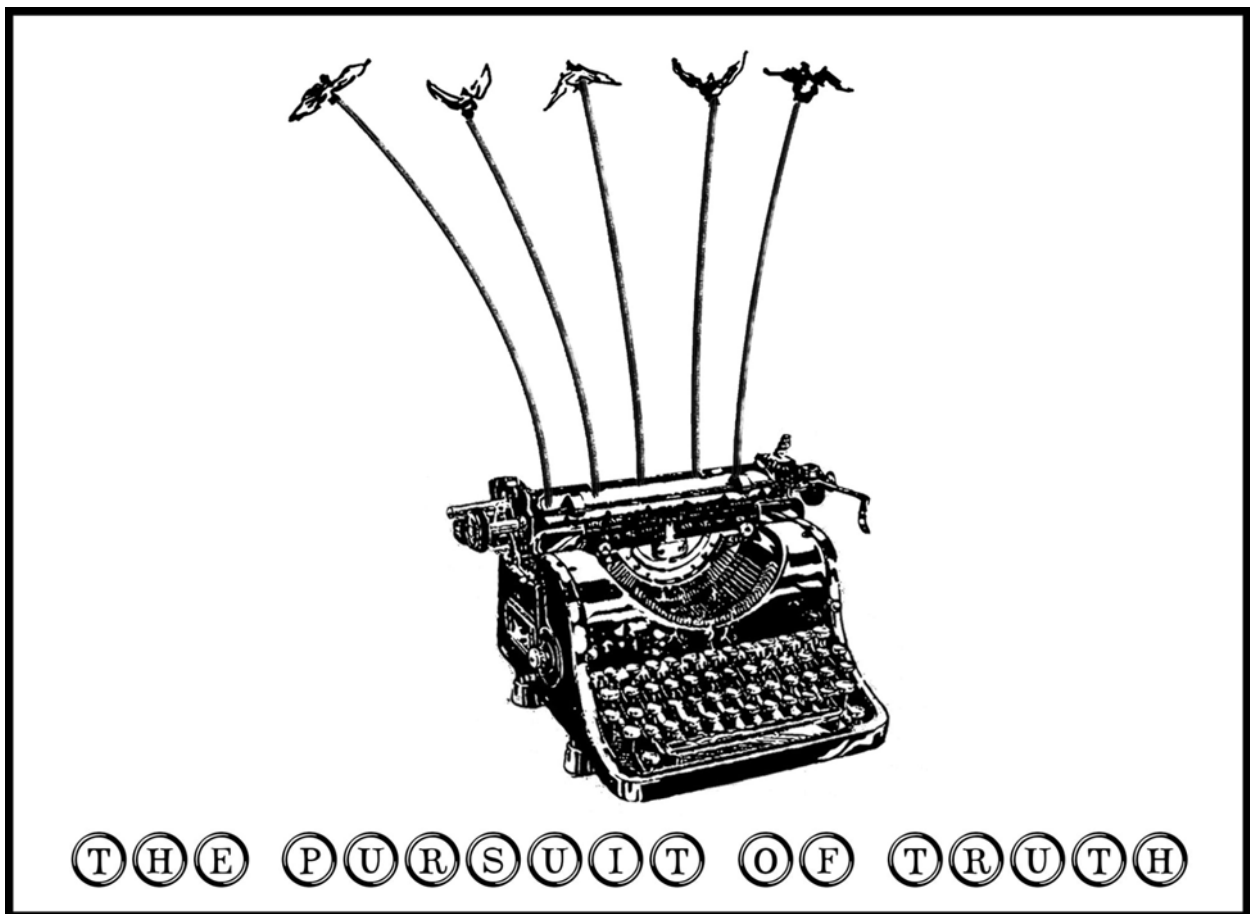


**CITY OF ANNAPOLIS,
MARYLAND**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2018**



THE PURSUIT OF TRUTH

By Walker Babington

WE REMEMBER

Wendi Winters

Rebecca Smith

John McNamara

Rob Hiaasen

Gerald Fischman

Capital Gazette

June 28, 2018



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2018

MAYOR:

Gavin Buckley

ALDERMEN AND ALDERWOMEN:

Eleanor Tierney

Marc Rodriguez

Frederick M. Paone

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Prepared By:

FINANCE DEPARTMENT

Jodee Dickinson

Finance Director

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CITY OF ANNAPOLIS, MARYLAND

CITY OF ANNAPOLIS, MARYLAND

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June 30, 2018

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INTRODUCTORY SECTION



*CITY OF
ANNAPOLIS,
MARYLAND*

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CITY OF ANNAPOLIS, MARYLAND



January 31, 2019

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

Maryland state law requires that all general-purpose local governments publish a complete set of financial statements each year prepared in conformity with generally accepted accounting principles (GAAP) in the United States of America and audited by a licensed certified public accounting firm. Pursuant to that requirement and in compliance with Section 6.04.020 of the City of Annapolis Charter, I am pleased to submit to you the Comprehensive Annual Financial Report of the City for the fiscal year ended June 30, 2018.

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

The City's basic financial statements have been audited by CliftonLarsonAllen, LLP, a licensed certified public accounting firm. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City of Annapolis as of and for the fiscal year ended June 30, 2018, 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, 2018, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Annapolis is a part of a broader, federally mandated "Single Audit" designed to meet the special needs of Federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on fair presentation of the financial statements, but also on the audited governments' internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of Federal awards. These reports are available in the City's separately issued Single Audit Report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Annapolis' MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

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

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

The City has independent jurisdiction over police services, fire suppression and emergency services, licenses and permits, streets and street lighting, 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.

Budgetary Controls

The annual budget serves as the foundation for the City of Annapolis' financial planning and control. All City departments are required to submit budget requests to the Mayor. The Mayor uses these requests as the starting point for developing the proposed budget. The Mayor then presents his proposed budget to the city council for review. The city council is required to hold public hearings on the proposed budget and to appropriate a final budget no later than June 30th. The City prepares the budget by fund and department. Subsequently, department heads may request transfers within a department, however, transfers between departments or funds greater than \$25,000 and additional appropriations from additional revenue must be approved by the city council. For those funds having appropriations, budget-to-actual comparisons are provided in the subsequent exhibits. For the General Fund, this information is presented as required supplementary information, whereas for individual funds with appropriated budgets, this comparison is presented in the combining and individual fund subsection of this report.

Factors Affecting Financial Condition

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

Local economy

As compared to the U.S. regional economies, the City of Annapolis enjoys a stable economic environment. The City's tourism industry has evolved as the most important component of the area's economy. As home to the U.S. Naval Academy, the Anne Arundel County seat, the State capital, a registered National Historic District, and 17 miles of waterfront, Annapolis attracts an estimated 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 2.9%, which is lower than the national rate of 3.9% and the statewide rate of 4.3%. The region's growth and economic diversity are expected to be the basis for continued health of the local economy in coming years.

Long-term financial planning

Looking forward, the City remains optimistic relative to its real property tax base. The City continues to see new growth and permitting activity, there is favorable commercial activity along the West Street corridor, and the City continues to review plans for new development within the City boundaries. In fiscal year 2018, the City realized a 3.9% increase in its assessed value. On July 1, 2018, the City realized another 9% increase in property values because of the triennial real property valuation. This increase will phase in over fiscal years 2019 – 2021. The City projects its other sources of revenue to remain stable or grow at modest rates.

Financial Policies

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

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

Pension and other post-employment benefits

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

Government Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*, became effective for the year ended June 30, 2014. This statement required the presentation of new information in the notes to the financial statements and in the 10-year Required Supplementary Information (RSI) schedules. GASB 68, *Accounting and Financial Reporting for Pensions*, became effective for the year ended June 30, 2016. This statement

established standards for measuring and recognizing liabilities, deferred outflows and inflows of resources, and expenses. The accompanying financial statements reflect the adoption of these changes.

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

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

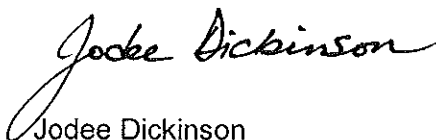
The City fully funds the annual contribution to the State plans and is fully funding the Police & Fire pension plan beginning in fiscal year 2019. The City plans to increase its OPEB funding each year until it reaches the actuary's determined annual contribution. Additional information on the City of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

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement of Excellence in Financial Reporting to the City of Annapolis for its Comprehensive Annual Financial Report (CAFR) for the Fiscal year ended June 30, 2017. This was the twenty-ninth consecutive year that the City of Annapolis has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report must satisfy both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we will continue to submit for its eligibility in future years.

Preparation of this report would not have been possible without the dedicated and efficient service of the entire finance department staff. I express my appreciation to all members of the department who assisted and contributed to the preparation of this report. I also want to thank the Mayor and City Council for their support for maintaining the highest standards of professionalism in the City's finances.

Respectfully Submitted,



Jodee Dickinson
Director of Finance



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Annapolis
Maryland**

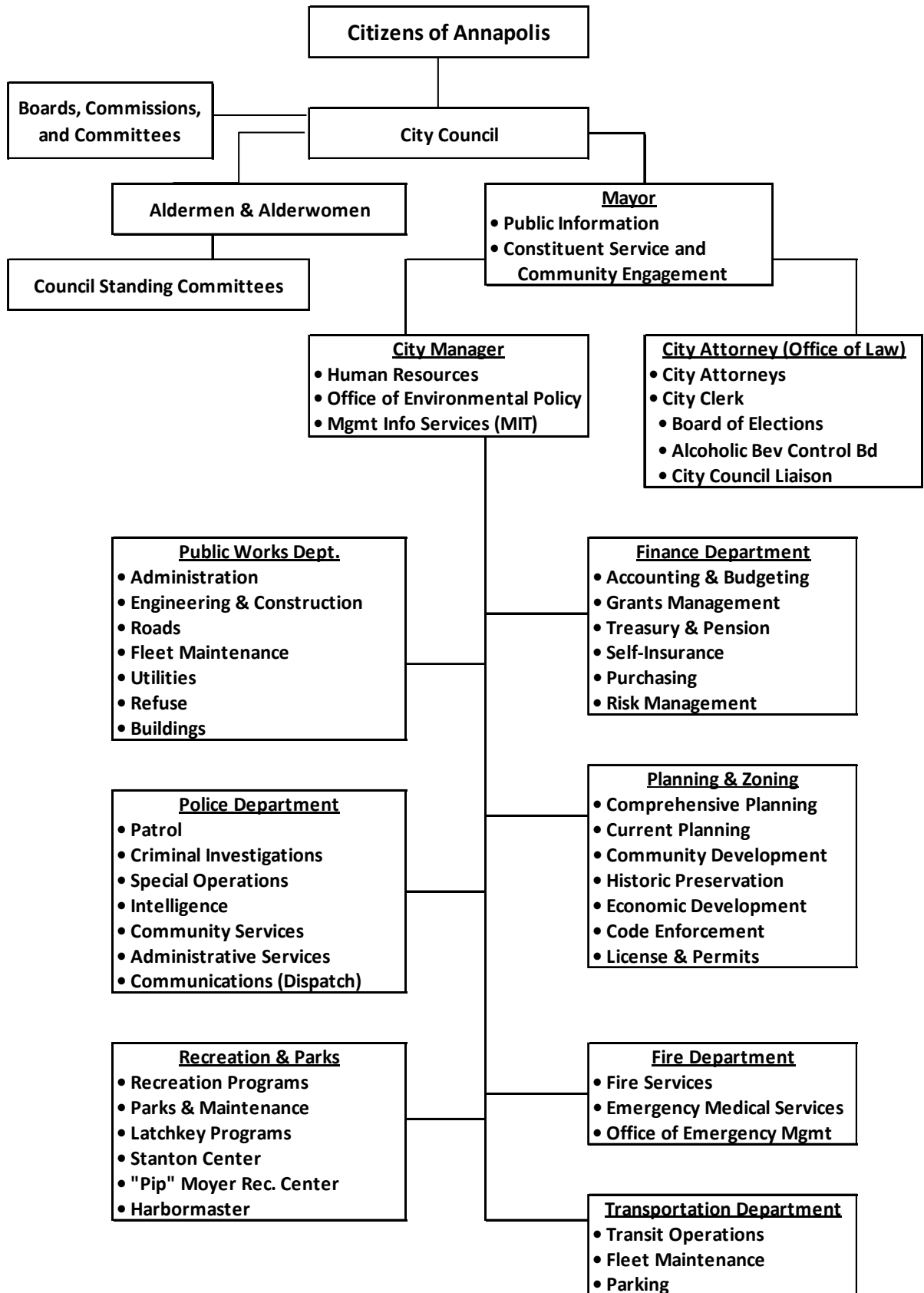
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrell

Executive Director/CEO

CITY OF ANNAPOLIS, MARYLAND ORGANIZATIONAL CHART



CITY OF ANNAPOLIS, MARYLAND

LIST OF PRINCIPAL OFFICIALS

City Council

Gavin Buckley, Mayor

Ward Aldermen and Alderwomen

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

Management Team

<u>Title</u>	<u>Name</u>
City Manager	Teresa Sutherland, CPA
Finance Director	Jodee Dickinson, CPA, CFE
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	Richard H. Melnick, Esq.

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CITY OF ANNAPOLIS, MARYLAND



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, 2018, 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter

As described in Notes 1 and 14, during the fiscal year ended June 30, 2018, the City adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result of the implementation of GASB Statement No. 75, the City reported a restatement for the change in accounting principle (See Note 14). Our auditors' opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

CliftonLarsonAllen LLP

Baltimore, Maryland
January 31, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)



***CITY OF
ANNAPOLIS,
MARYLAND***

**CITY OF ANNAPOLIS, MARYLAND
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2018**

As management of the City of Annapolis (the City), we offer readers the City's basic financial statements. This narrative overview and analysis of the financial activities of the City is for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our letter of transmittal, which may be found on pages 1-4 of this report.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$47,870,638 (*net position*).
- The City's total net position increased by \$15,984,850. Governmental activities saw an increase of \$11,078,441 and business-type activities saw an increase of \$4,906,409. These increases were primarily attributable to \$3.1 million sale of the golf course, \$2.7 million net increase in the governmental capital assets, \$2.6 million net pay down of governmental activities debt, \$2.7 million from the operations of the Water Fund, and \$2.2 million from the Off Street Parking Fund.
- As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$36,710,784, a net increase of \$3,033,305 in comparison with the prior year.
- The City's total net bonded debt decreased by \$3,032,684 through refundings of debt and normal principal payments, to a year-end balance of \$157,726,484, which is well below the City's legal debt limit of \$685 million.
- The City implemented GASB Statement No. 75. This statement required that the net OPEB liability be presented on the statement of net position. This caused a significant net decrease of \$21.3 million to the City's beginning of the year net position. This decrease in the beginning net position was allocated \$17.3 million to governmental activities and \$4 million to business-type activities.
- The City's Fiduciary Funds (Pension Trust Funds) increased by \$6,069,919. Contributions and subsidy of \$9.2 million and investment income of \$13.2 million were offset by \$16.3 million in benefits and expenses.

Overview of the Financial Statements

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

CITY OF ANNAPOLIS, MARYLAND
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2018

Government-Wide Financial Statements

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, 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 may be found on pages 21-22 of this report.

Fund Financial Statements

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

Governmental Funds

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

The City maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and capital projects fund, both of

**CITY OF ANNAPOLIS, MARYLAND
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2018**

which are considered to be major funds, and the special revenue fund, which is considered to be nonmajor fund.

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

The Governmental Fund Financial Statements may found on pages 23-26 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 utilities, 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 two funds are combined into a single, aggregated presentation. Individual fund data for the enterprise funds is provided in the form of *combining statements* later in this report. The internal service fund is presented in the proprietary fund financial statements. The proprietary fund financial statements may be found on pages 27-29 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 postemployment benefit plan. The fiduciary fund financial statements may be found on pages 30-31 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 32-69 of this report.

Other information.

In addition to the basic financial statements and the accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits to its police and fire employees and other postemployment benefits to retirees. Required supplementary information may be found on pages 70-77 of this report.

The combining statements for the nonmajor enterprise funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules may be found on pages 79-95 of this report.

**CITY OF ANNAPOLIS, MARYLAND
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$47,870,638 at the close of the most recent fiscal year.

