,615,361
Expenditures (non-GAAP budgetary basis)	$	69,776,039
Grant expenditures		4,228,830
Internal expenditure allocation		(7,352,913)
Expenditures (GAAP basis)	$	66,651,956

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, 2017

	2017		
	Budget as revised	Actual	Variance - positive (negative)
Taxes			
Real and personal property			
Real property	$ 40,438,765	$ 41,475,676	$ 1,036,911
Personal	40,000	48,610	8,610
Public utilities	1,737,000	1,708,019	(28,981)
Ordinary business corporations	1,650,000	1,726,253	76,253
Total	43,865,765	44,958,558	1,092,793
Transfer Fees	65,000	89,610	24,610
Penalties and interest	152,500	111,827	(40,673)
Total Taxes	44,083,265	45,159,995	1,076,730
Licenses and Permits			
Street Use			
Street privileges	180,000	181,966	1,966
Sidewalk	12,000	12,920	920
Total street use	192,000	194,886	2,886
Business			
Alcoholic beverages	445,000	479,823	34,823
Amusements	5,000	60	(4,940)
Traders	71,000	66,725	(4,275)
Vendors	65,000	69,995	4,995
Occupational	50,000	3,920	(46,080)
Total Business	636,000	620,523	(15,477)
Other			
Building	740,000	1,345,687	605,687
Certificate of occupancy	15,000	16,500	1,500
Use permits	10,000	61,880	51,880
Cable television franchise fees	955,000	943,850	(11,150)
Other	101,500	216,626	115,126
Total Other	1,821,500	2,584,542	763,042
Total Licenses and Permits	2,649,500	3,399,951	750,451
Fines and Forfeitures			
Municipal Infractions	30,000	33,525	3,525
Speed enforcement program	225,000	160,081	(64,919)
Auto Traffic Signal	60,000	225	(59,775)
Other fines	4,000	3,573	(428)
Total Fines and Forfeitures	319,000	197,403	(121,597)
Money and Property			
Interest and dividends	20,000	233,795	213,795
Rents and concessions	380,000	310,892	(69,108)
Contributions	-	59	59
Miscellaneous sales, non-taxable	268,000	1,695,293	1,427,293
Payments in lieu of taxes	210,000	203,855	(6,145)
Total Money and Property	878,000	2,443,893	1,565,893

CITY OF ANNAPOLIS, MARYLAND
General Fund
Detailed Schedule of Revenues Compared to Budget
(Non-GAAP Budgetary Basis)
Year Ended June 30, 2017

	2017		
	Budget as revised	Actual	Variance - positive (negative)
Intergovernmental			
Payments In lieu of taxes	367,000	367,000	-
Utility tax	502,000	505,756	3,756
Hotel/motel tax	1,850,000	1,994,946	144,946
Admissions	975,000	921,871	(53,129)
Income	5,850,000	6,629,430	779,430
Highway	1,180,409	1,115,393	(65,016)
Total Intergovernmental	10,724,409	11,534,397	809,988
Current Services			
Zoning and subdivision fees	100,000	148,738	48,738
Recreation rent and fees	2,367,500	2,326,779	(40,721)
Latchkey	290,000	332,682	42,682
Rental unit license	750,000	739,389	(10,611)
Public safety fees	1,350,000	1,798,112	448,112
Total Current Services	4,857,500	5,345,700	488,200
Total Revenues	$ 63,511,674	68,081,339	4,569,665

CITY OF ANNAPOLIS, MARYLAND
General Fund
Detailed Schedule of Expenditures Compared to Budget
(Non-GAAP Budgetary Basis)
Year Ended June 30, 2017

	2017		
	Budget as revised	Actual	Variance - positive (negative)
General Government			
Boards and Commissions			
Salaries	$ 70,130	$ 59,421	$ 10,709
Employee benefits	5,366	8,714	(3,348)
Materials and supplies	14,000	840	13,160
Total Boards and Commissions	89,496	68,975	20,521
Mayor and Aldermen			
Salaries	2,265,638	2,173,825	91,813
Employee benefits	787,728	823,964	(36,236)
Materials and supplies	47,748	26,543	21,205
Utilities	13,342	10,158	3,184
Contractual services	529,674	492,576	37,098
Other	448,975	418,857	30,118
Total Mayor and Aldermen	4,093,105	3,945,923	147,182
Office of Law			
Salaries	821,505	714,502	107,003
Employee benefits	335,866	335,866	-
Materials and supplies	9,630	7,722	1,908
Utilities	1,800	770	1,030
Contractual services	206,022	58,039	147,983
Other	35,000	21,695	13,305
Total Office of Law	1,409,822	1,138,594	271,228
Total Mayor & City Council	5,592,423	5,153,492	438,931
Finance			
Salaries	1,460,453	1,368,394	92,059
Employee benefits	662,735	662,735	-
Materials and supplies	48,300	41,416	6,884
Utilities	2,520	2,067	453
Contractual services	410,704	414,556	(3,852)
Repair and maintenance	4,100	2,827	1,273
Capital outlay			-
Other	8,000	12,815	(4,815)
Total Finance	2,596,812	2,504,810	92,002

CITY OF ANNAPOLIS, MARYLAND
General Fund
Detailed Schedule of Expenditures Compared to Budget
(Non-GAAP Budgetary Basis)
Year Ended June 30, 2017