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

**City of Annapolis
Net Position**

	Governmental Activities		Business-type Activities		Total	
	<u>FY2018</u>	<u>FY2017*</u>	<u>FY2018</u>	<u>FY2017*</u>	<u>FY2018</u>	<u>FY2017*</u>
Current assets	\$ 51,130,764	\$ 45,377,973	\$ 33,568,832	\$ 33,018,592	\$ 84,699,596	\$ 78,396,565
Noncurrent assets:						
Restricted water and sewer capital facility assessments	-	-	6,111,492	6,466,324	6,111,492	6,466,324
Net capital assets	<u>116,480,039</u>	<u>110,857,648</u>	<u>104,099,750</u>	<u>98,553,952</u>	<u>220,579,789</u>	<u>209,411,600</u>
Total noncurrent assets	<u>116,480,039</u>	<u>110,857,648</u>	<u>110,211,242</u>	<u>105,020,276</u>	<u>226,691,281</u>	<u>215,877,924</u>
Total assets	<u>167,610,803</u>	<u>156,235,621</u>	<u>143,780,074</u>	<u>138,038,868</u>	<u>311,390,877</u>	<u>294,274,489</u>
Deferred outflows of resources	<u>11,777,421</u>	<u>13,481,410</u>	<u>3,902,577</u>	<u>3,574,565</u>	<u>15,679,998</u>	<u>17,055,975</u>
Current liabilities	<u>13,469,368</u>	<u>12,234,190</u>	<u>10,090,145</u>	<u>8,039,604</u>	<u>23,559,513</u>	<u>20,273,794</u>
Noncurrent liabilities	<u>156,283,311</u>	<u>143,698,978</u>	<u>92,008,544</u>	<u>89,603,412</u>	<u>248,291,855</u>	<u>233,302,390</u>
Total liabilities	<u>169,752,679</u>	<u>155,933,168</u>	<u>102,098,689</u>	<u>97,643,016</u>	<u>271,851,368</u>	<u>253,576,184</u>
Deferred inflows of resources	<u>6,480,376</u>	<u>4,338,760</u>	<u>868,493</u>	<u>189,304</u>	<u>7,348,869</u>	<u>4,528,064</u>
Net position						
Net investment in capital assets	64,772,139	53,340,522	39,278,976	31,840,814	104,051,115	85,181,336
Restricted	11,627,900	12,139,729	14,601,654	20,162,006	26,229,554	32,301,735
Unrestricted	<u>(73,244,870)</u>	<u>(56,035,148)</u>	<u>(9,165,161)</u>	<u>(8,221,707)</u>	<u>(82,410,031)</u>	<u>(64,256,855)</u>
Total net position	<u>\$ 3,155,169</u>	<u>\$ 9,445,103</u>	<u>\$ 44,715,469</u>	<u>\$ 43,781,113</u>	<u>\$ 47,870,638</u>	<u>\$ 53,226,216</u>

*The City implemented GASB Statement No. 75 effective July 1, 2017. The 2017 amounts presented have not been restated to reflect the implementation of GASB 75.

**CITY OF ANNAPOLIS, MARYLAND
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2018**

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

As shown below the City's revenues increased by \$4,437,454 from fiscal year 2017 to 2018. Increases in the City's property taxes of \$3.3 million (5.8%) and \$2.1 million of modest increases in the other governmental activities revenue was offset by \$917,231 of decreases in revenue from business-type activities. The increase in the property taxes resulted from the phased in increases from the last reassessment and additional properties added to City rolls.

City expenses decreased by \$3,351,518 in fiscal year 2018 primarily due to a \$2.3 million decrease in interest expense for governmental activities. At the end of fiscal year 2017 and in fiscal year 2018, the City refunded certain debt issues and restructured the future debt payments that decreased the principal and interest payments due in 2018.

**City of Annapolis
Changes in Net Position**

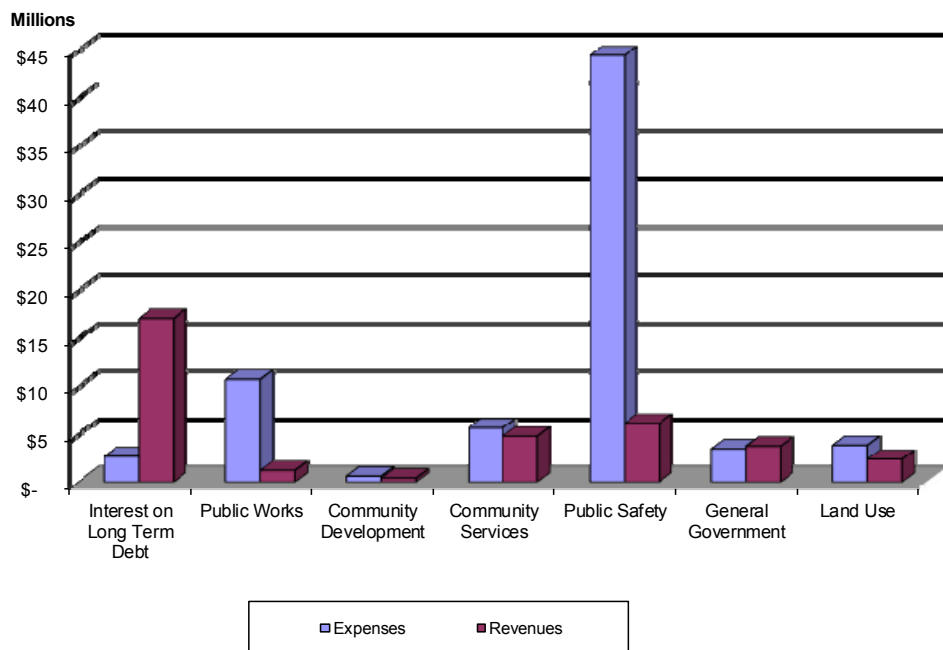
	Governmental Activities		Business-type Activities		Total	
	<u>FY2018</u>	<u>FY2017*</u>	<u>FY2018</u>	<u>FY2017*</u>	<u>FY2018</u>	<u>FY2017*</u>
Revenues:						
Program revenues:						
Charges for services	\$ 12,413,184	\$ 11,538,284	\$ 28,729,774	\$ 29,163,958	\$ 41,142,958	\$ 40,702,242
Operating grants and contributions	5,691,722	4,435,879	1,795,402	1,863,750	7,487,124	6,299,629
Capital grants and contributions	395,870	1,098,816	1,887,568	2,717,290	2,283,438	3,816,106
General revenues:						
Property and other taxes	46,698,416	45,159,996	-	-	46,698,416	45,159,996
Other	17,016,949	14,628,481	422,009	6,986	17,438,958	14,635,467
Total revenues	<u>82,216,141</u>	<u>76,861,456</u>	<u>32,834,753</u>	<u>33,751,984</u>	<u>115,050,894</u>	<u>110,613,440</u>
Expenses:						
General government	3,436,940	4,532,555	-	-	3,436,940	4,532,555
Land use	3,795,364	3,750,257	-	-	3,795,364	3,750,257
Public safety	44,379,756	44,210,054	-	-	44,379,756	44,210,054
Community services	5,602,536	5,875,892	-	-	5,602,536	5,875,892
Community development	610,568	520,738	-	-	610,568	520,738
Public works	10,684,076	10,717,392	-	-	10,684,076	10,717,392
Interest	2,628,460	4,885,029	-	-	2,628,460	4,885,029
Water	-	-	5,281,429	5,486,621	5,281,429	5,486,621
Sewer	-	-	8,010,034	8,484,824	8,010,034	8,484,824
Off street parking	-	-	4,922,237	5,164,268	4,922,237	5,164,268
Transportation	-	-	6,326,514	5,895,274	6,326,514	5,895,274
Other	-	-	3,388,130	2,894,658	3,388,130	2,894,658
Total expenses	<u>71,137,700</u>	<u>74,491,917</u>	<u>27,928,344</u>	<u>27,925,645</u>	<u>99,066,044</u>	<u>102,417,562</u>
Changes in net position before transfers	11,078,441	2,369,539	4,906,409	5,826,338	15,984,850	8,195,878
Transfers	-	475,000	-	(475,000)	-	-
OPEB Transfer	-	(2,746,251)	-	-	-	(2,746,251)
Change in net position	<u>11,078,441</u>	<u>98,288</u>	<u>4,906,409</u>	<u>5,351,338</u>	<u>15,984,850</u>	<u>5,449,627</u>
Net position at beginning of year, as restated	<u>(7,923,272)</u>	<u>9,346,815</u>	<u>39,809,060</u>	<u>38,429,774</u>	<u>31,885,788</u>	<u>47,776,589</u>
Net position at end of year	<u>\$ 3,155,169</u>	<u>\$ 9,445,103</u>	<u>\$ 44,715,469</u>	<u>\$ 43,781,112</u>	<u>\$ 47,870,638</u>	<u>\$ 53,226,216</u>

* The fiscal year 2018 net position at the beginning of the year has been restated due to GASB Statement No. 75, effective July 1, 2017. The City did not restate the 2017 activity to reflect this change.

**CITY OF ANNAPOLIS, MARYLAND
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2018**

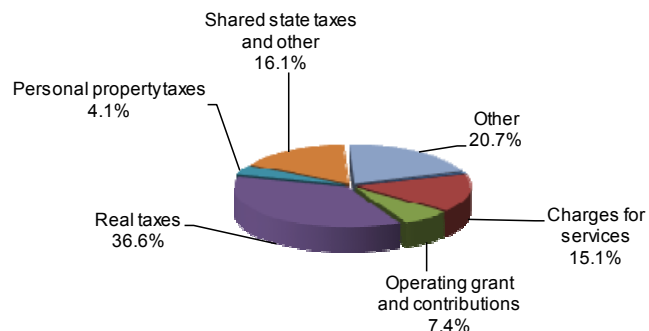
The graph below compares the expenses within the functions of the City's governmental activities to the program revenues earned within each function. Program revenues are fees, charges, and grants that offset the cost of those functions. Functions that are not supported by program revenues are supported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

**Expenses and Program Revenues - Governmental Activities
For the year ended June 30, 2018**



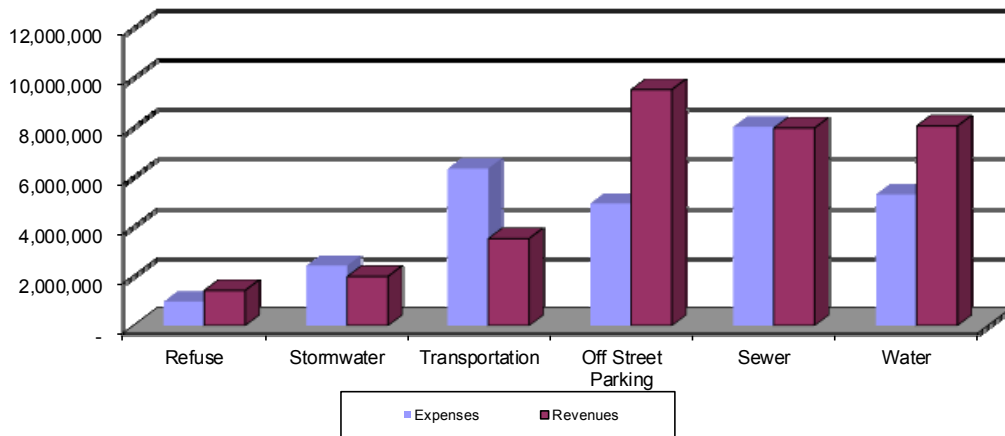
**Revenues by Source - Governmental Activities
For the year ended June 30, 2018**

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



**CITY OF ANNAPOLIS, MARYLAND
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2018**

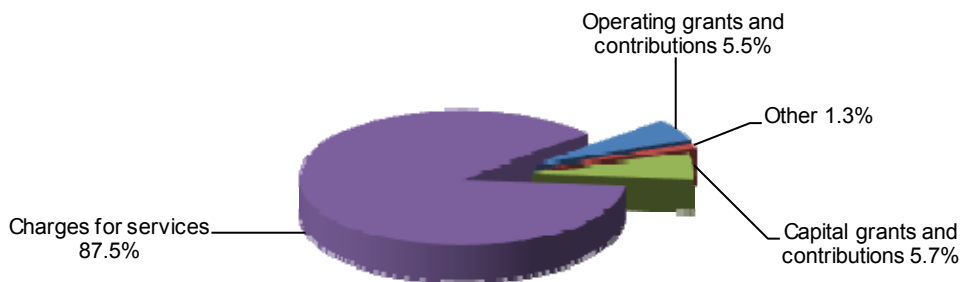
**Expenses and Program Revenues - Business-type Activities
For the year ended June 30, 2018**



The chart above shows that program revenue in the Water and Off Street Parking funds exceeded the operational costs. The Other Funds (Stormwater Management and Refuse Funds) are meeting the operational costs. Finally, the Transportation Fund spends more than the fees raised. The City's policy is to use surplus from the parking activities to offset the costs of the City's transit operations.

The pie chart below shows that fees charged for services make up 87.5% of the revenues within the business-type activities compared to 86.4% in the prior year.

**Revenues by Source - Business-type Activities
For the year ended June 30, 2018**



**CITY OF ANNAPOLIS, MARYLAND
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Financial Analysis of the Government's Funds

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

Governmental Funds

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

At the end of fiscal year 2018, the City's governmental funds reported a combined ending fund balance of \$36,710,784, a net increase of \$3,033,305. This fund balance has been restricted for public safety, community services, and capital projects totaling \$8,594,075, and the nonspendable portion for inventories and other prepaid items is \$154,749. The City has committed fund balance of \$7,695,663 and \$3,071,439 for its Capital Reserve Fund (CRF) and Budget Stabilization (BSF) funds, respectively; and has committed \$1,251,403 for its sprinkler loan activities. Finally, the City has assigned fund balance of \$944,722 for encumbrances that remained outstanding at the end of fiscal 2018, and set aside \$941,999 as assigned for contingencies and other one-time purposes as required by the City's fund balance policy.

Enabling legislation through resolution 9-15 created the BSF and a CRF within the committed portion of fund balance. A one-time contribution of \$5 million and 50% of General Fund excess of revenues over expenditures created the CRF for a current total of \$7,695,663. The remaining 50% of General Fund excess of revenues over expenditures is added to the BSF up to its cap. Since the BSF is already at its limit, the remaining excess fund balance has been assigned for contingencies.

The General Fund is the chief operating fund of the City, and its fund balance increased by \$3,347,176 during the current fiscal year. At the end of the current fiscal year, the unassigned fund balance of the General Fund accounted for \$14,057,004 of the total fund balance of \$30,630,659. As a measure of the General Fund's liquidity, it may be useful to compare both unrestricted fund balance and total fund balance to total fund expenditures. Unrestricted fund balance represents 24.0% of total General Fund expenditures, while total fund balance represents 48.2% 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 \$4,906,409 with an ending balance of \$44,715,469. The fund balance has been restricted for debt service in the amount of \$3,977,443, restricted for capital projects in the amount of \$10,624,211 and net investment in capital assets of \$39,278,976, leaving an unrestricted net position of \$(9,165,161).

The Off Street Parking and Transportation funds have significant balances due to the General Fund of \$4,172,726 and \$1,002,536, respectively. These balances compare to the prior year balances of \$5,053,494 and \$2,123,117. Thus, these funds have paid off some of this balance during fiscal year 2018. The Off Street Parking Fund provided \$2.4 million of subsidy to the Transportation Fund during fiscal year 2018.

**CITY OF ANNAPOLIS, MARYLAND
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2018**

General Fund Budgetary Highlights

The difference between the original General Fund operating budget and the Final Amended General Fund budget was an increase of \$3,245,422. The City approved supplemental allocations during fiscal 2018 due to additional grants and other unplanned revenue. The City's General Fund spent \$5,762,332 less than its total budget appropriations. Only two categories overspent budgeted appropriations. The Office of Environmental Policy overspent by \$2,861 (.8%) and Debt Service was over by \$58,361 (1%). See Required Supplementary Information for more details of the General Fund's budget performance.

Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2018 is \$220,579,789, net of accumulated depreciation, an increase of \$11,168,189 from the prior year. Most of the increase is in the Construction in Progress category which consists of ongoing projects for land, buildings and improvements, machinery and equipment, park facilities, roads, highways, garages, bridges, and water and sewer systems. The capital projects include ongoing infrastructure projects, public safety radio replacement, upgrades to electrical and energy systems, vehicle replacements, and major improvements and upgrades to the water and sewer facilities. Additional information on the City's capital assets can be found in note 4 on pages 44-45 of this report.

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

	Governmental Activities		Business-Type Activities		Total	
	FY2018	FY2017	FY2018	FY2017	FY2018	FY2017
Land	\$ 5,670,593	\$ 4,269,293	\$ 3,231,341	\$ 3,231,341	\$ 8,901,934	\$ 7,500,634
Buildings	31,794,433	32,706,231	29,798,901	31,205,126	61,593,334	63,911,357
Improvements/infrastructure other than buildings	54,148,604	54,202,338	21,016,802	21,292,633	75,165,406	75,494,971
Equipment	3,644,152	3,049,575	695,596	898,529	4,339,748	3,948,104
Construction in progress	21,222,257	16,630,211	49,357,110	41,926,323	70,579,367	58,556,534
Total	<u>\$ 116,480,039</u>	<u>\$ 110,857,648</u>	<u>\$104,099,750</u>	<u>\$ 98,553,952</u>	<u>\$ 220,579,789</u>	<u>\$ 209,411,600</u>

Long-Term Debt

At the end of the current fiscal year, the City had total General Obligation Bond debt outstanding of \$138,293,857, excluding premium and refunding losses. At June 30, 2018, other debt outstanding of \$23,457,406 consisted of a State of Maryland loan.