	2017		
	Budget as revised	Actual	Variance - positive (negative)
Planning and Zoning			
Salaries	2,394,912	2,380,260	14,652
Employee benefits	879,433	879,433	-
Materials and supplies	48,235	39,000	9,235
Utilities	14,157	13,955	202
Contractual services	141,026	139,574	1,452
Repair and maintenance	4,856	4,084	772
Other	37,794	38,916	(1,122)
Total Planning and Zoning	3,520,413	3,495,222	25,191
Total General Government	11,709,648	11,153,524	556,124
Public safety			
Police			
Salaries	11,184,766	11,523,196	(338,430)
Employee benefits	5,303,122	5,274,558	28,564
Training/Special Programs	42,100	41,948	152
Materials and supplies	952,282	867,804	84,478
Utilities	217,000	250,806	(33,806)
Contractual services	330,150	425,933	(95,783)
Repair and maintenance	92,441	92,441	-
Rents and Leases	32,600	31,840	760
Total Police	18,154,461	18,508,526	(354,065)
Fire			
Salaries	10,224,061	10,912,393	(688,332)
Employee benefits	5,081,276	5,081,276	-
Training/Education	36,132	20,258	15,874
Materials and supplies	537,864	475,823	62,041
Utilities	162,200	127,422	34,778
Contractual services	157,399	155,813	1,586
Repair and maintenance	111,000	96,247	14,753
Rents and Leases	4,500	-	4,500
Capital Outlay	56,000	56,000	-
Total Fire	16,370,432	16,925,232	(554,800)
Total Public Safety	34,524,893	35,433,758	(908,865)

CITY OF ANNAPOLIS, MARYLAND
General Fund
Detailed Schedule of Expenditures Compared to Budget
(Non-GAAP Budgetary Basis)
Year Ended June 30, 2017

	2017		
	Budget as revised	Actual	Variance - positive (negative)
Traffic Control			
Salaries	154,444	168,071	(13,627)
Employee benefits	87,808	85,744	2,064
Materials and supplies	28,160	26,507	1,653
Contractual services	12,300	10,471	1,829
Repair and maintenance	18,000	16,999	1,001
Utilities	360	-	360
Other	5,800	2,612	3,188
Total Traffic Control	306,872	310,404	(3,532)
Snow and Ice Removal			
Salaries	38,350	8,934	29,416
Employee benefits	3,068	3,068	-
Materials and supplies	20,630	26,159	(5,529)
Contractual services	14,970	14,120	850
Repair and maintenance	5,658	15,162	(9,504)
Total Snow and Ice Removal	82,676	67,443	15,233
Total Roadways, Traffic Control & Snow/Ice Removal	3,114,688	3,320,842	(206,154)
Buildings and Maintenance			
Salaries	371,488	344,979	26,509
Employee benefits	176,939	176,939	-
Materials and supplies	16,081	13,822	2,259
Utilities	177,000	178,512	(1,512)
Contractual services	496,110	469,757	26,353
Rents and Leases	464,688	461,969	2,719
Repair and maintenance	210,387	178,956	31,431
Total Buildings and Maintenance	1,912,693	1,824,934	87,759
Fleet Maintenance Center			
Salaries	598,553	589,852	8,701
Employee benefits	221,558	218,924	2,634
Materials and supplies	25,740	18,363	7,377
Utilities	54,620	44,409	10,211
Contractual services	8,170	8,046	124
Repair and maintenance	136,430	226,200	(89,770)
Other	500	50	450
Total Fleet Maintenance Center	1,045,571	1,105,844	(60,273)
Total Public Works	7,883,582	7,947,372	(63,790)

CITY OF ANNAPOLIS, MARYLAND
General Fund
Detailed Schedule of Expenditures Compared to Budget
(Non-GAAP Budgetary Basis)
Year Ended June 30, 2017

	2017		
	Budget as revised	Actual	Variance - positive (negative)
Community Services			
Recreation and Parks			
Salaries	2,630,916	2,633,279	(2,363)
Employee benefits	727,544	755,505	(27,961)
Materials and supplies	279,229	196,472	82,757
Utilities	291,150	320,632	(29,482)
Contractual services	176,650	174,929	1,721
Repair and maintenance	224,161	170,403	53,758
Rents and leases	39,350	27,013	12,337
Other	350,278	228,506	121,772
Total Recreation and Parks	4,719,279	4,506,739	212,540
Community Assistance Grants	301,000	252,665	48,335
Total Community Services	5,020,279	4,759,404	260,875
Nonallocated Expenditures	3,725,000	3,303,389	421,611
Miscellaneous General			
Debt service			
Bond principal	3,945,368	4,170,194	(224,826)
Capital lease principal	-	268,531	(268,531)
Total Principal Debt Service	3,945,368	4,438,725	(493,357)
Bond interest	2,784,937	2,727,241	57,696
Bank Loan	25,000.00	-	25,000
Capital lease interest	-	12,626	(12,626)
Total Interest on Debt Service	2,809,937	2,739,867	70,070
Total Debt Service	6,755,305	7,178,592	(423,287)
Total Miscellaneous General	6,755,305	7,178,592	(423,287)
Total Expenditures	$ 69,618,707	$ 69,776,039	$ (157,332)

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, transportation system, stormwater management and refuse collection operations.

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

CITY OF ANNAPOLIS, MARYLAND
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
Year ended June 30, 2017

	Stormwater Management Fund	Refuse Fund	Total
ASSETS			
Current assets			
Equity in Pooled Cash	$ 1,539,520	$ 5,049,839	$ 6,589,359
Equity in Pooled Cash - Restricted	23,723	959	24,682
Accounts receivable, net			
Service charges and penalties	202,747	470,782	673,529
Total accounts receivable, net	202,747	470,782	673,529
Total current assets	1,765,990	5,521,580	7,287,570
Noncurrent assets			
Capital assets			
Land	-	3,900	3,900
Buildings	-	8,000	8,000
Improvements	260,918	322,173	583,091
Equipment	40,420	146,646	187,066
Total property, plant and equipment	301,338	480,719	782,057
Less accumulated depreciation	(46,125)	(177,267)	(223,392)
	255,213	303,452	558,665
Construction in progress	391,789	-	391,789
Net capital assets	647,002	303,452	950,454
Total assets	2,412,992	5,825,032	8,238,024
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	44,388	17,860	62,248
Deferred charge on refunding	7,219	-	7,219
Total deferred outflows of resources	51,607	17,860	69,467
LIABILITIES			
Current liabilities			
Accounts payable	48,662	216,536	265,198
Accrued expenses and other liabilities	26,353	16,428	42,781
Accrued Interest	4,401	2,359	6,760
Unearned revenues	-	570	570
Compensated Absences	425	912	1,337
Escrowed funds	4,456	-	4,456
Current portion of long-term debt	18,027	19,989	38,016
Total current liabilities	102,324	256,794	359,118
Noncurrent liabilities			
Compensated absences, net of current portion	4,891	10,472	15,363
Accrued liability for other post employment benefits	205,030	408,851	613,881
Net pension liability	160,295	64,497	224,792
Long-term debt, net of current portion	233,387	188,819	422,206
Total noncurrent liabilities	603,603	672,639	1,276,242
Total liabilities	705,927	929,433	1,635,360
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	13,547	5,451	18,998
Total deferred inflows of resources	13,547	5,451	18,998
NET POSITION			
Net investment in capital assets	433,749	95,603	529,352
Restricted for Debt Service	23,723	959	24,682
Unrestricted	1,287,653	4,811,446	6,099,099
Total net position	$ 1,745,125	$ 4,908,008	$ 6,653,133