**CITY OF ANNAPOLIS, MARYLAND
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2018**

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

	Governmental Activities		Business-type Activities		Total	
	FY2018	FY2017	FY2018	FY2017	FY2018	FY2017
General obligation bonds	\$ 75,937,251	\$ 78,737,725	\$ 62,356,606	\$ 64,577,507	\$ 138,293,857	\$ 143,315,232
Bond anticipation notes	216,990	-	-	-	216,990	-
Other debt	-	36,182	23,457,406	22,245,843	23,457,406	22,282,025
Total	<u>\$ 76,154,241</u>	<u>\$ 78,773,907</u>	<u>\$ 85,814,012</u>	<u>\$ 86,823,350</u>	<u>\$ 161,968,253</u>	<u>\$ 165,597,257</u>

The City's net total debt decreased by \$3,629,004 (2.2%) during the current fiscal year. The City issued only bond anticipation notes in the form of a line of credit during fiscal 2018 and only drew \$216,990 during the year. The City also refunded certain general obligation bonds related to governmental and business-type activities. With no new long-term debt and the continued payment of existing debt, the City's debt balances declined.

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 45-50 of this report.

Economic Factors and Next Year's Budgets and Rates

The unemployment rate for the City area is currently 3.2%, which decreased from the rate of 3.5% a year ago. This compares favorably to the state's average unemployment rate of 4.3% and the national average rate of 3.9%. Inflationary trends in the region compare favorably to national rates based on information obtained from the U.S. Bureau of Labor Statistics.

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

The focus for fiscal year 2019 will be on fully funding pension liabilities, additional funding for OPEB liabilities, increasing budgetary controls over the City's funds, including grants and other revenue sources, adherence to debt and fund balance policies, providing for four-year union contracts established in the spring of 2018, and providing for City's backlog of vehicle replacements. The City will present its performance measures to the City Council for approval and track the related progress. The City will also be looking for opportunities to control costs for service delivery.

Requests for Information

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

FINANCIAL SECTION



***CITY OF
ANNAPOLIS,
MARYLAND***

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CITY OF ANNAPOLIS, MARYLAND

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**



***CITY OF
ANNAPOLIS,
MARYLAND***

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CITY OF ANNAPOLIS, MARYLAND

CITY OF ANNAPOLIS, MARYLAND
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 20,864,815	\$ 15,094,792	\$ 35,959,607
Cash and cash equivalents - restricted	21,727,382	18,037,313	39,764,695
Receivables, net of allowances	3,208,826	5,112,958	8,321,784
Internal balances	5,175,262	(5,175,262)	-
Inventories	146,307	499,031	645,338
Prepaid items	8,172	-	8,172
Total Current Assets	<u>51,130,764</u>	<u>33,568,832</u>	<u>84,699,596</u>
Non-current Assets:			
Restricted water and sewer capital facility assessments	-	6,111,492	6,111,492
Capital assets (net of accumulated depreciation):			
Land	5,670,593	3,231,341	8,901,934
Buildings	31,794,433	29,798,901	61,593,334
Improvements other than buildings	54,148,604	21,016,802	75,165,406
Equipment	3,644,152	695,596	4,339,748
Construction in progress	21,222,257	49,357,110	70,579,367
Total capital assets	<u>116,480,039</u>	<u>104,099,750</u>	<u>220,579,789</u>
Total Non-current Assets	<u>116,480,039</u>	<u>110,211,242</u>	<u>226,691,281</u>
Total assets	<u>167,610,803</u>	<u>143,780,074</u>	<u>311,390,877</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred outflows related to pensions	10,414,718	872,024	11,286,742
Deferred outflows related to OPEB	111,718	15,298	127,016
Deferred loss on refunding	1,250,985	3,015,255	4,266,240
Total deferred outflow of resources	<u>11,777,421</u>	<u>3,902,577</u>	<u>15,679,998</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	2,290,992	4,892,159	7,183,151
Accrued payables and other liabilities	3,442,134	1,240,576	4,682,710
Customer deposits	8,000	-	8,000
Compensated absences	79,997	26,973	106,970
Unearned revenue	64,820	13,324	78,144
Escrowed funds	795,865	41,189	837,054
Accrued Interest	1,059,524	766,696	1,826,220
Current portion long-term debt	5,728,036	3,109,228	8,837,264
Total Current Liabilities	<u>13,469,368</u>	<u>10,090,145</u>	<u>23,559,513</u>
Non-current Liabilities:			
Compensated absences	919,964	310,201	1,230,165
OPEB liability	41,224,124	5,644,934	46,869,058
Accrued self insurance costs, net of current portion	5,952,514	-	5,952,514
City pension liability - State pension system	12,011,584	3,344,357	15,355,941
Police & Fire pension liability	25,748,919	-	25,748,919
Long-term debt, net of current portion	70,426,206	82,709,052	153,135,258
Total Non-current Liabilities	<u>156,283,311</u>	<u>92,008,544</u>	<u>248,291,855</u>
Total Liabilities	<u>169,752,679</u>	<u>102,098,689</u>	<u>271,851,368</u>
DEFERRED INFLOW OF RESOURCES			
Deferred inflows related to pensions	4,340,527	575,477	4,916,004
Deferred inflows related to OPEB	2,139,849	293,016	2,432,865
Total deferred inflow of resources	<u>6,480,376</u>	<u>868,493</u>	<u>7,348,869</u>
NET POSITION			
Net investment in capital assets	64,772,139	39,278,976	104,051,115
Restricted for:			
Debt service	-	3,976,811	3,976,811
Public Safety	1,157,251	-	1,157,251
Capital projects	692,301	10,624,843	11,317,144
Community services	664,398	-	664,398
Capital reserve fund	7,695,663	-	7,695,663
Budget stabilization fund	3,071,439	-	3,071,439
Unrestricted	(74,898,022)	(9,165,161)	(84,063,183)
Total net position	<u>\$ 3,155,169</u>	<u>\$ 44,715,469</u>	<u>\$ 47,870,638</u>

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

**CITY OF ANNAPOLIS, MARYLAND
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Change in Net Position		Totals
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	
Governmental Activities:							
General Government	\$ 3,436,940	\$ 3,287,196	\$ 32,057	\$ 395,870	\$ 278,183	\$ -	\$ 278,183
Land Use and Permits	3,795,364	2,344,675	1,800	-	(1,448,889)	-	(1,448,889)
Public Safety	44,379,756	2,730,087	3,352,179	-	(38,297,490)	-	(38,297,490)
Community Services	5,602,536	2,852,271	1,890,125	-	(860,140)	-	(860,140)
Community Development	610,568	-	415,561	-	(195,007)	-	(195,007)
Public Works	10,684,076	1,198,955	-	-	(9,485,121)	-	(9,485,121)
Interest on Long Term Debt	2,628,460	-	-	-	(2,628,460)	-	(2,628,460)
Total Governmental Activities	<u>71,137,700</u>	<u>12,413,184</u>	<u>5,691,722</u>	<u>395,870</u>	<u>(52,636,924)</u>	<u>-</u>	<u>(52,636,924)</u>
Business-type Activities:							
Water	5,281,429	8,040,690	-	-	-	2,759,261	2,759,261
Sewer	8,010,034	7,962,125	-	-	-	(47,909)	(47,909)
Off Street Parking	4,922,237	8,410,206	-	1,095,000	-	4,582,969	4,582,969
Transportation	6,326,514	917,369	1,795,402	792,568	-	(2,821,175)	(2,821,175)
Stormwater Management	967,676	1,420,715	-	-	-	453,039	453,039
Refuse	2,420,454	1,978,669	-	-	-	(441,785)	(441,785)
Total Business-Type Activities	<u>27,928,344</u>	<u>28,729,774</u>	<u>1,795,402</u>	<u>1,887,568</u>	<u>-</u>	<u>4,484,400</u>	<u>4,484,400</u>
Total	<u>\$ 99,066,044</u>	<u>\$ 41,142,958</u>	<u>\$ 7,487,124</u>	<u>\$ 2,283,438</u>	<u>(52,636,924)</u>	<u>4,484,400</u>	<u>(48,152,524)</u>
General Revenues:							
Taxes							
Real							
					43,294,360	-	43,294,360
Personal property					3,404,056	-	3,404,056
Shared state taxes and other					13,275,271	-	13,275,271
Interest and investment earnings					622,199	422,009	1,044,208
Miscellaneous					3,119,479	-	3,119,479
Transfers					-	-	-
Total general revenues and transfers					<u>63,715,365</u>	<u>422,009</u>	<u>64,137,374</u>
Change in net position					<u>11,078,441</u>	<u>4,906,409</u>	<u>15,984,850</u>
Net position as of beginning of year					<u>9,445,103</u>	<u>43,781,113</u>	<u>53,226,216</u>
Adjustment to restate - GASB 75					<u>(17,368,375)</u>	<u>(3,972,053)</u>	<u>(21,340,428)</u>
Net position at beginning of year, as restated					<u>(7,923,272)</u>	<u>39,809,060</u>	<u>31,885,788</u>
Net position at end of year					<u>\$ 3,155,169</u>	<u>\$ 44,715,469</u>	<u>\$ 47,870,638</u>

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

FUND FINANCIAL STATEMENTS



***CITY OF
ANNAPOLIS,
MARYLAND***

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CITY OF ANNAPOLIS, MARYLAND

**CITY OF ANNAPOLIS, MARYLAND
BALANCE SHEETS
GOVERNMENTAL FUNDS
JUNE 30, 2018**

	General	Capital Projects	Non-Major Special Revenue Fund	Totals
ASSETS				
Cash and cash equivalents	12,916,804	\$ -	202,445	\$ 13,119,249
Cash and cash equivalents - restricted	692,301	21,035,081	-	21,727,382
Receivables, net of allowances	3,009,354	19,640	34,361	3,063,355
Due from other funds	19,374,120	-	-	19,374,120
Inventories	146,307	-	-	146,307
Prepaid items	8,172	-	-	8,172
Total assets	<u>\$ 36,147,058</u>	<u>\$ 21,054,721</u>	<u>\$ 236,806</u>	<u>\$ 57,438,585</u>
LIABILITIES				
Accounts payable	\$ 1,956,006	\$ 236,372	40,406	\$ 2,232,784
Accrued payables and other liabilities	2,419,433	735,766	-	3,155,199
Customer deposits	8,000	-	-	8,000
Due to General Fund	-	14,198,858	-	14,198,858
Unearned revenue	64,820	-	-	64,820
Escrowed funds	795,865	-	-	795,865
Total liabilities	<u>5,244,124</u>	<u>15,170,996</u>	<u>40,406</u>	<u>20,455,526</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	272,275	-	-	272,275
Total deferred inflows of resources	<u>272,275</u>	<u>-</u>	<u>-</u>	<u>272,275</u>
FUND BALANCE				
Non Spendable				
Inventories and prepaid items	154,479	-	-	154,479
Restricted for:				
Public Safety	1,157,251	-	-	1,157,251
Community Services	664,398	-	196,400	860,798
Capital Projects	692,301	5,883,725	-	6,576,026
Capital Reserve Fund	7,695,663	-	-	7,695,663
Budget Stabilization Fund	3,071,439	-	-	3,071,439
Committed	1,251,403	-	-	1,251,403
Assigned for:				
Encumbrances				
General Government	24,326	-	-	24,326
Land Use and Permits	2,207	-	-	2,207
Public Safety	95,882	-	-	95,882
Public Works	730,551	-	-	730,551
Community services	91,756	-	-	91,756
Other	941,999	-	-	941,999
Unassigned	14,057,004	-	-	14,057,004
Total fund balances	<u>30,630,659</u>	<u>5,883,725</u>	<u>196,400</u>	<u>36,710,784</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 36,147,058</u>	<u>\$ 21,054,721</u>	<u>\$ 236,806</u>	<u>\$ 57,438,585</u>

See accompanying Notes to the Financial Statements.

CITY OF ANNAPOLIS, MARYLAND
RECONCILIATION OF THE BALANCE SHEETS OF THE GOVERNMENTAL FUNDS
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2018

Total Governmental Fund Balances		\$ 36,710,784
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.		116,480,039
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		272,275
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	\$ (999,961)	
Accrued interest	(1,059,524)	
OPEB	(41,224,124)	
Net pension liability	<u>(37,760,503)</u>	(81,044,112)
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	76,154,242	
Loss on refunding deferred outflow	<u>(1,250,985)</u>	(74,903,257)
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.		6,074,191
The net effect of the deferred outflows and deferred inflows of resources recorded in conjunction with the recognition of the OPEB liability is shown in the governmental activities but not included in the governmental statements.		(2,028,131)
Internal service funds are used by management to charge the costs of self insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		<u>1,593,380</u>
Net position of Governmental Activities		<u><u>\$ 3,155,169</u></u>

See accompanying Notes to the Financial Statements.

CITY OF ANNAPOLIS, MARYLAND
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018

	General	Capital Projects	Special Revenue Fund (Non-Major)	Totals
Revenues				
Property taxes	\$ 46,614,066	\$ -	\$ -	\$ 46,614,066
Licenses and permits	3,224,034	-	-	3,224,034
Fines and forfeitures	585,868	-	-	585,868
Money and property	1,715,579	-	-	1,715,579
Intergovernmental	18,564,885	395,870	249,256	19,210,011
Charges for services	5,630,951	-	-	5,630,951
Other revenue	368,767	-	154,105	522,872
Total revenues	<u>76,704,150</u>	<u>395,870</u>	<u>403,361</u>	<u>77,503,381</u>
Expenditures				
Current:				
General Government	3,394,054	-	-	3,394,054
Land Use and Permits	3,795,364	-	-	3,795,364
Public Safety	41,764,737	-	-	41,764,737
Community Services	5,124,924	-	-	5,124,924
Community Development	311,859	-	298,709	610,568
Public Works	8,866,618	-	-	8,866,618
Debt service:				
Principal	2,957,144	-	-	2,957,144
Interest	2,810,285	-	-	2,810,285
Capital Outlays	1,865,897	6,562,383	-	8,428,280
Total expenditures	<u>70,890,882</u>	<u>6,562,383</u>	<u>298,709</u>	<u>77,751,974</u>
Excess (deficiency) of revenues over expenditures	<u>5,813,268</u>	<u>(6,166,513)</u>	<u>104,652</u>	<u>(248,593)</u>
Other financing sources (uses)				
Bond proceeds and premium - refunding debt	11,780,589	-	-	11,780,589
Bond proceeds - line of credit	-	216,990	-	216,990
Payments to escrow agent	(11,835,160)	-	-	(11,835,160)
Proceeds from sale of capital assets	3,119,479	-	-	3,119,479
Transfers in	2,400,000	5,531,000	-	7,931,000
Transfers out	(7,931,000)	-	-	(7,931,000)
Total other financing sources (uses)	<u>(2,466,092)</u>	<u>5,747,990</u>	<u>-</u>	<u>3,281,898</u>
Net change in fund balance	<u>3,347,176</u>	<u>(418,523)</u>	<u>104,652</u>	<u>3,033,305</u>
Fund balance at beginning of year	<u>27,283,483</u>	<u>6,302,248</u>	<u>91,748</u>	<u>33,677,479</u>
Fund balance at end of year	<u>\$ 30,630,659</u>	<u>\$ 5,883,725</u>	<u>\$ 196,400</u>	<u>\$ 36,710,784</u>

See accompanying Notes to the Financial Statements.

CITY OF ANNAPOLIS, MARYLAND
RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018

Net Change in Fund Balance - Total Governmental Funds \$ 3,033,305

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	\$ 9,282,458	
Depreciation Expense	<u>(3,498,721)</u>	
		5,783,737

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. (161,346)

Some revenues will not be collected for several months after the fiscal year ends. As such these revenues are not considered "available" and are deferred in the governmental funds. (115,891)

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	(11,780,590)	
Bond anticipation note	(216,990)	
Amortization of premium	1,353,792	
Amortization of loss on refunding	29,285	
Principal repayments		
General obligation bonds	13,227,271	
Capital leases	<u>36,182</u>	
		2,648,950

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Increase in compensated absences	(2,660)	
Decrease in accrued interest payable	<u>152,540</u>	
		149,880

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

Net effect of the expenses for recording pension liability from employee retirement plans.		(718,149)
Net effect of the expenses for recording OPEB liability from the other post-employee benefit plan.		(332,937)

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

The net expense of this internal service fund is reported with governmental-wide activities but not in the governmental funds.		790,892
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Change in Net Position of Governmental Activities		<u><u>\$ 11,078,441</u></u>
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**PROPRIETARY FUND
FINANCIAL STATEMENTS**



***CITY OF
ANNAPOLIS,
MARYLAND***

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CITY OF ANNAPOLIS, MARYLAND

CITY OF ANNAPOLIS, MARYLAND
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

	Business-Type Activities					Governmental Activities
	Water Fund	Sewer Fund	Off Street Parking Fund	Transportation Fund	Non-Major Enterprise Funds	Internal Service Fund Total
					Total	
ASSETS						
Current Assets:						
Cash and cash equivalents	\$ 8,091,672	\$ 217,187	\$ 3,000	\$ 50	\$ 6,782,883	\$ 15,094,792
Cash and cash equivalents - restricted	9,852,833	8,121,426	62,422	-	632	18,037,313
Accounts receivable:						
Service charges and penalties	1,497,448	2,008,439	802,134	131,573	673,364	5,112,958
Capital and other charges	-	-	-	-	-	-
Total accounts receivable, net	1,497,448	2,008,439	802,134	131,573	673,364	5,112,958
Inventories	390,603	-	-	108,428	-	499,031
Total Current Assets	19,832,556	10,347,052	867,556	240,051	7,456,879	38,744,094
Noncurrent Assets:						
Restricted water and sewer capital facility assessments	3,105,492	3,006,000	-	-	-	6,111,492
Net capital assets	55,018,183	17,151,774	28,117,535	2,857,674	954,584	104,099,750
Total Noncurrent Assets	58,123,675	20,157,774	28,117,535	2,857,674	954,584	110,211,242
Total Assets	77,956,231	30,504,826	28,985,091	3,097,725	8,411,463	148,955,336
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows related to pensions	234,747	103,983	8,456	409,345	115,493	872,024
Deferred outflows related to OPEB	4,118	1,825	148	7,181	2,026	15,298
Deferred loss on refunding	1,227,910	567,272	1,212,111	610	7,352	3,015,255
Total deferred outflows of resources	1,466,775	673,080	1,220,715	417,136	124,871	3,902,577
LIABILITIES						
Current Liabilities:						
Accounts payable	4,254,541	317,859	15,668	87,873	216,218	4,892,159
Accrued expenses and other liabilities	94,379	502,092	308,951	299,080	36,074	1,240,576
Accrued self insurance costs - current portion	-	-	-	-	-	-
Accrued Interest	554,643	206,492	-	-	5,561	766,696
Due to General Fund	-	-	4,172,726	1,002,536	-	5,175,262
Compensated absences-current portion	11,529	2,478	-	10,178	2,788	26,973
Unearned revenue	2,038	3,243	2,512	5,388	143	13,324
Escrowed funds	-	36,920	-	-	4,269	41,189
Current portion of long-term debt	1,677,597	313,745	1,062,863	1,366	53,657	3,109,228
Total Current Liabilities	6,594,727	1,382,829	5,562,720	1,406,421	318,710	15,265,407
Noncurrent Liabilities:						
Compensated absences, net of current portion	132,580	28,506	-	117,051	32,064	310,201
Net OPEB Liability	1,519,606	673,124	54,741	2,649,843	747,620	5,644,934
Accrued self insurance costs, net of current portion	-	-	-	-	-	-
Net Pension Liability	900,295	398,794	32,431	1,569,907	442,930	3,344,357
Long-term debt, net of current portion	49,326,557	12,268,592	20,711,204	25,155	377,544	82,709,052
Total Noncurrent Liabilities	51,879,038	13,369,016	20,798,376	4,361,956	1,600,158	92,008,544
Total Liabilities	58,473,765	14,751,845	26,361,096	5,768,377	1,918,868	107,273,951
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows related to pensions	154,917	68,622	5,580	270,141	76,217	575,477
Deferred inflows related to OPEB	78,880	34,940	2,841	137,548	38,807	293,016
Total deferred outflows of resources	233,797	103,562	8,421	407,689	115,024	575,477
NET POSITION						
Net investment in capital assets	15,094,722	13,258,135	7,555,579	2,831,763	538,777	39,278,976
Restricted for capital projects	3,772,898	3,397,258	3,397,258	56,797	632	10,624,843
Restricted for debt service	2,689,616	1,287,195	-	-	-	3,976,811
Unrestricted	(841,792)	(1,620,089)	(7,116,548)	(5,549,765)	5,963,033	(9,165,161)
Total net position	\$ 20,715,444	\$ 16,322,499	\$ 3,836,289	\$ (2,661,205)	\$ 6,502,442	\$ 44,715,469
						\$ 1,593,380

See accompanying Notes to the Financial Statements.

CITY OF ANNAPOLIS, MARYLAND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2018

	Business-Type Activities					Governmental Activities
	Water Fund	Sewer Fund	Off Street Parking Fund	Transportation Fund	Non-Major Enterprise Funds	Internal Service Fund Total
					Total	
Operating revenues						
Charges for services	\$ 7,988,103	\$ 7,962,125	\$ 8,410,206	\$ 917,369	\$ 3,399,384	\$ 28,677,187
Grant income	-	-	-	1,795,402	-	1,795,402
Other	52,587	-	-	-	-	52,587
Total operating revenues	8,040,690	7,962,125	8,410,206	2,712,771	3,399,384	30,525,176
Operating expenses						
Salaries	2,460,185	1,088,568	54,798	4,077,025	1,135,385	8,815,961
Utilities	303,674	227,310	70,346	24,188	10,957	636,475
Repairs and maintenance	377,977	180,598	95,343	506,021	13,790	1,173,729
Materials and supplies	224,249	76,686	841	419,364	71,780	792,920
Treatment plant operations	-	3,186,448	-	-	-	3,186,448
Contractual services	190,815	92,889	2,703,129	614	1,379,343	4,366,790
Administrative charge from General Fund	935,008	1,913,381	678,191	855,918	690,436	5,072,934
Depreciation	428,972	776,008	944,189	437,048	76,115	2,662,332
Claim payments	-	-	-	-	-	-
Other	132,423	68,434	-	1,024	152	202,033
Total operating expenses	5,053,303	7,610,322	4,546,837	6,321,202	3,377,958	26,909,622
Operating (loss) income	2,987,387	351,803	3,863,369	(3,608,431)	21,426	3,615,554
Non-operating revenues (expenses)						
Interest income and other	87,880	86,460	247	247,422	-	422,009
Interest expense	(227,638)	(399,712)	(375,400)	(5,312)	(10,172)	(1,018,234)
Total non-operating revenues (expenses), net	(139,758)	(313,252)	(375,153)	242,110	(10,172)	(596,225)
Income (loss) before contributions and transfers	2,847,629	38,551	3,488,216	(3,366,321)	11,254	3,019,329
Loss on sale of capital asset	(488)	-	-	-	-	(488)
Capital contributions	-	-	1,095,000	792,568	-	1,887,568
Transfers in	-	-	-	2,400,000	-	2,400,000
Transfers out	-	-	(2,400,000)	-	-	(2,400,000)
Change in net position	2,847,141	38,551	2,183,216	(173,753)	11,254	4,906,409
Net position at beginning of year	18,824,771	16,834,623	1,711,626	(243,040)	6,653,133	43,781,113
Adjustment to restate - GASB 75	(956,468)	(550,675)	(58,553)	(2,244,412)	(161,945)	(3,972,053)
Net position at beginning of year, as restated	17,868,303	16,283,948	1,653,073	(2,487,452)	6,491,188	39,809,060
Net position at end of year	\$ 20,715,444	\$ 16,322,499	\$ 3,836,289	\$ (2,661,205)	\$ 6,502,442	\$ 44,715,469

See accompanying Notes to the Financial Statements.

CITY OF ANNAPOLIS, MARYLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
JUNE 30, 2018

	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	\$ 8,093,576	\$ 7,767,088	\$ 7,625,030	\$ 1,520,158	\$ 3,398,935	\$ 28,404,787	\$ -
Receipts from contributions and other sources	52,587	-	-	1,795,402	-	1,847,989	12,346,417
Payments to suppliers for goods and services	(2,165,015)	(6,238,175)	(3,492,269)	(1,803,433)	(2,222,145)	(15,921,037)	(9,692,715)
Payments to employees for services	(2,137,779)	(1,213,844)	(32,814)	(3,434,787)	(883,943)	(7,703,167)	-
Net cash provided by (used for) operating activities	3,843,369	315,069	4,099,947	(1,922,660)	292,847	6,628,572	2,653,702
Cash flows from noncapital financing activities							
Effect of change from due from General Fund	-	(114,864)	(1,085,191)	(1,120,580)	-	(2,320,635)	-
Transfer to other funds	-	-	(2,400,000)	2,400,000	-	-	-
Net cash used for noncapital financing activities	-	(114,864)	(3,485,191)	1,279,420	-	(2,320,635)	-
Cash flows from capital and related financing activities							
Acquisition of capital assets	(5,470,702)	(940,260)	(119,525)	(250,079)	(80,245)	(6,860,811)	-
Proceeds from issuance of long term debt	2,453,716	536,121	13,058,887	15,000	-	16,063,724	-
Principal payments of long term debt	(1,465,595)	(688,019)	(14,520,519)	(13,558)	(23,787)	(16,711,478)	-
Capital grant proceeds	-	-	1,095,000	792,568	-	1,887,568	-
Interest	(675,312)	(555,837)	(128,969)	(5,184)	(16,738)	(1,382,040)	-
Net cash provided by (used for) capital and related financing activities	(5,157,893)	(1,647,995)	(615,126)	538,747	(120,770)	(7,003,037)	-
Cash flows from investing activities:							
Interest received	87,880	86,459	247	104,493	(2,603)	276,476	43,566
Net cash provided by (used for) investing activities	87,880	86,459	247	104,493	(2,603)	276,476	43,566
Net increase (decrease) in cash and cash equivalents	(1,226,644)	(1,361,331)	(123)	-	169,474	(2,418,624)	2,697,268
Cash and cash equivalents at beginning of year	19,171,149	9,699,944	65,545	50	6,614,041	35,550,729	5,048,298
Cash and cash equivalents at end of year	\$ 17,944,505	\$ 8,338,613	\$ 65,422	\$ 50	\$ 6,783,515	\$ 33,132,105	\$ 7,745,566
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities							
Operating income (loss)	\$ 2,987,387	\$ 351,803	\$ 3,863,369	\$ (3,608,431)	\$ 21,426	\$ 3,615,554	\$ 747,326
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:							
Depreciation	428,972	776,008	944,189	437,048	76,115	2,662,332	-
Disposal of fixed assets	48,665	11,155	48,562	-	-	108,382	-
Other adjustments	-	-	-	142,929	-	142,929	-
Effect of changes in non-cash operating assets and liabilities:							
Accounts receivable	(70,695)	(368,982)	(787,196)	608,086	165	(618,622)	(44,813)
Restricted water and sewer capital facility assessments	179,130	175,702	-	-	-	354,832	-
Inventories	1,350	-	-	(93,379)	-	(92,029)	-
Accounts payable	(50,884)	(280,318)	7,019	(45,854)	(48,980)	(419,017)	23,784
Accrued expenses and other liabilities	(3,267)	(277,527)	40,230	33,373	(6,707)	(213,898)	45,601
Compensated absences	5,518	6,901	-	182	20,755	33,356	-
Unearned revenue	(2,962)	(1,757)	2,020	(5,297)	(427)	(8,423)	-
Escrowed funds	-	(223,266)	-	-	(187)	(223,453)	-
Deferred outflows	(124,608)	(57,214)	5,172	(234,606)	(85,725)	(496,981)	-
Net pension liability	264,148	124,291	(25,372)	523,145	218,138	1,104,350	-
Deferred inflows	241,938	107,784	5,767	427,169	126,480	909,138	-
Other post employment benefits	(61,323)	(29,511)	(3,813)	(107,025)	(28,206)	(229,878)	-
Claims payable	-	-	-	-	-	-	1,881,804
Total adjustments	855,982	(36,734)	236,578	1,685,771	271,421	3,013,018	1,906,376
Net cash provided by (used for) operating activities	\$ 3,843,369	\$ 315,069	\$ 4,099,947	\$ (1,922,660)	\$ 292,847	\$ 6,628,572	\$ 2,653,702

See accompanying Notes to the Financial Statements.

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CITY OF ANNAPOLIS, MARYLAND

**FIDUCIARY FUND
FINANCIAL STATEMENTS**



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MARYLAND***

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CITY OF ANNAPOLIS, MARYLAND

**CITY OF ANNAPOLIS, MARYLAND
STATEMENT OF FIDUCIARY NET POSITION
BENEFIT TRUST FUNDS
JUNE 30, 2018**

ASSETS	
Cash	\$ 1,373,311
Investments, at fair value:	
Pooled investments	3,097,123
Common stocks	103,854,550
Corporate bonds	6,639,915
Money market	11,425,850
U.S. Agency securities	9,514,458
Limited partnerships and alternative investments	32,443,122
Real estate	10,065,577
Total investments	<u>177,040,595</u>
Total assets	<u><u>178,413,906</u></u>
NET POSITION	
Total net position restricted for Pension Benefits and OPEB	<u><u>\$ 178,413,907</u></u>

CITY OF ANNAPOLIS, MARYLAND
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
BENEFIT TRUST FUNDS
JUNE 30, 2018

ADDITIONS

Contributions	
Employer	\$ 6,363,468
Employer - subsidy	1,336,103
Plan member	1,479,925
Total Contributions	<u>9,179,496</u>
Investment Income:	
Dividends	2,384,741
Net increase in fair value of investments	10,312,760
Real estate operating income	503,918
	<u>13,201,419</u>
Less: Investment expense	(773,093)
Total investment income	<u>12,428,326</u>
Total additions	<u>21,607,822</u>

DEDUCTIONS

Benefits	15,059,272
Administrative expenses	478,630
Total deductions	<u>15,537,902</u>
Change in net position	6,069,920
Net position as of beginning of year	<u>172,343,987</u>
Net position as of end of year	<u><u>\$ 178,413,907</u></u>

NOTES TO BASIC FINANCIAL STATEMENTS



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ANNAPOLIS,
MARYLAND***

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CITY OF ANNAPOLIS, MARYLAND

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

BASIS OF PRESENTATION – FUND ACCOUNTING

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

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

BASIS OF ACCOUNTING

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by laws through constitutional provisions or enabling legislation. The 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. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements.

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GOVERNMENTAL FUNDS

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

The major governmental funds are:

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

Measurement Focus and Basis of Accounting

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

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

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

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

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

PROPRIETARY FUNDS

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

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

The major proprietary funds are:

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

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Sewer Fund - To account for all financial activity associated with the operation of the City's sewage collection and treatment program. The sewer fund consists of two divisions: sewer plant and sewer collection. The sewer collection division is responsible for operating, maintaining, and repairing the sewage conveyance system. Sewage treatment is performed at a single, jointly-owned plant site controlled and operated by Anne Arundel County. The City has a 50% ownership of the property, plant and equipment, but does not have joint control of the financial or operating policies; therefore the arrangement is not considered a joint venture. The current agreement calls for the City to share in actual costs for 50% of capital improvements and a flow-based percentage of operational costs.

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 nonmajor 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.

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, 2018, and management's estimate of claims incurred but not reported as of 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 use unrestricted resources as they are needed.

FIDUCIARY FUNDS

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

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Other Postemployment Trust Fund – For 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 April, the Mayor submits to the City Council a proposed budget for the General Fund and each of the enterprise funds for the fiscal year commencing the following July 1.
2. The budget is referred to the Finance Committee, which makes recommendations on the budget to the full City Council by the second Monday in May.
3. The City Council holds public hearings to obtain taxpayer comments.
4. No later than June 30, the budget is legally enacted through passage of a budget ordinance that establishes spending authority by fund and department for the operations of the City.
5. All supplemental appropriations and transfers between departments and funds greater than \$25,000 must be reviewed by the City Council. The allocation of funds from the surplus of the budget requires a two-thirds vote by the City Council.
6. All budgets are on an annual basis except the Capital Projects Fund budget, which is on a project basis. Budgets are adopted using non-GAAP budgetary basis of accounting as used for reporting purposes. Unencumbered appropriations lapse at June 30 for all funds, except the Capital Projects Fund.

Budgetary Control

Annually, budgets are adopted on a departmental level. Any budget changes subsequent to the adoption by the City Council, including any transfers between expenditures classifications greater than \$25,000 or between funds, must be reviewed by the Finance Committee and approved by the City Council. Any transfers between expenditure classifications within the same fund \$25,000 or less require approval by the City Manager, who must report the transfer to City Council at the following City Council meeting. For the General Fund, the total amendments were a net increase of \$3,245,420, increasing the original budget from \$74,141,524 to a revised budget of \$77,386,946.

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Office of Environmental Policy	\$ 2,861
Debt Service	58,361

Investments

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

Inventories and Prepaid Items

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

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

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018.

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 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, 2018, the City also had deferred outflows of resources for fiscal year 2018 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 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.

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance Reporting

The City follows the requirements of GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” This statement established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

1. Nonspendable – amounts that cannot be spent because the amounts are either not in spendable form or are legally required to be maintained intact, such as inventory, prepaid expenses, or other assets.
2. Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
3. Committed – amounts that can only be used for specific purposes determined by a formal action of the City Council, the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through ordinances approved by the Council.
4. Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes determined by a formal action of the Council, such as adopting the annual budget or by resolution.
5. Unassigned – all other spendable amounts. The General Fund is the only fund allowed to have an unassigned fund balance unless the fund balance is negative.

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

Sale of Golf Course

On September 1, 2017, the City sold the Eisenhower Golf Course to Anne Arundel County and deposited the proceeds of \$3.1 million into a separate investment account because the proceeds are committed as a funding source to rebuild the Truxtun swimming pool.

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. 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.

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

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)	73,649
	<u>\$ 132,171</u>

New Accounting Pronouncement

The City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans other than Pension Plans* during the year ended June 30, 2018. GASB 75 improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. As part of the implementation, the City restated net position as of June 30, 2018. See Note 13 for further information about the restatement.

NOTE 2 – PROPERTY TAX

The City's property tax is levied each July 1 on the assessed value of real and personal property located in the City. At that time, a lien is placed against the property. Assessed values are established by the Maryland State Department of Assessments and Taxation. A revaluation of all property is required to be completed every three years. 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 by tax sales conducted by Anne Arundel County. The assessed market value of taxable real property and personal property as of July 1, 2018, was approximately \$6,684,406,198 and \$164,047,200 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 Postemployment 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.