CITY OF ANNAPOLIS, MARYLAND
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
Year ended June 30, 2017

	Stormwater Management Fund	Refuse Fund	Total
Operating revenues			
Charges for services	$ 1,077,499	$ 2,504,296	$ 3,581,795
Total operating revenues	1,077,499	2,504,296	3,581,795
Operating expenses			
Salaries	558,685	273,571	832,256
Utilities	5,455	3,205	8,660
Repairs and maintenance	7,539	7,384	14,923
Materials and supplies	13,152	85,331	98,483
Contractual services	38,936	1,362,414	1,401,350
Administrative charge (credit) from General Fund	95,755	428,030	523,785
Depreciation	3,591	5,520	9,111
Other	1,823		1,823
Total operating expenses	724,937	2,165,455	2,890,391
Operating income (loss)	352,562	338,841	691,404
Non-operating revenues (expenses)			
Interest income and other	(1,939)	-	(1,939)
Interest expense	5,118	(9,384)	(4,266)
Total non-operating revenues (expenses), net	3,179	(9,384)	(6,205)
Income (loss) before contributions and transfers	355,742	329,457	685,199
Transfers in	-	-	-
Transfers out	-	-	-
Change in net position	355,742	329,457	685,199
Net position at beginning of year	1,389,383	4,578,551	5,967,934
Net position (deficit) at end of year	$ 1,745,125	$ 4,908,008	$ 6,653,133

CITY OF ANNAPOLIS, MARYLAND
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Year ended June 30, 2017

	Stormwater Management Fund	Refuse Fund	Total
Cash flows from operating activities			
Receipts from customers and users	$ 969,307	$ 2,530,528	$ 3,499,835
Payments to suppliers for goods and services	(113,294)	(1,886,707)	(2,000,001)
Payments to employees for services	(509,629)	(226,764)	(736,393)
Payments for interfund services uses	-	-	-
Net cash provided by (used for) operating activities	346,384	417,057	763,441
Cash flows from noncapital financing activities			
Effect of change from Due From to Equity in Pooled Cash	-	-	-
Transfer from other funds	-	-	-
Transfer to other funds	-	-	-
Dissolution of Market Fund	-	-	-
Net cash used for noncapital financing activities	-	-	-
Cash flows from capital and related financing activities			
Acquisition of capital assets	(101,356)	-	(101,356)
Retirements and transfers of capital assets	-	-	-
Proceeds from issuance of long term debt	5,781	-	5,781
Principal payments of long term debt	(20,528)	(22,601)	(43,129)
Refunding and transfers of long term debt	(5,209)	-	(5,209)
Interest paid on debt	4,700	(5,693)	(993)
Bond Issuance Cost	-	-	-
Proceeds from capital contributions and grants	-	-	-
Net cash provided by (used for) capital and related financing activities	(116,612)	(28,294)	(144,906)
Cash flows from investing activities:			
Interest received	(1,939)	-	(1,939)
Net increase (decrease) in cash and cash equivalents	227,833	388,763	616,596
Cash and cash equivalents at beginning of year	1,335,410	4,662,035	5,997,445
Cash and cash equivalents at end of year	$ 1,563,243	$ 5,050,798	$ 6,614,041
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities			
Operating income (loss)	$ 352,563	$ 338,841	$ 691,404
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	3,591	5,520	9,111
Accounts receivable	(24,225)	26,232	2,007
Inventories			-
Accounts payable	37,923	(9,784)	28,139
Accrued expenses and other liabilities	11,443	9,441	20,884
Compensated absences	(2,858)	564	(2,294)
Deferred Revenues	(83,967)	-	(83,967)
Escrowed funds	-	-	-
Deferred outflows - pension	(8,826)	2,613	(6,213)
Pension Liability	45,425	20,813	66,238
Deferred inflows - pension	4,970	2,189	7,159
Other post employment benefits	10,345	20,628	30,973
Total adjustments	(6,179)	78,216	72,037
Net cash provided by (used for) operating activities	$ 346,384	$ 417,057	$ 763,441

CITY OF ANNAPOLIS, MARYLAND
ENTERPRISE FUNDS
SCHEDULE OF REVENUES AND OTHER SOURCES COMPARED TO BUDGET (BUDGETARY BASIS)
Year ended June 30, 2017

	2017		
	Budget as revised	Actual	Variance - positive (negative)
Water Fund			
Charges for services	$ 7,735,467	$ 8,119,220	$ 383,752
Interest income	4,000	34,251	30,251
Other	50,000	-	(50,000)
Total Water Fund	$ 7,789,467	$ 8,153,470	$ 364,003
Sewer Fund			
Charges for services	$ 8,690,656	$ 8,356,870	$ (333,786)
Interest income	6,000	32,781	26,781
Total Sewer Fund	$ 8,696,656	$ 8,389,651	$ (307,005)
Off Street Parking Fund			
Charges for services	$ 7,864,000	$ 8,131,097	$ 267,097
Total Off Street Parking Fund	$ 7,864,000	$ 8,131,097	$ 267,097
Transportation Fund			
Charges for services	$ 998,500	$ 828,552	$ (169,948)
Operating transfers	2,225,000	2,225,000	-
Capital grants	430,000	677,568	247,568
Total Transportation Fund	$ 3,653,500	$ 3,731,120	$ 77,620
Stormwater Management Fund			
Charges for services	$ 892,500	$ 1,077,501	$ 185,001
Total Stormwater Management Fund	$ 892,500	$ 1,077,501	$ 185,001
Refuse Fund			
Charges for services	$ 2,793,266	$ 2,504,296	$ (288,971)
Total Refuse Fund	$ 2,793,266	$ 2,504,296	$ (288,971)