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

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 \$4,129,559; and the bank balances were \$4,054,692 as of June 30, 2018. As of June 30, 2018, \$39,127 of the City's bank balance was exposed to custodial credit risk as it was uninsured and uncollateralized.

Teller and petty cash was \$6,525 at June 30, 2018.

Money Markets: The City invests bond proceeds in short-term money market funds that are not subject to custodial credit risk. The total amount invested in these short-term money market funds was \$55,307,824 as of June 30, 2018. These funds are unrated.

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

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

The Retiree Health Trust investments are invested in the Maryland Association of Counties Pooled OPEB Trust (MACO Trust). The MACO Trust is administered by Davenport & Company LLC, and is a wholly-owned instrumentality of its members. The assets of the Trust are managed by a Board of Trustees and consist of U.S. Treasury obligations, U.S. government agencies, corporate and foreign bonds, municipal obligations, taxable fixed income securities, mutual funds, global funds, and international equity securities. The City's investment in the MACO Trust was \$3,097,123 as of June 30, 2018.

Interest Rate Risk - The City plans its investments to match cash flow requirements. In accordance with its investment policy, the City does not directly invest in securities maturing more than one year from the date of purchase. The Maryland Local Government Investment Pool (MLGIP) used by the City is operated in accordance with Rule 2a7 of the Investment Company Act of 1940. The City's investments in the pool are not included in the computation of weighted average maturity. The City's investment in MLGIP was \$17,637,770 as of June 30, 2018.

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.

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018
Investments by fair value level				
MACO OPEB Trust	\$ -	\$ -	\$ 3,097,123	\$ 3,097,123
Total Investment by fair value level	-	-	3,097,123	3,097,123
Cash and Investments carried at amortized cost:				
Cash on hand				6,525
Deposits				4,129,559
Money Market Mutual Funds				55,307,824
MLGIP				17,637,770
Total Cash and Investments at amortized cost				77,081,678
Total Cash and Investments				<u>\$ 80,178,801</u>

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 – CAPITAL ASSETS AND DEPRECIATION

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 4,269,293	\$ 1,500,000	\$ (98,700)	\$ 5,670,593
Construction in process	16,630,211	4,600,832	(8,786)	21,222,257
Total capital assets not being depreciated	20,899,504	6,100,832	(107,486)	26,892,850
Capital assets being depreciated:				
Buildings	49,965,593	-	(15,509)	49,950,084
Improvements/infrastructure	94,545,964	1,415,204	-	95,961,168
Equipment	17,361,354	1,775,208	(470,273)	18,666,289
Subtotal	161,872,911	3,190,412	(485,782)	164,577,541
Less accumulated depreciation:				
Buildings	(17,259,362)	(901,223)	4,934	(18,155,651)
Improvements/infrastructure	(40,343,626)	(1,468,938)	-	(41,812,564)
Equipment	(14,311,779)	(1,128,560)	418,202	(15,022,137)
Subtotal	(71,914,767)	(3,498,721)	423,136	(74,990,352)
Total capital assets being depreciated, net	89,958,144	(308,309)	(62,646)	89,587,189
Net capital assets	\$ 110,857,648	\$ 5,792,523	\$ (170,132)	\$ 116,480,039

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 3,231,341	\$ -	\$ -	\$ 3,231,341
Construction in process	41,926,323	7,700,950	(270,163)	49,357,110
Total capital assets not being depreciated	45,157,664	7,700,950	(270,163)	52,588,451
Capital assets being depreciated:				
Buildings	61,273,115	-	(92,657)	61,180,458
Improvements/infrastructure	36,815,051	460,943	-	37,275,994
Equipment	8,955,076	328,045	(731,132)	8,551,989
Subtotal	107,043,242	788,988	(823,789)	107,008,441
Less accumulated depreciation:				
Buildings	(30,067,989)	(1,395,068)	81,500	(31,381,557)
Improvements/infrastructure	(15,522,418)	(736,774)	-	(16,259,192)
Equipment	(8,056,547)	(530,490)	730,644	(7,856,393)
Subtotal	(53,646,954)	(2,662,332)	812,144	(55,497,142)
Total capital assets being depreciated, net	53,396,288	(1,873,344)	(11,645)	51,511,299
Net capital assets	\$ 98,553,952	\$ 5,827,606	\$ (281,808)	\$ 104,099,750

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 – CAPITAL ASSETS AND DEPRECIATION (CONTINUED)

Depreciation was charged to functions for governmental activities as follows:

Governmental activities:

General government	\$ 59,612
Public safety	759,228
Community services	2,045,658
Public works	634,223
Total depreciation expense	<u>\$ 3,498,721</u>

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

Business-type activities:

Water	\$ 428,972
Sewer	776,008
Off street parking	944,189
Transportation	437,048
Non-major funds	76,115
Total depreciation expense	<u>\$ 2,662,332</u>

NOTE 5 - DEBT

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. These bonds 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.

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 July 12, 2017, the City sold \$6,115,000 of tax-exempt Public Improvement Refunding Bonds (Series B) and \$19,590,000 of taxable Public Improvement Refunding bonds (Series C). The proceeds and related premium, net of bond issuance costs, were transferred to an irrevocable trust with an escrow agent and used to purchase U.S. government securities to provide for future debt service payments on the \$13,390,000 of outstanding 2011 Series bonds and \$4,775,000 of 2013B Series bonds.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$2.4 million. This difference, reported in the accompanying financial statements as a deferred outflow, is being charged to operations through the year 2040 using the weighted amount outstanding method. The City completed the advance refunding to reduce its total debt service payments over the next 23 years by \$1.6 million and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$0.8 million.

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 - DEBT (CONTINUED)

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 nonprofit educational corporation. In fiscal year 2016, St. John's College refunded the 1998 bonds and a portion of the 2007 bonds. The amount of conduit debt outstanding as of June 30, 2018 was \$27,605,000 for the 2007A and 2016 issuances.

On August 30, 2017, the City entered into a \$5,000,000 tax exempt Bond Anticipation Note (BAN) in the form of a bank line of credit. The City will use the proceeds to design, plan, renovate, and construct City capital projects. Interest on the amount will be payable on July 1 and December 1 and will be equal to the one-month LIBOR rate plus 0.20%. The BAN will mature on June 1, 2020; however, the City plans to convert the BAN to long-term bonds before that date. As of June 30, 2018, the City had drawn \$216,990 on the line of credit.

The following is a summary of changes in long-term liabilities by type of the City for the year ended June 30, 2018:

	Beginning Balance	Additions and Adjustments	Reductions	Ending Balance	Amount due within one year
Governmental activities:					
General obligation bonds	\$ 74,756,990	\$ 11,030,000	\$ (13,177,270)	\$ 72,609,720	\$ 5,009,763
Unamortized premium	3,980,735	700,589	(1,353,792)	3,327,532	718,273
Bond anticipation notes	-	216,990	-	216,990	-
Other debt	36,182	-	(36,182)	-	-
Total long-term debt	78,773,907	11,947,579	(14,567,244)	76,154,242	5,728,036
Net OPEB liability	25,550,943	15,673,181	-	41,224,124	-
Compensated absences	997,301	2,660	-	999,961	79,997
Net pension liability	38,889,113	-	(1,128,610)	37,760,503	-
Total long-term liabilities	<u>\$ 144,211,264</u>	<u>\$ 27,623,420</u>	<u>\$ (15,695,854)</u>	<u>\$ 156,138,830</u>	<u>\$ 5,808,033</u>
Business-type activities:					
General obligation bonds	\$ 63,720,153	\$ 14,520,000	\$ (16,580,795)	\$ 61,659,358	1,975,236
Unamortized premium	857,354	212,826	(372,932)	697,248	179,865
Other debt	22,245,843	2,158,845	(947,282)	23,457,406	954,127
Total long-term debt	86,823,350	16,891,671	(17,901,009)	85,814,012	3,109,228
Net OPEB liability	1,902,759	3,742,175	-	5,644,934	-
Compensated absences	306,421	30,753	-	337,174	26,973
Net pension liability	2,240,007	1,104,350	-	3,344,357	-
Total long-term liabilities	<u>\$ 91,272,537</u>	<u>\$ 21,768,949</u>	<u>\$ (17,901,009)</u>	<u>\$ 95,140,477</u>	<u>3,136,201</u>

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

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

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 debt paid solely by user fees from the respective fund. As of June 30, 2018, the debt margin of the City was as follows:

Assessed value of taxable real and property, July 1, 2018	<u>\$ 6,848,453,398</u>
Debt limit: 10% of assessable basis	684,845,340
Debt subject to limitation	<u>157,726,484</u>
Debt margin	<u>\$ 527,118,856</u>

Long-term debt comprises the following amounts as of June 30, 2018:

Governmental activities:

General obligation bonds:

Public Improvement Bonds of 2009: \$19,418,400; interest 2.0%; due serially to 2029	\$ 1,883,827
Public Improvements and Refunding Bonds of 2011: \$22,738,856; interest 2.0% to 5.0%; due serially to 2040	6,572,736
Public Improvements and Refunding Bonds of 2012: \$11,357,343; interest 2.0% to 5.0%; due serially to 2040	11,058,316
Public Improvement Bonds of 2013: \$5,336,000; interest 4.25%; due serially to 2022	4,815,000
Public Improvement Bonds of 2015: \$11,500,000; interest 3.0 to 4.0%; due serially to 2035	6,051,717
Public Refunding Bonds of 2015: \$15,088,643; interest 3.0% to 4.0%; due serially to 2028	19,167,667
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	3,060,550
Public Improvement Refunding Bonds of 2017, Series B & C: \$11,030,000 interest 1.3% to 5.0%; due serially to 2033	<u>11,030,000</u>
Total governmental activities long-term debt	<u>\$ 72,609,720</u>

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 - DEBT (CONTINUED)

Business-type activities:

General obligation bonds:

Public Improvement Bonds of 2009: \$7,551,600; interest 2.0%; due serially to 2029	\$ 680,172
Public Improvements and Refunding Bonds of 2011: \$13,081,144; interest 2.0% to 5.0%; due serially to 2040	2,012,085
Public Improvements and Refunding Bonds of 2012: \$7,887,657; interest 2.0% to 5.0%; due serially to 2040	1,222,341
Refunding Bonds of 2013: \$20,035,000; interest 2.54% to 3.89%; due serially to 2035	5,038,000
Public Improvement Bonds of 2013: \$9,814,000; interest 3.5%; due serially to 2025	2,360,000
Public Refunding Bonds of 2015: \$4,876,357; interest 3.0% to 4.0%; due serially to 2028	4,695,615
Public Refunding Bonds of 2016: \$13,755,000; interest 3.0% to 4.0%; due serially to 2046	13,407,075
Public Refunding Bonds of 2016: \$17,000,000; interest 3.0% to 4.0%; due serially to 2046	17,063,550
Public Refunding Bonds of 2017: \$530,093; interest 3.0% to 5.0%; due serially to 2036	482,180
Public Refunding Bonds of 2017: \$197,250; interest 2.06%; due serially to 2024	178,340
Public Improvement Refunding Bonds of 2017, Series B & C: \$14,520,000 interest 1.3% to 5.0%; due serially to 2033	14,520,000
Total general obligation bonds	<u>\$ 61,659,358</u>

Other debt:

State of Maryland Water Quality loan: \$28,500,000; interest 0.900%; due semiannually to 2043	<u>\$ 23,457,406</u>
Total business-type activities debt	<u>\$ 85,116,764</u>

Interest costs incurred on general obligation bonds allocated to the business-type activities were \$1,044,845 for the year ended June 30, 2018.

Long-term debt maturities, excluding the unamortized loss on refunding of \$1,250,985 and \$3,015,255 in governmental and business-type activities, respectively, are scheduled as follows:

	General obligation bonds		Total
	Principal	Interest	
Governmental activities:			
2019	\$ 5,009,763	\$ 2,646,057	\$ 7,655,820
2020	5,270,788	2,455,485	7,726,273
2021	5,416,033	2,227,677	7,871,518
2022	5,548,214	2,004,642	7,775,891
2023	5,712,470	1,778,306	7,717,112
2024 - 2028	25,349,457	5,844,231	31,193,688
2029 - 2033	15,122,163	2,127,965	17,250,128
2034 - 2038	4,785,832	389,831	5,175,663
2039 - 2043	395,000	19,847	414,847
Total	<u>\$72,609,720</u>	<u>\$19,494,041</u>	<u>\$92,780,940</u>

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 - DEBT (CONTINUED)

	General obligation bonds		Total
	Principal	Interest	
Business-type activities:			
2019	\$ 1,975,236	\$ 2,447,025	\$ 4,422,261
2020	2,099,212	2,374,739	4,473,951
2021	2,203,968	2,288,054	4,492,022
2022	2,311,786	2,203,198	4,514,984
2023	2,417,530	2,113,044	4,530,574
2024 - 2028	13,620,542	8,999,950	22,620,492
2029 - 2033	12,155,838	6,406,806	18,562,644
2034 - 2038	9,070,619	4,132,605	13,203,224
2039 - 2043	9,314,627	2,323,026	11,637,653
2044 - 2047	6,490,000	410,868	6,900,868
Total	<u>\$61,659,358</u>	<u>\$ 33,699,315</u>	<u>\$95,358,673</u>

Amortization schedule does not include the MDE Water Quality Loan in the amount of \$23,457,406. 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. However, principal payments of \$954,127 are expected to be paid in fiscal year 2019.

NOTE 6 – OPERATING LEASES

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

Construction of the solar park was completed in June 2018, and in fiscal year ended June 30, 2018, the City received base rent totaling \$10,404. At July 1, 2018, the base rent was 10,608, the additional rent is \$191,904, and the offset is \$158,268, for a total annual cost of \$44,244. The future payments are as follows:

<u>For Year Ending, June 30,</u>	<u>Annual Lease Payment</u>
2019	\$ 44,244
2020	48,300
2021	54,428
2022	56,640
2023	60,936
After 2023	3,120,131
	<u>\$ 3,384,679</u>

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 6 – OPERATING LEASES (CONTINUED)

The City also leases space on its water tower on Janwal Street to ATT for cellular transmission equipment. The lease term began in fiscal year 2009. The initial term of the lease was five years, and the lessee has the option to extend the agreement for an additional three terms of five years each. Currently, the agreement is extended through fiscal year 2024. The annual payment in fiscal year 2018 was \$62,660, and the payment escalates 5% each year. The future lease payments due to the City are as follows:

<u>For Year Ending, June 30,</u>	<u>Annual Lease Payment</u>
2019	\$ 65,793
2020	69,083
2021	72,537
2022	76,164
2023	79,972
After 2023	83,971
	<u>\$ 447,520</u>

NOTE 7 – BENEFIT PLANS

A) Maryland State Retirement and Pension System

Plan Descriptions

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

General Information about the Employees Retirement and Pension System

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

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7 – BENEFIT PLANS (CONTINUED)

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

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

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

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

Contributions. The City and covered members are required by State statute to contribute to the System. Members of the Employees' Pension System are required to contribute 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 participating governmental employers are established and may be amended by the Board of Trustees for the System.

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7 – BENEFIT PLANS (CONTINUED)

The City's contractually required contribution rate for the Employees' Retirement and Pension System for the year ended June 30, 2018, was 6.74% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City paid its required contributions, of \$1,813,039, during the year ended June 30, 2018.

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

At June 30, 2018, the City reported a liability of \$15,355,940 for its proportionate share of the net pension liability of the System. 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. 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, 2017. The contributions were increased to adjust for differences between actuarial determined contributions and actual contributions by the State of Maryland. As of June 30, 2017, the City's proportionate share was 0.0710%.

For the year ended June 30, 2018, the City recognized pension expense of \$1,582,173. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual experience	\$ -	\$ 1,417,134
Changes in assumptions	532,689	-
Change in proportion	308,223	1,225,233
Net difference between projected and actual earnings on pension plan investments	980,558	-
Change in proportionate share of contribution	293,410	-
City contributions subsequent to the measurement date	1,889,096	-
Total	<u>\$ 4,003,976</u>	<u>\$ 2,642,367</u>

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

<u>For Year Ending, June 30,</u>	<u>Amount</u>
2019	\$ (19,944)
2020	292,830
2021	(120,328)
2022	(494,764)
2021	(185,281)
	<u>\$ (527,487)</u>

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7 – BENEFIT PLANS (CONTINUED)

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	2.65% general, 3.50% wages
Salary increases	3.15% to 9.15%, including inflation
Investment rate of return	7.50%

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

The economic and demographic actuarial assumptions used in the June 30, 2017 valuation were adopted by the System's Board of Trustees based upon review of the System's experience study for the period 2010-2014, which was completed during fiscal year 2014. Certain assumptions from the experience study, including mortality rates, retirement rates, withdrawal rates, disability rates, and rates of salary increase, were adopted by the Board for the first use in the actuarial valuation as of June 30, 2016. As a result, an investment return assumption of 7.55% and an inflation assumption of 2.90% were used for the June 30, 2016 valuation. The cost of living adjustment, salary increase and payroll growth assumptions have also changed as a result of the change in the inflation assumption.

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Public Equity	36.00 %	5.30 %
Private Equity	11.00	7.00
Rate Sensitive	21.00	1.20
Credit Opportunity	9.00	3.60
Real Assets	15.00	5.70
Absolute Return	8.00	3.10
Total	<u>100.00 %</u>	

The above was the System's Board of Trustees adopted asset allocation policy and best estimate of geometric real rates for each major asset class as of June 30, 2018.

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7 – BENEFIT PLANS (CONTINUED)

For the year ended June 30, 2018, the annual money-weighted rate of return on pension plan investments, net of the pension plan expense was 10.02%. 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 7.50%. This single discount rate was based on the expected rate of return on pension plan investments of 7.50%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and the employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Sensitivity of the Net Pension Liability. Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the City's net pension liability, calculated using a single discount rate of 7.50%, as well as what the City's net pension liability would be if it were calculated using a single discount rate that is one percentage point lower or one percentage point higher:

	Discount Rate	
1% Decrease (6.50%)	Current (7.50%)	1% Decrease (8.50%)
\$ 21,762,410	\$ 15,355,941	\$ 10,040,384

B) General Information about the Police and Fire Pension Plan

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

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

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7 – BENEFIT PLANS (CONTINUED)

Participants in the original plan are required to contribute 3% of their annual salary, and the revised plan participants are required to contribute 8% of their annual salary. The City funds the remaining cost of the plan through employer contributions. The contribution rate applied to actual payroll is actuarially determined and consists of a normal cost component and an unfunded actuarial liability component. For the year ended June 30, 2018, the City had an actuarially determined contribution of \$3,814,198, and the City made a contribution of \$3,389,348. Pension payments and the administrative costs of the plan are financed through investment earnings and liquidation of investments and contributions from the City and participants. The Plan is considered part of the City's reporting entity and is included in the City's financial statements as Pension Trust funds. There is no separately issued financial report for this plan.

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

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

Investment Type	Fair Value	Investment Maturities in Years			
		Less than 1	1-5	5-10	Over 10
Corporate bonds	\$ 6,639,915	\$ 2,472,370	\$ 2,321,685	\$ 1,845,860	\$ -
U.S. Agency securities	9,514,458	563,915	5,445,194	2,914,561	590,788
	<u>\$ 16,154,373</u>	<u>\$ 3,036,285</u>	<u>\$ 7,766,879</u>	<u>\$ 4,760,421</u>	<u>\$ 590,788</u>

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

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

As of June 30, 2018, the City's fixed income investments had the following risk characteristics:

SP Rating or Comparable	Percent of	
	Total Investments	Fair Value
AAA	27.18 %	\$ 4,392,123
AA	27.60	4,458,770
A	17.68	3,259,131
BBB	13.23	2,136,782
Not Rated	14.31	1,907,567
Total	<u>100.00 %</u>	<u>\$ 16,154,373</u>

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7 – BENEFIT PLANS (CONTINUED)

Custodial Credit Risk - State Street invests in a money market fund on behalf of the Plan. As of June 30, 2018, 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	June 30, 2018
Investments by fair value level:				
Debt securities:				
Corporate bonds	\$ -	\$ 6,639,915	\$ -	\$ 6,639,915
U.S. agency securities	9,514,458	-	-	9,514,458
Total Debt securities	9,514,458	6,639,915	-	16,154,373
Equity Securities:				
Common stocks	103,854,550	-	-	103,854,550
Total Equity securities	103,854,550	-	-	103,854,550
Total investments measured at fair value level	\$ 113,369,008	\$ 6,639,915	\$ -	120,008,923
Investments measured at the net asset value (NAV)				
Limited partnerships & Alternative investments ¹				32,443,122
Real estate investment trust ²				10,065,577
Total investments measured at the NAV				42,508,699
Total investments measured at fair value				\$ 162,517,622
Cash and Investments carried at amortized cost:				
Cash on hand				15,936
Money market mutual funds				11,425,850
Total Cash and Investments at amortized cost				11,441,786
Total Cash and Investments				\$ 173,959,408

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

<u>Investment</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Limited partnerships & Alternative investments ¹	\$ 32,443,122	\$ -	Monthly, Quarterly	30-75 days
Real estate investment trust ²	10,065,577	-	N/A	N/A

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

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

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7 – BENEFIT PLANS (CONTINUED)

Plan Membership:

NonActive Members	
Retirees and beneficiaries receiving benefits	244
Terminated employees not yet receiving benefits	41
Total nonactive members	285
Active Members	232
Total	517

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

Cash: As of June 30, 2018, the Plan had cash totaling \$15,935 with the Plan's trustee.

Investment Policy: The City's investment managers are contractually restricted to investments in common stock, public bonds, real estate, and alternative investment funds. The Plan's investment policy includes an asset allocation plan for investments. The following was the Plan's adopted asset allocation policy as of June 30, 2018:

Asset Class	Minimum	Maximum	Target
Equities	39%	69%	54%
Fixed Income	15%	25%	20%
Private Debt/ Equity	0%	5%	1%
Real Estate	4%	8%	6%
Alternatives	13%	21%	17%
Cash	0%	4%	2%

Concentrations: The Plan held investments (other than those issued or explicitly guaranteed by the U.S. Government) in any one organization that represented 5% or more of the pension plan's fiduciary net positions, as follows, as of June 30, 2018:

Investments	% of Pension Fiduciary Net Position	Fair Value
Lighthouse Global	5.5%	\$ 9,608,635
Aberdeen Emerging Markets	5.0%	8,729,785
Grosvenor Institutional	9.5%	16,502,660
Wellington CTF Global Opportunities	15.5%	26,965,561
Total		<u>\$ 61,806,641</u>

At June 30, 2018, the City reported a liability of \$25,748,919 for the Plan's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7 – BENEFIT PLANS (CONTINUED)

Net Pension Liability: The net pension liability of the trust as of June 30, 2018, for measurement date June 30, 2018, is as follows:

Total pension liability	\$ 199,708,327
Plan fiduciary net position	<u>(173,959,408)</u>
Net pension liability	<u><u>\$ 25,748,919</u></u>
Plan fiduciary net position as a percentage of the total pension liability	87.1%

At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,336,493	\$ 2,273,637
Net difference between projected and actual earnings on pension plan investments	3,932,149	-
Changes in actuarial assumptions	1,014,124	-
Total	<u><u>\$ 7,282,766</u></u>	<u><u>\$ 2,273,637</u></u>

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

<u>Year Ended June 30,</u>	<u>Amount</u>
2019	\$ 3,466,171
2020	2,051,290
2021	(837,447)
2022	329,115
	<u><u>\$ 5,009,129</u></u>

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

Inflation	3.00%
Salary increases	4.00% to 8.00%, based on service classification and years of service
Investment rate of return	7.50%, net of investment expense and including inflation

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

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7 – 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:

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, 2018, is as follows:

<u>Asset Class/Style</u>	<u>Target</u>	<u>Return</u>
Equity - U.S.	33%	5.70%
Equity - Global	10	5.20
Equity - Emerging Markets	5	6.20
Alternatives - Marketable Alts	10	2.40
Alternatives - Private Real Estate	13	4.50
Alternatives - Commodities	17	3.50
Alternatives - Private Equity	10	4.25
Fixed Income - International Blended IG	1	7.65
Fixed Income - Cash	1	0.08
Total	<u>100%</u>	

Discount Rate. The discount rate used to measure the total pension liability was 7.42%. 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 2071. Therefore, the discount rate represents the single equivalent rate resulting from discounting at the long-term expected rate of return until 2071, and discounting with the 20-year municipal bond index rate of 3.62% thereafter.

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7 – BENEFIT PLANS (CONTINUED)

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2017	\$ 192,183,422	\$ 168,762,729	\$ 23,420,693
<u>Changes for the year</u>			
Service Cost	3,590,260	-	3,590,260
Interest	14,206,287	-	14,206,287
Difference between expected and actual experience	1,433,628	-	1,433,628
Changes in assumptions	-	-	-
Contributions - City	-	3,389,348	(3,389,348)
Contributions - Employee	-	1,458,763	(1,458,763)
Net investment income	-	12,181,913	(12,181,913)
Benefit payments	(11,705,270)	(11,705,270)	-
Administrative expenses	-	(128,075)	128,075
Net changes	7,524,905	5,196,679	2,328,226
Balance at June 30, 2018	<u>\$ 199,708,327</u>	<u>\$ 173,959,408</u>	<u>\$ 25,748,919</u>

Sensitivity of Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of the City calculated using the discount rate of 7.42%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.42%), or one percentage point higher (8.42%) than the current rate:

	1% Decrease (6.42%)	Discount Rate Current (7.42%)	1 % Increase (8.42%)
Net Pension Liability	\$ 49,582,894	\$ 25,748,919	\$ 5,913,241
Percentage of the Total Pension Liability	77.8%	87.1%	96.7%

Rate of Return on Investments: The annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, for FY2018 was 7.37%. The money-weighted rate of return expresses investment performance, net of expenses, adjusted for the changing amounts actually invested.

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7 – BENEFIT PLANS (CONTINUED)

C) Other Postemployment Benefits

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

The OPEB liability was based on an actuarial valuation as of July 1, 2017, rolled forward to June 30, 2018.

The components of the net OPEB liability of the City at June 30, 2018, were as follows:

Total OPEB Liability	\$ 51,323,557
Plan fiduciary net position	4,454,499
City's OPEB liability	<u>\$ 46,869,058</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>8.7%</u>

Employees covered by benefit terms. At June 30, 2018, the following employees were covered by the benefit terms:

	<u>Police and Fire</u>	<u>General</u>	<u>Total</u>
Active	217	235	452
Retired	123	35	158
Total	<u>340</u>	<u>270</u>	<u>610</u>

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

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7 – BENEFIT PLANS (CONTINUED)

Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018. Actuarial assumptions. The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Investment rate of return	7.00%
Healthcare trend rates	Medical - 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, 2018, are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Weight</u>
Domestic Equity	5.70%	48.00%
International Funds	5.70	13.00
Fixed Income - U.S.	2.55	33.00
Global Funds	4.60	6.00
Cash Equivalents	0.80	-
		<u>100.00 %</u>
Total Weighted Average real Return	4.60	
Inflation	2.50	
Total Return	7.10	
Risk Adjustment	(0.10)	
Total Expected Return	<u>7.00 %</u>	

Discount rate: The discount rate used to measure the total OPEB liability was 4.64%. The City does not have a formal funding policy, but funds a portion of the actuarially determined contribution to the OPEB trust fund. It is expected that benefits will be paid from the Trust when a 50% funding level is reached. Based on this information, the City projects that benefits will be financed on a pay as you go basis until 2040, then paid from the trust until depletion. Therefore, the expected trust return of 7.00% is blended with the 20-year Aa bond rate of 3.62% resulting in a blended rate of 4.64%. The prior rate was 4.1%.

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7 – BENEFIT PLANS (CONTINUED)

	Total OPEB Liability (a)	Plan fiduciary net position (b)	Net OPEB Liability (a)-(b)
Balances as of June 30, 2017	\$ 52,375,503	\$ 3,581,258	\$ 48,794,245
Change for the year:			
Service cost	1,535,462		1,535,462
Interest	2,167,486		2,167,486
Net investment income	-	216,547	(216,547)
Differences between expected and actual experience	94,223		94,223
Contributions	-	3,074,786	(3,074,786)
Changes in assumptions	(2,736,973)		(2,736,973)
Benefit payments, including implicit subsidy	(2,112,144)	(2,112,144)	-
Administrative expense	-	(305,948)	305,948
Net Changes	(1,051,946)	873,241	(1,925,187)
Balances as of June 30, 2018	<u>\$ 51,323,557</u>	<u>\$ 4,454,499</u>	<u>\$ 46,869,058</u>

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate: The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.64%) or one percentage point higher (5.64%) than the current discount rate:

	1% Decrease 3.64%	Current Discount Rate 4.64%	1% Increase 5.64%
Total OPEB Liability	\$ 56,705,108	\$ 51,323,557	\$ 46,615,720
Plan Net Position	4,454,499	4,454,499	4,454,499
Net OPEB Liability	<u>\$ 52,250,609</u>	<u>\$ 46,869,058</u>	<u>\$ 42,161,221</u>
Ratio of Plan Net Position to Total OPEB Liability	<u>7.86%</u>	<u>8.68%</u>	<u>9.56%</u>

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (2.50%) or one percentage point higher (5.50%) than the current healthcare cost trend rates:

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB Liability	\$ 45,453,326	\$ 51,323,557	\$ 58,251,680
Plan Net Position	4,454,499	4,454,499	4,454,499
Net OPEB Liability	<u>\$ 40,998,827</u>	<u>\$ 46,869,058</u>	<u>\$ 53,797,181</u>
Ratio of Plan Net Position to Total OPEB Liability	<u>9.80%</u>	<u>8.68%</u>	<u>7.65%</u>

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7 – BENEFIT PLANS (CONTINUED)

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

For the year ended June 30, 2018, the City recognized OPEB expense of \$3,434,400. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual experience	\$ 83,754	\$ -
Changes in assumptions	-	2,432,865
Net difference between projected and actual earnings on pension plan investments	43,262	-
Total	<u>\$ 127,016</u>	<u>\$ 2,432,865</u>

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

<u>For Year Ending, June 30,</u>	<u>Amount</u>
2019	\$ (282,823)
2020	(282,823)
2021	(282,823)
2022	(282,825)
2023	(293,639)
After 2023	(880,916)
	<u>\$ (2,305,849)</u>

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7 – 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	\$ 15,936	\$ 1,357,376	\$ 1,373,312
Investments, at fair value	173,943,472	3,097,123	177,040,595
Total Assets	<u>\$ 173,959,408</u>	<u>\$ 4,454,499</u>	<u>\$ 178,413,907</u>
Net Position	<u>\$ 173,959,408</u>	<u>\$ 4,454,499</u>	<u>\$ 178,413,907</u>

Condensed Statements of Changes in Fiduciary Net Position

	Pension Trust Fund	OPEB Trust Fund	Total Benefit Trust Funds
Additions:			
Contributions	\$ 4,848,111	\$ 4,331,385	\$ 9,179,496
Investment income	12,228,214	200,112	12,428,326
Total Additions	<u>17,076,325</u>	<u>4,531,497</u>	<u>21,607,822</u>
Deductions:			
Benefits	11,705,270	3,354,002	15,059,272
Administrative expenses	174,376	304,254	478,630
Total Deductions	<u>11,879,646</u>	<u>3,658,256</u>	<u>15,537,902</u>
Change in Net Position	<u>\$ 5,196,679</u>	<u>\$ 873,241</u>	<u>\$ 6,069,920</u>

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 8 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Inter-fund receivables and payables, which are for temporary balances between other funds and the general fund where cash is pooled, consist of the following at June 30, 2018:

	Payable Fund			
	Capital Projects	Off Street Parking	Transportation	Total
Receivable Fund				
General Fund	\$ 14,198,858	\$ 4,172,726	\$ 1,002,536	\$ 19,374,120

Transfers between other funds and the general fund consist of the following as of June 30, 2018:

Transfer From	Transfer To			
	General	Transportation	Capital Projects	Total
General	\$ -	\$ 2,400,000	\$ 5,531,000	\$ 7,931,000
Off Street Parking	2,400,000	-	-	2,400,000
	<u>\$ 2,400,000</u>	<u>\$ 2,400,000</u>	<u>\$ 5,531,000</u>	<u>\$ 10,331,000</u>

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

NOTE 9 - CONTINGENCIES

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

NOTE 10 – CAPITAL FACILITIES AND CONNECTION CHARGES

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

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

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 11 - GRANTS

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

NOTE 12 – RISK MANAGEMENT

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

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

The City accounts for the current financial operations of the Self Insurance Fund in an internal service fund. The City maintains excess coverage to reduce the exposure from catastrophic claims. A third-party insurance administrator is employed to estimate funding requirements and liabilities of the Self Insurance Fund. The funding for each year represents the present value of the amount needed to pay the expected final settlement values for all claims that occur in that year, regardless of the date reported. Claims incurred but not reported are accounted for as self insurance costs on the government-wide statement of net position. The carrying amount of liabilities for unpaid claims is presented at present value using a discount rate of 4% to recognize the time value of money. The changes in accrued payables and other liabilities during fiscal years 2018 and 2017 were as follows:

	FY 2018	FY 2017
Beginning accrued payables and other liabilities	\$ 4,070,710	\$ 4,497,629
Incurred claims and changes in estimates	3,056,738	1,036,075
Claim payments	(1,174,934)	(1,462,994)
Ending accrued payables and other liabilities	<u>\$ 5,952,514</u>	<u>\$ 4,070,710</u>

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

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 13 – LANDFILL CLOSURE

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

NOTE 14 – RESTATEMENTS

During the year ended June 30, 2018, the City adopted GASB Statement No. 75. Under GASB 75, the Net OPEB Liability and the Plan Fiduciary Net Position is established based upon the actuarial valuation. The effect of the change has resulted in a restatement of Net Position as of June 30, 2017.