CITY OF ANNAPOLIS, MARYLAND
ENTERPRISE FUNDS
SCHEDULE OF EXPENSES AND OTHER USES COMPARED TO BUDGET (BUDGETARY BASIS)
Year Ended June 30, 2017

	2017		
	Budget as revised	Actual	Variance - positive (negative)
Water Fund			
Salaries	$ 2,185,464	$ 2,330,355	$ (144,891)
Utilities	307,980	279,622	28,358
Repairs and maintenance	362,387	345,555	16,832
Materials and supplies	344,946	258,115	86,831
Contractual services	214,284	226,984	(12,701)
Administrative charge from general fund	706,193	706,193	-
Depreciation	425,501	435,465	(9,964)
Interest expense	1,571,193	567,132	1,004,061
Other	5,194	194,398	(189,204)
Total Water Fund	$ 6,123,142	$ 5,343,821	$ 779,322
Sewer Fund			
Salaries	$ 1,036,863	$ 1,575,585	$ (538,722)
Utilities	160,458	264,050	(103,592)
Repairs and maintenance	200,698	214,176	(13,478)
Materials and supplies	52,438	62,880	(10,442)
Treatment plant operations	3,800,000	3,313,617	486,383
Contractual services	132,643	365,981	(233,338)
Administrative charge from general fund	1,615,109	1,615,109	-
Depreciation	587,601	799,927	(212,326)
Interest expense	546,552	235,781	310,771
Other	3,406	4,795	(1,389)
Total Sewer Fund	$ 8,135,768	$ 8,451,901	$ (316,133)
Off Street Parking Fund			
Salaries	$ 257,338	$ 123,804	$ 133,534
Utilities	142,200	64,243	77,957
Repairs and maintenance	156,920	77,812	79,108
Materials and supplies	4,546	2,973	1,573
Contractual services	1,908,900	2,557,667	(648,766)
Administrative charge from general fund	676,039	676,039	-
Depreciation	841,074	941,467	(100,393)
Interest expense	654,909	695,350	(40,441)
Operating transfers and subsidies	2,700,000	2,700,000	-
Other	-	(814,446)	814,446
Total Off Street Parking Fund	$ 7,341,925	$ 7,024,908	$ 317,017

CITY OF ANNAPOLIS, MARYLAND
ENTERPRISE FUNDS
SCHEDULE OF EXPENSES AND OTHER USES COMPARED TO BUDGET (BUDGETARY BASIS)
Year Ended June 30, 2017
(continued)

	2017		
	Budget as revised	Actual	Variance - positive (negative)
Transportation Fund			
Salaries	$ 2,250,306	$ 2,213,167	$ 37,139
Utilities	26,476	25,141	1,335
Repairs and maintenance	159,952	24,298	135,654
Materials and supplies	358,793	340,478	18,315
Contractual services	9,940	6,238	3,702
Administrative charge from general fund	766,381	766,381	-
Depreciation	-	488,888	(488,888)
Interest expense	1,106	1,706	(600)
Other	17,336	6,813	10,523
Total Transportation Fund	$ 3,590,290	$ 3,873,110	$ (282,820)
Stormwater Management Fund			
Salaries	$ 602,630	$ 515,181	$ 87,449
Utilities	825	504	321
Repairs and maintenance	5,699	7,539	(1,840)
Materials and supplies	20,748	18,180	2,568
Contractual services	38,990	38,936	54
Administrative charge from general fund	95,755	95,755	0.26
Depreciation	2,708	3,591	(883.02)
Interest expense	9,460	1,340	8,120
Other	1,702	(2,774)	4,476
Total Stormwater Management Fund	$ 778,517	$ 678,252	$ 100,265
Refuse Fund			
Salaries	$ 179,681	$ 256,066	$ (76,385)
Utilities	700	970	(270)
Repairs and maintenance	7,700	7,384	316
Materials and supplies	113,000	87,416	25,584
Professional Services	700,460	586,841	113,619
Contractual services	867,942	775,573	92,369
Administrative charge from general fund	428,030	428,030	-
Depreciation	900	5,520	(4,620)
Interest expense	8,300	7,318	982
Other	150	2,216	(2,066)
Total Refuse Fund	$ 2,306,863	$ 2,157,333	$ 149,530

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, 2017

		Special Revenue Fund
ASSETS		
Cash and cash equivalents	$	14,449
Receivables		109,177
Total assets	$	123,626
LIABILITIES		
Accounts payable	$	31,878
Total liabilities		31,878
FUND BALANCES		
Restricted - community development		123,626
Unassigned		(31,878)
Total fund balances		91,748
Total liabilities and fund balances	$	123,626

CITY OF ANNAPOLIS, MARYLAND
Non-Major Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance
Special Revenue Fund
Year Ended June 30, 2017

		Special Revenue Fund
Revenues		
Intergovernmental	$	411,002
Total revenues		411,002
Expenditures		
Community development		268,073
Total expenditures		268,073
Excess (deficiency) of revenues over expenditures		142,929
Other financing sources (uses)		
Transfers in		-
Transfers out		-
Total other financing sources (uses)		-
Net change in fund balances		142,929
Fund balances at beginning of year		(51,181)
Fund balances at end of year	$	91,748

CITY OF ANNAPOLIS, MARYLAND
Detailed Schedule of Changes in Net Position
Internal Service Fund
Year Ended June 30, 2017