The effect of this change to beginning net position/fund balance is as follows:

	Activities	
	Governmental	Business-type
Balance at June 30, 2017, as Originally Reported	\$ 9,445,103	\$ 43,781,113
Adjustment to restate as a result of Change in Accounting Principal	<u>(17,368,375)</u>	<u>(3,972,053)</u>
Balance at June 30, 2017, as Restated	<u>\$ (7,923,272)</u>	<u>\$ 39,809,060</u>

	Enterprise Funds				
	Water	Sewer	Transportation	Parking	Non-Major
Balance at June 30, 2017, as originally reported	\$ 18,824,771	\$ 16,834,623	\$ (243,040)	\$ 1,711,626	\$ 6,653,133
Adjustment to restate as a result of change in accounting principal	<u>(956,468)</u>	<u>(550,675)</u>	<u>(2,244,412)</u>	<u>(58,553)</u>	<u>(161,945)</u>
Balance at June 30, 2017, as restated	<u>\$ 17,868,303</u>	<u>\$ 16,283,948</u>	<u>\$ (2,487,452)</u>	<u>\$ 1,653,073</u>	<u>\$ 6,491,188</u>

NOTE 15– SUBSEQUENT EVENTS

On December 14, 2018, the City entered into a tax-exempt capital lease arrangement with Bank of America for \$5,487,766. The City will use the proceeds to purchase public safety and other City vehicles. Principal payment are due annually on January 1, and interest of 3.0439% is payable on January 1 and July 1. The lease is secured by an annual appropriation between the City and the bank with the vehicles serving as collateral. The City will pay the debt service over the useful lives of the respective vehicles from fiscal years 2020 through 2029.

REQUIRED SUPPLEMENTARY INFORMATION



*CITY OF
ANNAPOLIS,
MARYLAND*

**CITY OF ANNAPOLIS, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY AND RELATED RATIOS
MARYLAND STATE RETIREMENT AND PENSION SYSTEM
YEAR ENDED JUNE 30, 2018**

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

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

**CITY OF ANNAPOLIS, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY CONTRIBUTIONS
MARYLAND STATE RETIREMENT AND PENSION SYSTEM
YEAR ENDED JUNE 30, 2018**

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

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

CITY OF ANNAPOLIS, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
POLICE AND FIRE RETIREMENT PENSION FUND
YEAR ENDED JUNE 30, 2018

<u>Total Pension Liability</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Service cost	\$ 3,590,260	\$ 3,751,539	\$ 3,651,655	\$ 3,673,745	\$ 3,821,288
Interest (includes interest on service cost)	14,206,287	13,652,377	13,302,868	12,768,894	12,349,153
Changes of benefit terms	-	-	-	(5,211,445)	-
Differences between expected and actual experience	1,433,628	(3,733,644)	(66,901)	3,568,771	-
Changes in assumptions	-	1,902,569	-	-	-
Benefit payments, including refunds of member contributions	(11,705,270)	(11,222,586)	(9,327,917)	(9,070,882)	(8,654,196)
Net change in total pension liability	7,524,905	4,350,255	7,559,705	5,729,083	7,516,245
Total pension liability - beginning	192,183,423	187,833,168	180,273,463	174,544,380	167,028,135
Total pension liability - ending	\$ 199,708,328	\$ 192,183,423	\$ 187,833,168	\$ 180,273,463	\$ 174,544,380
<u>Plan fiduciary net position</u>					
Contributions - employer	\$ 3,389,348	\$ 3,430,988	\$ 2,877,922	\$ 2,451,163	\$ 1,535,001
Contributions - member	1,458,763	1,445,592	1,324,069	1,220,879	1,138,427
Net investment income	12,181,913	17,937,648	1,649,833	5,896,989	22,156,263
Benefit payments, including refunds of member contributions	(11,705,270)	(11,222,586)	(9,327,917)	(9,070,882)	(8,654,196)
Administrative expense	(128,074)	(67,677)	(1,606,930)	(961,324)	-
Net change in plan fiduciary net position	\$ 5,196,680	\$ 11,523,965	\$ (5,083,023)	\$ (463,175)	\$ 16,175,495
Plan fiduciary net position - beginning	168,762,729	157,238,764	162,321,787	162,784,962	146,609,467
Plan fiduciary net position - ending	\$ 173,959,409	\$ 168,762,729	\$ 157,238,764	\$ 162,321,787	\$ 162,784,962
Net pension liability - ending	\$ 25,748,919	\$ 23,420,694	\$ 30,594,404	\$ 17,951,676	\$ 11,759,418
Plan fiduciary net position as a percentage of the total pension liability	87.1 %	87.8 %	83.7 %	90.0 %	93.3 %
Covered employee payroll	\$ 18,821,279	\$ 18,256,495	\$ 16,430,407	\$ 16,529,127	\$ 16,269,256
Net pension liability as a percentage of covered employee payroll	136.8%	128.3%	186.2%	108.6%	72.3%

Notes to Schedule

Valuation Date July 1, 2017

Timing Actuarially determined contribution rates are calculated based on the actuarial valuation at the beginning of the plan year

Key Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry Age
Asset valuation method	3-year smoothing
Amortization method	The UAL is amortized over an open 30-year period as a level dollar amount
Discount rate	7.42%
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, 2018**

Fiscal Year Ended June 30	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
2018	199,708,327	173,959,409	25,748,918	87.11	18,821,279	136.81
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	162,321,787	17,951,676	90.04	16,529,127	108.61
2014	174,544,380	162,784,962	11,759,418	93.26	16,269,256	72.28
2013	170,204,222	149,511,505	20,692,717	87.84	15,651,875	132.21
2012	167,926,510	148,766,081	19,160,429	88.59	14,826,326	129.23
2011	158,457,044	153,849,420	4,607,624	97.09	16,586,365	27.78
2010	144,581,879	164,784,504	(20,202,625)	113.97	14,950,161	(135.13)
2009	136,422,216	160,959,883	(24,537,667)	117.99	13,991,065	(175.38)

Schedule of Employer Contributions

Fiscal Year Ended June 30	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency Excess	Covered Payroll	Actual Contribution as a % of Covered Payroll
2018	\$ 3,935,529	\$ 3,389,348	\$ 546,181	\$ 18,821,279	18.01 %
2017	3,817,433	3,430,988	386,445	18,256,495	18.79 %
2016	3,740,905	2,877,922	862,983	16,430,407	17.52 %
2015	3,234,493	2,451,163	783,330	16,529,127	14.83 %
2014	3,989,791	1,535,001	2,454,790	16,269,356	09.43 %
2013	4,032,514	1,570,000	2,462,514	15,949,484	09.84 %
2012	6,488,344	200,000	6,288,344	15,651,875	01.28 %
2011	8,128,420	-	8,128,420	14,826,326	- %
2010	4,466,076	-	4,466,076	16,586,365	- %
2009	622,683	622,683	-	14,950,161	04.17 %

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

2018	7.37%
2017	11.60
2016	0.06
2015	5.00
2014	17.90

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

**CITY OF ANNAPOLIS, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
CHANGE IN NET OPEB LIABILITY
YEAR ENDED JUNE 30, 2018**

<u>Total net OPEB Liability</u>	<u>2018</u>	<u>2017</u>
Service cost	\$ 1,535,462	\$ 1,495,451
Interest	2,167,486	2,100,266
Differences between expected and actual experience	94,223	-
Changes in assumptions	(2,736,973)	-
Benefit payments, including implicit subsidy	<u>(2,112,144)</u>	<u>(1,882,596)</u>
Net change in total OPEB liability	(1,051,946)	1,713,121
Total OPEB liability - beginning of year	52,375,503	50,662,382
Total OPEB liability - end of year	<u><u>\$ 51,323,557</u></u>	<u><u>\$ 52,375,503</u></u>
<u>Plan fiduciary net position</u>		
Contributions - employer	\$ 3,053,624	\$ 2,552,284
Contributions - member	21,162	-
Net investment income	216,547	175,799
Benefit payments, including refunds of member contributions	(2,112,144)	(1,882,596)
Administrative expense	<u>(305,948)</u>	<u>(10,480)</u>
Net change in plan fiduciary net position	\$ 873,241	\$ 835,007
Plan fiduciary net position - beginning	3,581,258	2,746,251
Plan fiduciary net position - ending	<u><u>\$ 4,454,499</u></u>	<u><u>\$ 3,581,258</u></u>
Net OPEB liability - beginning of year	48,794,245	47,919,758
Net OPEB liability - end of year	<u><u>\$ 46,869,058</u></u>	<u><u>\$ 48,794,245</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u><u>8.7 %</u></u>	<u><u>6.8 %</u></u>

**CITY OF ANNAPOLIS, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
OPEB CONTRIBUTIONS AND SCHEDULE OF INVESTMENT RETURNS
YEAR ENDED JUNE 30, 2018**

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

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

2018	5.60%
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*Actual money-weighted rate of return,
net of investment expense

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

CITY OF ANNAPOLIS, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL - GENERAL FUND (NONGAAP - BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2018

	General Fund			
	Original Budget	Final Budget	Actual	Over (Under) Budget
Revenues				
Taxes				
Real Property	\$ 42,164,756	\$ 42,164,756	\$ 43,294,360	\$ 1,129,604
Personal Property	3,551,650	3,551,650	3,319,706	(231,944)
	<u>45,716,406</u>	<u>45,716,406</u>	<u>46,614,066</u>	<u>897,660</u>
Local Receipts				
Licenses and Permits	2,952,000	2,952,000	3,073,467	121,467
Fines and Forfeitures	215,600	215,600	436,756	221,156
Money and Property	572,500	572,500	898,505	326,005
Miscellaneous	244,500	3,344,500	3,486,529	142,029
Charges for Services	5,035,000	5,046,667	5,630,950	584,283
	<u>9,019,600</u>	<u>12,131,267</u>	<u>13,526,207</u>	<u>1,394,940</u>
Intergovernmental	11,290,410	11,290,410	13,264,279	1,973,869
Transfers and other Sources	8,449,635	8,449,635	7,860,823	(588,812)
	<u>74,476,051</u>	<u>77,587,718</u>	<u>81,265,375</u>	<u>3,677,657</u>
Total Revenues				
Expenditures				
Current:				
General Government				
Mayor and City Council				
Boards and Commissions	\$ 100,837	\$ 100,837	\$ 69,609	\$ 31,228
Mayor and City Council	1,135,505	1,224,505	1,205,994	18,511
Office of Law	1,294,882	1,294,883	1,223,376	71,507
Special Projects	157,123	157,123	148,432	8,691
	<u>2,688,347</u>	<u>2,777,348</u>	<u>2,647,411</u>	<u>129,937</u>
City Manager				
MIT	1,804,513	1,893,203	1,831,981	61,222
Human Resources	778,568	786,568	717,752	68,816
Office of Environmental Policy	451,912	326,912	329,773	(2,861)
	<u>3,034,993</u>	<u>3,006,683</u>	<u>2,879,506</u>	<u>127,177</u>
Finance				
Financial Administration	2,162,736	2,147,735	2,144,299	3,436
Purchasing	394,251	414,251	399,981	14,270
	<u>2,556,987</u>	<u>2,561,986</u>	<u>2,544,280</u>	<u>17,706</u>
Land Use and Permits				
Planning and Zoning	3,787,409	3,592,409	3,465,592	126,817
Public Safety				
Police	18,733,702	18,822,932	18,337,071	485,861
Fire	17,153,989	17,285,565	16,821,156	464,409
	<u>35,887,691</u>	<u>36,108,497</u>	<u>35,158,227</u>	<u>950,270</u>

CITY OF ANNAPOLIS, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL - GENERAL FUND (NONGAAP - BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2018

	General Fund			
	Original Budget	Final Budget	Actual	Over (Under) Budget
Public Works				
Bureau of Administration	723,286	743,286	720,222	23,064
Engineering and Construction	1,049,856	1,009,855	982,606	27,249
Roadways	2,993,793	3,414,366	3,441,998	(27,632)
Traffic Control	296,531	306,531	306,948	(417)
Snow and Ice removal	167,290	147,290	106,041	41,249
Buildings and Maintenance	1,727,950	1,817,950	1,761,886	56,064
Fleet Maintenance Center	1,131,609	1,151,609	1,132,943	18,666
	<u>8,090,315</u>	<u>8,590,887</u>	<u>8,452,644</u>	<u>138,243</u>
Community Services				
Recreation and Parks	4,762,512	4,841,028	4,589,014	252,014
Community Assistance Grants	334,500	345,194	311,859	33,335
	<u>5,097,012</u>	<u>5,186,222</u>	<u>4,900,873</u>	<u>285,349</u>
Non Allocated	4,167,500	4,053,177	3,688,807	364,370
Debt Service	5,751,270	5,751,270	5,809,631	(58,361)
Transfers	3,080,000	5,758,467	5,755,300	3,167
Total Expenditures	<u>74,141,524</u>	<u>77,386,946</u>	<u>75,302,271</u>	<u>2,084,675</u>
Excess (Deficiencies) of Revenues over Expenditures	<u>\$ 334,527</u>	<u>\$ 200,772</u>	<u>\$ 5,963,104</u>	<u>\$ 5,762,332</u>

CITY OF ANNAPOLIS, MARYLAND
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2018

1) Budgetary Presentation

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

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

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

Revenues (non-GAAP budgetary basis)	\$ 81,265,375
Transfer in	(7,860,823)
Grant revenue	3,299,598
Revenues (GAAP basis)	<u>\$ 76,704,150</u>
Expenditures (non-GAAP budgetary basis)	\$ 75,302,271
Transfer out	(5,755,300)
Grant expenditures	6,531,587
Internal expenditure allocation	(5,187,676)
Expenditures (GAAP basis)	<u>\$ 70,890,882</u>

**CITY OF ANNAPOLIS, MARYLAND
GENERAL FUND**

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

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

**CITY OF ANNAPOLIS, MARYLAND
GENERAL FUND
DETAILED SCHEDULE OF REVENUES COMPARED TO BUDGET
(NON-GAAP BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2018**

	2018		
	Budget as revised	Actual	Over (Under) Budget
Taxes			
Real and personal property			
Real property	\$ 42,042,256	\$ 43,168,896	\$ 1,126,640
Personal	3,551,650	3,319,706	(231,944)
Total	45,593,906	46,488,602	894,696
Penalties and interest	122,500	125,464	2,964
Total Taxes	45,716,406	46,614,066	897,660
Licenses and Permits			
Street Use			
Street privileges	250,000	214,876	(35,124)
Sidewalk	14,000	14,280	280
Total street use	264,000	229,156	(34,844)
Business			
Alcoholic beverages	464,000	450,975	(13,025)
Amusements	1,000	-	(1,000)
Traders	71,000	66,520	(4,480)
Vendors	89,000	107,715	18,715
Occupational	43,000	1,070	(41,930)
Total Business	668,000	626,280	(41,720)
Other			
Building	909,000	1,003,797	94,797
Certificate of occupancy	17,000	25,300	8,300
Real Property Transfer Fee	50,000	84,350	34,350
Use permits	25,400	58,595	33,195
Cable television franchise fees	900,000	889,394	(10,606)
Other	118,600	156,595	37,995
Total Other	2,020,000	2,218,031	198,031
Total Licenses and Permits	2,952,000	3,073,467	121,467
Fines and Forfeitures			
Municipal Infractions	30,000	48,490	18,490
Speed enforcement program	182,000	291,470	109,470
Auto Traffic Signal	2,500	94,821	92,321
Other fines	1,100	1,975	875
Total Fines and Forfeitures	215,600	436,756	221,156
Money and Property			
Interest and dividends	52,500	610,843	558,343
Rents and concessions	312,000	77,569	(234,431)
Payments in lieu of taxes	208,000	210,092	2,092
Total Money and Property	572,500	898,504	326,004

**CITY OF ANNAPOLIS, MARYLAND
GENERAL FUND
DETAILED SCHEDULE OF REVENUES COMPARED TO BUDGET
(NON-GAAP BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2018**

	2018		
	Budget as revised	Actual	Variance - positive (negative)
Intergovernmental			
Payments In lieu of taxes	367,000	367,000	-
Utility tax	491,000	382,408	(108,592)
Hotel/motel tax	1,900,000	1,962,283	62,283
Admissions	950,000	1,431,349	481,349
Income	6,400,000	7,964,179	1,564,179
Highway	1,180,410	1,155,071	(25,339)
Fuel	2,000	1,990	(10)
Total Intergovernmental	11,290,410	13,264,280	1,973,870
Charges for Services			
Ambulance Fees	1,320,000	1,764,899	444,899
Recreation Fees	1,835,000	1,594,197	(240,803)
Filing Fees	100,000	152,687	52,687
Rental Fees	750,000	882,125	132,125
Dock Charges & Boat Show Fees	1,000,000	1,151,185	151,185
Other	41,667	85,857	44,190
Total Charges for Services	5,046,667	5,630,950	584,283
Other Revenues			
Administrative reimbursements	8,449,635	7,546,059	(903,576)
Premium on sale of bonds	-	262,726	262,726
Sale Golf Course	3,100,000	3,119,479	19,479
Other miscellaneous	244,500	419,088	174,588
Total Other Revenues	11,794,135	11,347,352	(446,783)
Total Revenues	\$ 77,587,718	\$ 81,265,375	\$ 3,677,657

**CITY OF ANNAPOLIS, MARYLAND
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES COMPARED TO BUDGET
(NONGAAP BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2018**