		Internal Service Fund
Operating revenues		
Employer (Active)	$	7,602,483
Plan Member (Active)		1,905,503
Claim Reimbursment		922,374
Total Medical Insurance Contribution		10,430,360
Workman's Compensation Contribution		1,400,000
General Liability Contribution		1,000,000
Unemployment Contribution		150,000
Total operating revenues		12,980,360
Operating expenses		
Medical Insurance		9,842,454
Dental Insurance		15,000
Disbility Insurance		37,992
Total Benefits		9,895,446
Contractual services		19,564
Workman's Compensation		1,069,408
General Liability		379,391
Unemployment		28,565
Total operating expenses		11,392,374
Change in net position		1,587,986
Net position at beginning of year		(785,498)
Net position at end of year	$	802,488

CITY OF ANNAPOLIS, MARYLAND
Combining Schedule of Changes in Net Position
Internal Service Fund
Year Ended June 30, 2017

	Medical	Workman's Compensation	General Liability	Unemployment	Total
Operating Revenues					
Contributions					
Employer	$ 7,602,483	$ 1,400,000	$ 950,000	$ 150,000	$ 10,102,483
Plan Member	1,905,503	-	-	-	1,905,503
Investment Income	-	-	-	-	-
Claims Collections	922,374	-	50,000		972,374
Total Operating Revenues	10,430,360	1,400,000	1,000,000	150,000	12,980,360
Operating Expenditures					
Claim Payments	9,895,446	875,164	194,243	-	10,964,854
Contract Services	19,562	-	129,000	-	148,562
Other Expenditures	-	194,243	17,342	-	211,585
Liability Insurance	-	-	38,806	-	38,806
Unemployment Insurance	-	-	-	28,565	28,565
Total Operating Expenditures	9,915,008	1,069,408	379,391	28,565	11,392,372
Change in Net Position	$ 515,352	$ 330,592	$ 620,609	$ 121,435	$ 1,587,988

CITY OF ANNAPOLIS, MARYLAND
Combining Schedule of Fiduciary Net Position
Pension and OPEB Trust Funds
June 30, 2017

	Pension Trust Fund	OPEB Trust Fund	Total Benefit Trust Fund
ASSETS			
Cash	$ 340	$ 673,315	$ 673,655
Investments, at fair value:			
Pooled Investments	-	2,907,943	2,907,943
Common stocks	93,874,192	-	93,874,192
Corporate bonds	1,935,984	-	1,935,984
Money market	7,108,999	-	7,108,999
U.S. Agency securities	21,789,433	-	21,789,433
Limited partnerships and alternative investments	34,570,547	-	34,570,547
Real estate	9,483,234	-	9,483,234
Total investments	168,762,389	2,907,943	171,670,332
Total assets	$ 168,762,729	$ 3,581,258	$ 172,343,987
NET POSITION			
Total net position, held in trust for Pension Benefits	$ 168,762,729	$ 3,581,258	$ 172,343,987

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

CITY OF ANNAPOLIS, MARYLAND
Combining Schedule of Changes in Fiduciary Net Position
Pension and OPEB Trust Funds
Year Ended June 30, 2017

	Pension Trust Fund	OPEB Trust Fund	Total Benefit Trust Fund
ADDITIONS			
Contributions			
Employer	$ 3,430,988	$ 5,298,535	$ 8,729,523
Plan member	1,445,592	-	1,445,592
Total Contributions	4,876,580	5,298,535	10,175,115
Investment Income			
Interest and Dividends	2,238,989	43,698	2,282,687
Net depreciation in fair value of investments	15,959,011	132,101	16,091,112
Real estate operating income, net	516,219	-	516,219
Total investment income	18,714,219	175,799	18,890,018
Total additions	23,590,799	5,474,334	29,065,133
DEDUCTIONS			
Benefits	11,222,586	1,882,596	13,105,182
Administrative expenses	844,248	10,480	854,728
Total deductions	12,066,834	1,893,076	13,959,910
Change in net position	11,523,965	3,581,258	15,105,223
Net position as of beginning of year	157,238,764	-	157,238,764
Net position as of end of year	$ 168,762,729	$ 3,581,258	$ 172,343,987

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

CITY OF ANNAPOLIS, MARYLAND
STATISTICAL SECTION

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

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Financial Trends
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time. 96

Revenue Capacity
These schedules contain information to help the reader assess the City's most significant local revenue source – property tax. 102

Debt Capacity
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue debt in the future. 104

Demographic and Economic Information
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place. 106

Operating Information
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs. 108

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

	Year Ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities										
Net Investment in capital assets	$ 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	$ 53,340,522
Restricted	-	1,650,742	4,882,031	4,190,198	2,144,609	319,574	104,847	11,421,767	14,567	12,139,729
Unrestricted	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)	(56,035,148)
Total governmental activities net position	$ 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	$ 9,445,103
Business-type activities										
Net Investment in capital assets	$ 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	$ 31,840,814
Restricted	-	-	3,493,242	3,610,180	1,764,988	11,201,495	13,422,350	18,606,456	11,169,944	20,162,006
Unrestricted	(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	(8,221,707)
Total business-type activities net position	$ 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	$ 43,781,113
Primary government										
Net Investment in capital assets	$ 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	$ 85,181,336
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	32,301,735
Unrestricted	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)	(64,256,855)
Total primary government net position	$ 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	$ 53,226,216

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

	Year Ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental Activities:										
General government	$ 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	$ 8,027,778
Public safety	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	44,465,088
Community services	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	5,875,892
Community development	363,854	727,629	979,789	439,922	219,690	824,734	1,054,349	404,147	736,673	520,738
Public works	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	10,717,392
Interest and bond issuance costs	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	4,885,029
Total Governmental Activities Expenses	56,826,122	99,308,239	69,683,495	61,783,999	66,688,344	76,316,872	76,160,114	75,184,189	78,280,571	74,491,917
Business-type Activities:										
Water	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	5,486,621
Sewer	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	8,484,824
Off Street Parking	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	5,164,268
Transportation	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	5,895,274
Dock*	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*	455,998	828,273	449,267	171,670	224,104	165,188	232,218	355,987	-	-
Stormwater Management	368,468	914,981	703,710	382,467	315,056	528,573	326,889	320,909	514,327	719,818
Refuse	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	2,174,839
Total Business-type Activities Expenses	24,695,771	23,962,461	27,377,350	23,743,394	23,369,629	28,368,547	29,940,264	30,059,620	23,356,186	27,925,644
Total Primary Government Expenses	$ 81,521,893	$ 123,270,700	$ 97,060,845	$ 85,527,393	$ 90,057,973	$ 104,685,419	$ 106,100,378	$ 105,243,809	$ 101,636,757	$ 102,417,561
Program Revenues										
Governmental Activities:										
Charges for Service:										
General government	$ 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	$ 4,626,240
Public safety	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	2,845,731
Community services	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	2,790,525
Public works	857,857	826,574	824,426	855,577	2,794,677	1,173,707	1,677,748	1,171,131	1,233,422	1,275,788
Operating Grants and Contributions	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	4,435,879
Capital Grants and Contributions	250,049	1,894,954	344,667	190,892	626,762	45,450	32,750	503,516	1,755,221	1,098,816
Total Governmental Activities										
Program Revenues	20,607,742	23,120,827	20,910,938	20,401,740	26,551,931	29,380,476	33,396,258	33,418,476	40,305,308	17,072,979

*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,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Program Revenues (continued)										
Business-type Activities:										
Charges for Services:										
Water	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	8,209,879
Sewer	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	8,356,869
Off Street Parking	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	8,131,099
Transportation	1,059,752	968,705	1,077,233	764,847	1,088,490	938,735	895,661	938,100	937,916	884,316
Dock*	872,893	867,020	857,683	1,022,585	855,759	861,833	963,162	909,174	-	-
Market*	76,800	3,191	77,905	36,931	57,367	10,571	135,053	208,500	-	-
Stormwater Management	467,495	516,776	509,995	493,586	895,510	830,185	831,557	934,653	947,886	1,077,499
Refuse	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	2,504,296
Operating Grants and Contributions	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	1,558,360
Capital Grants and Contributions	4,853,485	1,501,620	1,808,382	334,290	1,961,369	138,092	149,899	455,863	427,568	3,022,680
Total Business-type Activities Program Revenues	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	33,744,998
Total Primary Government Program Revenues	$ 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	$ 50,817,977
Net (expenses) / revenues										
Governmental Activities	$ (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)	$ (57,418,938)
Business-type Activities	(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	5,819,354
Total Primary Government Net Expenses	$ (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)	$ (51,599,584)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes										
Real	$ 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	41,475,676
Unincorporated	35,659	39,979	28,121	24,841	27,031	33,719	37,187	31,632	45,410	48,610
Public utility	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	1,708,019
Corporations	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	1,726,253
Penalties and interest	180,842	205,797	176,481	165,501	140,043	148,934	140,660	223,980	213,195	201,438
State shared taxes and other***	-	-	-	-	-	-	-	-	-	11,540,775
Interest and investment earnings	1,009,344	296,086	27,695	9,719	17,415	148,041	24,650	16,430	101,179	233,794
Miscellaneous	2,676,672	6,142,779	309,918	698,543	422,268	1,382,844	180,147	-	-	2,853,912
Transfers**	35,000	(818,000)	1,105,040	664,250	3,331,985	2,281,369	783,630	569,520	(6,337,650)	(2,271,251)
Total Governmental Activities	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	57,517,226

*Transferred to General fund and Governmental Activities in 2016.

**Transfer of OPEB Trust funds in 2017.

*** In prior years recorded in general governmental revenues.

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

	Year Ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Revenues and Other Changes in Net Position (continued)										
Business-type Activities:										
Interest and Investment Earnings	141,667	19,708	4,312	3,527	6,663	26,132	8,759	6,104	31,952	6,986
Miscellaneous	1,347,261	953,685	1,732,926	2,143,353	-	-	-	-	-	-
Transfers	(35,000)	818,000	(1,105,040)	(664,250)	(3,331,985)	(2,281,369)	(783,630)	(569,520)	6,337,650	(475,000)
Total Business-type Activities	1,453,928	1,791,393	632,198	1,482,630	(3,325,322)	(2,255,237)	(774,871)	(563,416)	6,369,602	(468,014)
Total Primary Government	$ 34,405,506	$ 40,670,413	$ 36,756,767	$ 38,190,990	$ 38,378,024	$ 42,239,919	$ 42,796,898	$ 42,462,159	$ 44,328,119	57,049,212
Change in Net Position										
Governmental Activities	$ (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)	98,288
Business-type Activities	388,776	(1,982,915)	(6,397,591)	(3,104,762)	2,961,410	766,945	1,122,521	1,719,030	13,383,367	5,351,339
Total Primary Government	$ (2,878,026)	$ (39,291,307)	$ (19,045,579)	$ (7,778,661)	$ 4,528,343	$ (1,674,295)	$ 1,930,434	$ 2,978,892	$ 13,366,621	5,449,627

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Non-Spendable	$ 476,968	$ 711,154	$ 314,552	$ 225,660	$ 214,329	$ 218,712	$ 145,414	$ 173,401	$ 178,711	$ 143,209
Restricted	-	-	-	-	-	7,107,625	-	-	-	
Assigned	-	-	3,478,434	3,536,307	364,208	-	20,539,453	11,212,929	22,581,009	12,651,103
Unassigned	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	14,489,171
Total general fund	$ 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	$ 27,283,483
Capital Projects Fund										
Restricted	$ -	$ -	$ -	$ -	$ -	$ 2,624,930	$ -	$ -	$ -	$ 6,302,248
Assigned	7,936,578	12,123,072	1,038,021	4,190,198	2,144,609	-	-	-	-	-
Unassigned	11,469,059	(1,079,462)	3,826,100	-	-	-	-	(366,096)	(9,287,428)	-
Total capital projects fund	$ 19,405,637	$ 11,043,610	$ 4,864,121	$ 4,190,198	$ 2,144,609	$ 2,624,930	$ -	$ (366,096)	$ (9,287,428)	$ 6,302,248
Special Revenue Fund										
Restricted	$ 209,427	$ 243,689	$ 150,340	$ 145,087	$ -	$ 319,574	$ 104,847	$ 208,839	$ 14,567	$ 123,626
Unassigned	(209,427)	(243,689)	(150,340)	(145,087)	316,804	-	-	-	(65,748)	(31,878)
Total special revenue fund	$ -	$ -	$ -	$ -	$ 316,804	$ 319,574	$ 104,847	$ 208,839	$ (51,181)	$ 91,748

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

	Year Ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Taxes	$ 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	$ 45,159,996
Licenses and Permits	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	3,462,155
Fines and Forfeitures	1,225,606	1,229,028	947,614	829,371	1,435,632	416,035	733,127	518,255	378,159	250,002
Money and Property	1,601,163	1,370,121	846,380	820,868	1,845,211	1,122,180	831,850	1,926,216	1,840,860	2,853,185
Intergovernmental	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	17,054,142
Current Services	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	5,345,699
Total Revenues	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	74,125,179
Expenditures										
General Government	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	6,847,993
Public Safety	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	40,562,978
Community Services	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	5,163,066
Community Development	363,854	727,629	979,789	439,922	204,998	824,734	892,026	404,147	736,673	520,738
Public Works	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	8,455,632
Debt Service										
Principal	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	4,213,897
Interest	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	3,279,663
Bond Issuance Costs	-	-	-	-	-	851,819	-	-	-	-
Capital Outlays	6,929,984	13,348,193	18,297,251	1,812,456	-	2,479,045	4,108,944	3,182,796	12,613,991	9,078,508
Total Expenditures	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	78,122,475
Excess of Revenues Over (Under) Expenditures	(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)	(3,997,296)
Other Financing Sources (Uses)	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)	8,436,981
Net Change In Fund Balances	$ 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)	$ 4,439,685
Debt Service as a Percentage of Noncapital Expenditures	8.06%	10.17%	9.80%	8.79%	8.10%	6.47%	6.93%	8.65%	9.43%	10.85%

CITY OF ANNAPOLIS, MARYLAND
Revenue Capacity
Last Ten Fiscal Years

ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Fiscal Year	Real Property Assessed Market Value	Personal Property Assessed Market Value	Total Assessed Market Value
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
2017	6,422,155,949	182,024,160	6,604,180,109

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
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
2017	0.65	0.55	0.11	1.31

PRINCIPAL TAXPAYERS
Current Year and Nine Years Ago

	2017			2008	
Taxpayer	Assessed Market Valuation	Percentage of Total Assessed Market Valuation	Taxpayer	Assessed Market Valuation	Percentage of Total Assessed Market Valuation
CL WATERGATE LLC	$ 53,074,800	0.83%	PARK PLACE	$ 134,950,012	2.34%
1901 WEST INVESTORS LLC	50,617,200	0.79%	VERIZON	74,624,800	1.30%
BAYWOODS COOPERATIVES HOUSIN	41,351,181	0.64%	BALTIMORE GAS & ELECTRIC	73,471,075	1.28%
APTCO ANNAPOLIS LLC	38,402,600	0.60%	BAYWOODS COOPERATIVE HSG	63,992,337	1.11%
GUARDIAN PARK PLACE LLC	37,612,533	0.59%	YACHT BASIN CO OF MARYLAND	42,372,664	0.74%
YACHT BASIN CO OF MARYLAND	33,671,633	0.52%	LOEWS ANNAPOLIS HOTEL CORP	32,585,800	0.57%
HOME PROPERTIES ANNAPOLIS	31,910,300	0.50%	COLUMBIA REALTY VENTURE	32,483,432	0.56%
CH RLTY/ANNAPOLIS HOTEL PRTS	28,481,933	0.44%	CASCO THORNBURY BAY LLC	28,410,632	0.49%
LEXIN SPA COVE OWNER LLC	26,015,166	0.41%	SPA COVE APARTMENTS	27,156,734	0.47%
ADMIRAL FARRAGUT JNT VNT	23,035,033	0.36%	ANNAPOLIS RDS APART. CO	18,552,466	0.32%
	$ 364,172,379	5.67%		$ 528,599,952	9.18%

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		
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%
2017	41,461,030	(202,309)	41,258,721	41,239,843	99.95%	41,213,597	99.89%	33,551	0.08%

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

CITY OF ANNAPOLIS, MARYLAND
Debt Capacity
Last Ten Fiscal Years

RATIO OF BONDED DEBT BY TYPE
BONDED DEBT PER CAPITA

	Governmental Activities		Business-Type Activities					
Fiscal Year	General Obligation Bonds	Other Debt	General Obligation Bonds	Other Debt	Total Bonded Debt	Percentage of Personal Income [1]	Per Capita [1]	Percentage of Market Value [2]
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%
2017	74,756,990	36,182	63,720,153	22,245,843	160,759,168	8.99%	3,996	2.43%

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

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

* as restated

SCHEDULE OF LEGAL DEBT MARGIN

Fiscal Year	Assessable Base	Debt Limit: 10% of Assessable Base	City Debt Limitation	Debt Margin	Ratio of City Debt to Assessable Base
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%
2017	6,604,180,109	660,418,011	160,759,168	499,658,843	2.43%

COMPUTATION OF DIRECT AND OVERLAPPING DEBT
Year Ended June 30, 2017

Jurisdiction		Net Debt Outstanding	Percentage Applicable to City of Annapolis		Amount Applicable to City of Annapolis
City of Annapolis	$	160,759,168	100%	$	160,759,168
Anne Arundel County - Education		1,273,103,087	8%		100,727,967
Total	$	1,433,862,255		$	261,487,135

CITY OF ANNAPOLIS, MARYLAND
Debt Capacity
Last Ten Fiscal Years

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

Fiscal Year	Expenditures: Debt Service	Expenditures: Total General Fund	Debt Service as a Percentage of Total
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%
2017	7,493,560	66,651,956	11.24%

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)
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
2017	40,233	1,787,592	44,431	3.5%	7,643

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

PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago

	2017		2008	
Employer	Employees	Percentage of City Employment	Employees	Percentage of City Employment
United States Naval Academy	2,340	5.82%	2,052	5.64%
ARC of the Central Chesapeake Region	450	1.12%	-	-
St. John's College	220	0.55%	-	-
Rams Head Tavern, Inc.	188	0.47%	-	-
Annapolis Marriott Waterfront Hotel/Pussers Restaurant	170	0.42%	-	-
Buddy's Crabs & Ribs, Inc.	167	0.42%	-	-
(Comtech) TeleCommunication Systems, Inc.	165	0.41%	-	-
Federal Catering (Main Ingredient Café & Catering)	162	0.40%	-	-
Severn Bancorp (Severn Savings Bank FSB)	142	0.35%	-	-
Loews Annapolis Hotel	115	0.29%	-	-
Anne Arundel health Systems, Inc	-	-	2,025	5.56%
ARIN	-	-	1,300	3.57%
Home Depot	-	-	1,129	3.10%
Verizon Maryland (formerly Bell Atlantic)	-	-	844	2.32%
Baltimore Gas and Electric	-	-	500	1.37%
Windermere Group LLC	-	-	400	1.10%
US Internetworking, Inc	-	-	365	1.00%
Capital Gazette Communications, Inc	-	-	330	0.91%
Nordstrom		-	300	0.82%
	4,119	10.24%	9,245	25.40%

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	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government	67	63	68	57	59	56	76	75	75	82
Public Safety	331	341	340	307	320	335	322	318	316	312
Public Works	48	51	49	46	45	40	42	60	60	61
Recreation & Parks	21	20	20	18	12	20	21	26	25	35
Water Fund	26	27	27	27	26	25	22	25	26	25
Sewer Fund	7	7	7	6	5	6	6	6	6	6
Dock Fund	3	3	3	3	2	3	3	2	2	0
Transportation Fund	49	55	55	49	37	38	50	55	52	45
Stormwater Mgmt Fund	3	3	3	3	3	3	3	3	3	3
Refuse Fund	22	22	22	21	23	1	2	2	2	2
Total	577	592	594	537	537	527	547	572	567	571

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	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government										
Finance:										
Real property tax accounts	14,836	15,075	15,195	15,294	15,392	14,857	14,891	14,860	14,842	15,107
Personal property tax accounts	2,109	2,003	1,990	2,112	1,911	1,986	1,965	2,180	1,945	2,014
Public Safety										
Police										
Calls for service	44,496	35,980	36,501	35,233	36,907	35,983	36,780	35,036	35,003	39,406
Physical arrests	4,743	4,168	4,265	2,165	3,945	3,657	3,929	3,330	2,625	2,366
Parking violations	29,743	19,388	5,138	29,655	27,020	25,606	24,358	28,795	1,384	16,457
Traffic violations	4,788	6,729	5,572	4,115	9,535	7,097	7,555	3,619	7,538	4,123
Fire										
Number of calls answered	9,628	9,189	8,310	10,041	10,232	9,344	9,344	9,697	9,847	10,961
Inspections	1,981	1,746	1,100	1,486	1,279	1,440	2,299	1,273	1,569	1,757
Recreation & Parks										
Programs offered	110	118	151	N/A	N/A	116	353	362	367	152
Enrollment	3,797	4,161	4,195	N/A	N/A	4,238	1,433	5,287	5,695	3,494
Public Works										
Roadways and sidewalks										
Potholes repaired	1,834	1,579	1,005	1,241	820	1,431	2,671	2,214	1,931	1,537
Water Fund										
Water main repairs	54	26	21	43	14	33	10	22	22	20
Number of accounts	12,418	12,404	12,411	12,246	12,554	12,526	13,154	12,753	12,663	12,755
Sewer Fund										
Number of accounts	11,410	11,400	11,409	11,197	11,435	10,400	12,026	11,597	11,618	11,699
Refuse Fund										
Refuse collected (tons per year)	8,865	5,297	6,501	7,167	8,801	8,135	7,807	7,416	7,592	7,439
Recycling collected (tons per year)	1,520	2,430	2,366	2,856	2,762	3,312	3,406	3,439	3,592	3,591
Yard Waste collected (tons per year)	1,936	2,318	97	3,368	3,114	1,534	1,826	2,133	1,912	1,895
Neighborhood & Environmental Programs										
Construction permits isued - Commercial	296	270	129	290	274	234	208	182	152	207
Construction permits isued - Residential	1,195	892	787	836	851	682	766	637	596	576
Transportation Fund										
Number of routes	10	10	10	8	8	9	10	10	10	10
Number of passengers (in thousands)	1,510	1,465	1,580	1,139	650	728	753	597	445	385

Source:
Various City of Annapolis departments

CITY OF ANNAPOLIS, MARYLAND
Operating Information
Last Ten Fiscal Years

CAPITAL ASSET STATISTICS BY FUNCTION

Fiscal Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government										
Buildings	3	5	6	7	7	7	7	8	9	8
Vehicles	16	22	20	23	23	37	41	43	26	23
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Uniformed police officers	131	131	116	116	112	112	114	114	114	124
Police vehicles	102	100	108	96	92	98	86	86	86	75
Fire										
Stations	3	3	3	3	3	3	3	3	3	3
Career firefighters	125	137	126	133	119	120	127	123	124	136
Pumper/ladder trucks	6	6	6	7	7	7	7	6	7	7
Paramedic units	6	6	6	1	5	5	6	7	7	7
Other vehicles	35	34	37	38	44	40	39	34	32	32
Public Works										
Buildings	7	7	6	6	6	6	6	9	20	9
Street (in miles)	86	99	99	99	91	91	276	276	276	276
Traffic signals	28	28	28	28	26	26	20	20	21	21
Recreation & Parks										
Buildings	4	4	3	3	3	3	4	4	13	11
Playgrounds / parks in acres	126	126	126	126	126	126	126	201	250	250
Ballfields	5	5	5	5	8	8	4	14	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	140	140	140
Storage tanks	5	5	5	5	5	5	5	5	5	5
Sewer Fund										
Lines in miles	140	140	140	140	140	140	140	125	125	125
Number of pumping stations	25	25	25	25	25	25	23	25	25	25
Transportation Fund										
Passenger buses	28	29	33	33	22	22	25	23	22	22

Source:
Various City of Annapolis departments