	2018		
	<u>Budget as revised</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
General Government			
Mayor and City Council			
Boards and Commissions			
Salaries	\$ 78,427	\$ 54,361	\$ 24,066
Employee benefits	12,410	12,343	67
Materials and supplies	10,000	2,905	7,095
Total Boards and Commissions	<u>100,837</u>	<u>69,609</u>	<u>31,228</u>
Mayor and City Council			
Salaries	933,623	939,357	(5,734)
Employee benefits	224,421	212,168	12,253
Materials and supplies	14,000	12,032	1,968
Utilities	8,000	7,419	581
Contractual services	180,584	172,642	7,942
Other	21,000	10,808	10,192
Total Mayor and City Council	<u>1,381,628</u>	<u>1,354,426</u>	<u>27,202</u>
Office of Law			
Salaries	786,872	767,096	19,776
Employee benefits	331,911	303,114	28,797
Materials and supplies	8,600	7,010	1,590
Utilities	2,000	829	1,171
Contractual services	155,500	138,041	17,459
Other	10,000	7,286	2,714
Total Office of Law	<u>1,294,883</u>	<u>1,223,376</u>	<u>71,507</u>
Total Mayor and City Council	<u>2,777,348</u>	<u>2,647,411</u>	<u>129,937</u>
City Manager			
MIT			
Salaries	820,423	753,287	67,136
Employee benefits	319,091	326,246	(7,155)
Materials and supplies	4,835	4,838	(3)
Utilities	2,426	2,426	-
Contractual services	444,958	444,831	127
Other	8,950	8,899	51
Capital Outlay	292,520	291,454	1,066
Total MIT	<u>1,893,203</u>	<u>1,831,981</u>	<u>61,222</u>
Human Resources			
Salaries	474,564	487,025	(12,461)
Employee benefits	169,359	159,953	9,406
Materials and supplies	16,500	10,338	6,162
Utilities	500	-	500
Contractual services	121,445	58,860	62,585
Repair and maintenance	200	148	52
Other	4,000	1,428	2,572
Total Human Resources	<u>786,568</u>	<u>717,752</u>	<u>68,816</u>

**CITY OF ANNAPOLIS, MARYLAND
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (CONTINUED)
(NONGAAP BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2018**

	2018		
	Budget as revised	Actual	Variance - positive (negative)
Office of Environmental Policy			
Salaries	225,650	225,448	202
Employee benefits	67,262	70,773	(3,511)
Contractual Services	34,000	33,552	448
Total Office of Enviromental Policy	326,912	329,773	(2,861)
Total City Manager's Office	3,006,683	2,879,506	127,177
Finance			
Salaries	1,469,151	1,423,729	45,422
Employee benefits	630,085	581,148	48,937
Materials and supplies	39,307	35,503	3,804
Utilities	2,560	2,062	498
Contractual services	401,833	488,652	(86,819)
Repair and maintenance	2,200	1,769	431
Other	16,850	11,417	5,433
Total Finance	2,561,986	2,544,280	17,706
Total General Government	8,346,017	8,071,197	274,820
Land Use and Permits			
Planning and Zoning			
Salaries	2,464,601	2,401,077	63,524
Employee benefits	941,058	894,807	46,251
Materials and supplies	29,500	28,133	1,367
Utilities	16,075	15,498	577
Contractual services	109,975	98,375	11,600
Repair and maintenance	3,500	4,298	(798)
Other	27,700	23,404	4,296
Total Planning and Zoning	3,592,409	3,465,592	126,817
Total Land Use and Permits	3,592,409	3,465,592	126,817
Public safety			
Police			
Salaries	11,693,487	11,389,828	303,659
Employee benefits	5,319,725	5,195,640	124,085
Training/Special Programs	42,100	41,789	311
Materials and supplies	690,430	707,212	(16,782)
Utilities	217,000	202,779	14,221
Contractual services	721,150	694,320	26,830
Repair and maintenance	92,440	60,712	31,728
Rents and Leases	39,600	39,584	16
Other	7,000	5,207	1,793
Total Police	18,822,932	18,337,071	485,861

**CITY OF ANNAPOLIS, MARYLAND
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (CONTINUED)
(NONGAAP BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2018**

	2018		
	Budget as revised	Actual	Variance - positive (negative)
Fire			
Salaries	10,499,822	10,849,350	(349,528)
Employee benefits	5,687,174	4,915,690	771,484
Training/Education	28,170	23,902	4,268
Materials and supplies	461,008	440,200	20,808
Utilities	127,200	127,102	98
Contractual services	206,367	201,512	4,855
Repair and maintenance	100,000	93,427	6,573
Other	119,824	114,473	5,351
Capital Outlay	56,000	55,500	500
Total Fire	17,285,565	16,821,156	464,409
Total Public Safety	36,108,497	35,158,227	950,270
Public Works			
Bureau of Administration			
Salaries	501,982	498,705	3,277
Employee benefits	168,704	166,036	2,668
Materials and supplies	6,800	4,155	2,645
Utilities	3,000	1,697	1,303
Repair and maintenance	1,000	358	642
Contractual services	55,800	44,162	11,638
Other	6,000	5,109	891
Total Bureau of Administration	743,286	720,222	23,064
Engineering and Construction			
Salaries	700,158	698,824	1,334
Employee benefits	256,997	239,369	17,628
Materials and supplies	11,230	6,827	4,403
Contractual services	30,000	25,446	4,554
Repair and maintenance	1,500	2,845	(1,345)
Utilities	3,700	3,519	181
Other	6,270	5,776	494
Total Engineering and Construction	1,009,855	982,606	27,249
Roadways			
Salaries	1,659,930	1,704,161	(44,231)
Employee benefits	916,796	852,081	64,715
Materials and supplies	128,740	132,559	(3,819)
Utilities	542,900	559,753	(16,853)
Contractual services	20,000	18,934	1,066
Repair and maintenance	145,000	174,076	(29,076)
Other	1,000	434	566
Total Roadways	3,414,366	3,441,998	(27,632)

**CITY OF ANNAPOLIS, MARYLAND
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (CONTINUED)
(NONGAAP BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2018**

	2018		
	Budget as revised	Actual	Variance - positive (negative)
Traffic Control			
Salaries	167,022	169,940	(2,918)
Employee benefits	89,709	83,847	5,862
Materials and supplies	28,000	31,420	(3,420)
Contractual services	300	-	300
Repair and maintenance	7,500	6,734	766
Utilities	12,000	14,203	(2,203)
Other	2,000	804	1,196
Total Traffic Control	<u>306,531</u>	<u>306,948</u>	<u>(417)</u>
Snow and Ice Removal			
Salaries	40,000	20,422	19,578
Employee benefits	4,590	6,535	(1,945)
Materials and supplies	46,000	27,530	18,470
Contractual services	50,000	46,324	3,676
Repair and maintenance	6,700	5,230	1,470
Total Snow and Ice Removal	<u>147,290</u>	<u>106,041</u>	<u>41,249</u>
Buildings and Maintenance			
Salaries	380,974	355,124	25,850
Employee benefits	148,476	164,591	(16,115)
Materials and supplies	15,000	10,367	4,633
Utilities	178,330	181,179	(2,849)
Contractual services	420,000	404,121	15,879
Rents and Leases	478,670	478,585	85
Repair and maintenance	196,500	167,919	28,581
Total Buildings and Maintenance	<u>1,817,950</u>	<u>1,761,886</u>	<u>56,064</u>
Fleet Maintenance			
Salaries	600,831	592,029	8,802
Employee benefits	230,278	231,101	(823)
Materials and supplies	19,000	15,540	3,460
Utilities	20,000	17,416	2,584
Contractual services	6,000	5,940	60
Repair and maintenance	275,000	270,917	4,083
Other	500	-	500
Total Fleet Maintenance	<u>1,151,609</u>	<u>1,132,943</u>	<u>18,666</u>
Total Public Works	<u>8,590,887</u>	<u>8,452,644</u>	<u>138,243</u>

**CITY OF ANNAPOLIS, MARYLAND
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (CONTINUED)
(NONGAAP BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2018**

	2018		
	Budget as revised	Actual	Variance - positive (negative)
Community Services			
Recreation and Parks			
Salaries	2,732,483	2,785,200	(52,717)
Employee benefits	853,029	741,530	111,499
Materials and supplies	293,900	237,826	56,074
Utilities	262,000	231,162	30,838
Contractual services	302,229	268,327	33,902
Repair and maintenance	200,003	141,270	58,733
Rents and Leases	35,000	17,335	17,665
Other	61,284	65,277	(3,993)
Capital Outlay	101,100	101,087	13
Total Recreation and Parks	4,841,028	4,589,014	252,014
Community Assistance Grants	345,194	311,859	33,335
Total Community Services	5,186,222	4,900,873	285,349
Nonallocated	4,053,177	3,688,807	364,370
Debt service			
Bond principal	2,663,942	3,130,374	(466,432)
Capital lease principal	-	23,481	(23,481)
Total Principal Debt Service	2,663,942	3,153,855	(489,913)
Bond interest	3,007,018	2,651,746	355,272
Bank Loan	79,800	-	79,800
Line of credit interest	-	2,565	(2,565)
Capital lease interest	510	1,465	(955)
Total Interest on Debt Service	3,087,328	2,655,776	431,552
Total Debt Service	5,751,270	5,809,631	(58,361)
Transfers	5,758,467	5,755,300	3,167
Total Expenditures	<u>\$ 77,386,946</u>	<u>\$ 75,302,271</u>	<u>\$ 2,084,675</u>

CITY OF ANNAPOLIS, MARYLAND ENTERPRISE FUNDS

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

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

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

The nonmajor funds consist of the Stormwater Management and Refuse funds.

**CITY OF ANNAPOLIS, MARYLAND
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
YEAR ENDED JUNE 30, 2018**

	Stormwater Fund	Refuse Fund	Non-Major Enterprise Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 2,041,802	\$ 4,741,081	\$ 6,782,883
Restricted cash	632	-	632
Accounts receivable			
Service charges and penalties	279,827	393,537	673,364
Total accounts receivable, net	279,827	393,537	673,364
Total current assets	2,322,261	5,134,618	7,456,879
Noncurrent assets			
Net capital assets	659,522	295,062	954,584
Total noncurrent assets	659,522	295,062	954,584
Total assets	2,981,783	5,429,680	8,411,463
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	76,078	39,415	115,493
Deferred outflows related to OPEB	1,335	691	2,026
Deferred loss on refunding	3,545	3,807	7,352
Total deferred outflows of resources	80,958	43,913	124,871
LIABILITIES			
Current liabilities			
Accounts payable	13,538	202,680	216,218
Accrued expenses and other liabilities	25,171	10,903	36,074
Accrued interest	3,267	2,294	5,561
Compensated absences-current portion	2,104	684	2,788
Unearned revenue	-	143	143
Escrowed funds	4,269	-	4,269
Current portion of long-term debt	24,329	29,328	53,657
Total current liabilities	72,678	246,032	318,710
Noncurrent liabilities			
Compensated absences, net of current portion	24,195	7,869	32,064
Net OPEB liability	492,476	255,144	747,620
Net pension liability	291,769	151,161	442,930
Long-term debt, net of current portion	214,998	162,546	377,544
Total noncurrent liabilities	1,023,438	576,720	1,600,158
Total liabilities	1,096,116	822,752	1,918,868
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	50,206	26,011	76,217
Deferred inflows related to OPEB	25,563	13,244	38,807
Total deferred outflows of resources	75,769	39,255	115,024
NET POSITION			
Net investment in capital assets	431,782	106,995	538,777
Restricted for capital projects	632	-	632
Unrestricted	1,458,442	4,504,591	5,963,033
Total net position	\$ 1,890,856	\$ 4,611,586	\$ 6,502,442

**CITY OF ANNAPOLIS, MARYLAND
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2018**

	Stormwater Fund	Refuse Fund	Non-Major Enterprise Total
Operating revenues			
Charges for services	\$ 1,420,715	\$ 1,978,669	\$ 3,399,384
Total operating revenues	<u>1,420,715</u>	<u>1,978,669</u>	<u>3,399,384</u>
Operating expenses			
Salaries	723,613	411,772	1,135,385
Utilities	6,603	4,354	10,957
Repairs and maintenance	12,175	1,615	13,790
Materials and supplies	6,155	65,625	71,780
Contractual services	51,505	1,327,838	1,379,343
Administrative charge from General Fund	144,077	546,359	690,436
Depreciation	14,386	61,729	76,115
Other	152	-	152
Total operating expenses	<u>958,666</u>	<u>2,419,292</u>	<u>3,377,958</u>
Operating (loss) income	<u>462,049</u>	<u>(440,623)</u>	<u>21,426</u>
Non-operating revenues (expenses)			
Interest expense	(9,010)	(1,162)	(10,172)
Total non-operating revenues (expenses), net	<u>(9,010)</u>	<u>(1,162)</u>	<u>(10,172)</u>
Change in net position	453,039	(441,785)	11,254
Net position at beginning of year	1,745,125	4,908,008	6,653,133
Adjustment to restate - GASB 75	(307,308)	145,363	(161,945)
Net position at beginning of year, as restated	<u>1,437,817</u>	<u>5,053,371</u>	<u>6,491,188</u>
Net position at end of year	<u><u>\$ 1,890,856</u></u>	<u><u>\$ 4,611,586</u></u>	<u><u>\$ 6,502,442</u></u>

**CITY OF ANNAPOLIS, MARYLAND
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2018**

	Stormwater Management Fund	Refuse Fund	Total
Cash flows from operating activities			
Receipts from customers and users	\$ 1,343,448	\$ 2,055,487	\$ 3,398,935
Payments to suppliers for goods and services	(256,973)	(1,965,172)	(2,222,145)
Payments to employees for services	(561,821)	(322,122)	(883,943)
Net cash provided by (used for) operating activities	<u>524,654</u>	<u>(231,807)</u>	<u>292,847</u>
Cash flows from capital and related financing activities			
Acquisition of capital assets	(26,906)	(53,339)	(80,245)
Principal payments of long term debt	(9,547)	(14,240)	(23,787)
Interest on long-term debt	(9,010)	(7,728)	(16,738)
Net cash used for capital and related financing activities	<u>(45,463)</u>	<u>(75,307)</u>	<u>(120,770)</u>
Cash flows from investing activities:			
Interest received	-	(2,603)	(2,603)
Net cash provided by investing activities	<u>-</u>	<u>(2,603)</u>	<u>(2,603)</u>
Net increase (decrease) in cash and cash equivalents	479,191	(309,717)	169,474
Cash and cash equivalents at beginning of year	1,563,243	5,050,798	6,614,041
Cash and cash equivalents at end of year	<u><u>\$ 2,042,434</u></u>	<u><u>\$ 4,741,081</u></u>	<u><u>\$ 6,783,515</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities			
Operating income (loss)	\$ 462,049	\$ (440,623)	\$ 21,426
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	14,386	61,729	76,115
Effect of changes in non-cash operating assets and liabilities:			
Accounts receivable	(77,080)	77,245	165
Accounts payable	(35,124)	(13,856)	(48,980)
Accrued expenses and other liabilities	(1,182)	(5,525)	(6,707)
Compensated absences	20,983	(228)	20,755
Unearned revenue	-	(427)	(427)
Escrowed funds	(187)	-	(187)
Deferred outflows	(53,086)	(32,639)	(85,725)
Net pension liability	131,474	86,664	218,138
Deferred inflows	82,283	44,197	126,480
Other post employment benefits	(19,862)	(8,344)	(28,206)
Total adjustments	<u>62,605</u>	<u>208,816</u>	<u>271,421</u>
Net cash provided by (used for) operating activities	<u><u>\$ 524,654</u></u>	<u><u>(231,807)</u></u>	<u><u>\$ 292,847</u></u>

CITY OF ANNAPOLIS, MARYLAND
ENTERPRISE FUNDS
SCHEDULE OF REVENUES AND OTHER SOURCES
COMPARED TO BUDGET (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2018

	2018		
	Budget as revised	Actual	Over (Under) Budget
Water Fund			
Charges for services	\$ 7,170,000	\$ 7,364,834	\$ 194,834
Capital facilities	523,600	678,440	154,840
Money and Property	50,000	85,297	35,297
Total Water Fund	<u>\$ 7,743,600</u>	<u>\$ 8,128,571</u>	<u>\$ 384,971</u>
Sewer Fund			
Charges for services	\$ 8,270,000	\$ 7,642,530	\$ (627,470)
Capital facilities	386,000	235,846	(150,154)
Licenses and Permits	53,000.00	84,912	31,912
Total Sewer Fund	<u>\$ 8,709,000</u>	<u>\$ 7,963,288</u>	<u>\$ (745,712)</u>
Off Street Parking Fund			
Street and Residential Parking Charges	\$ 2,304,000	\$ 2,647,118	\$ 343,118
Off Street Parking Charges	5,537,000	5,763,088	226,088
Interest income	-	247	247
Total Off Street Parking Fund	<u>\$ 7,841,000</u>	<u>\$ 8,410,453</u>	<u>\$ 569,453</u>
Transportation Fund			
Charges for services	\$ 902,000	\$ 828,168	\$ (73,832)
Other financing sources	2,400,000	2,400,000	-
Intergovernmental	472,568	881,808	409,240
Other	103,781	103,781	-
Total Transportation Fund	<u>\$ 3,878,349</u>	<u>\$ 4,213,757</u>	<u>\$ 335,408</u>
Stormwater Management Fund			
Charges for services	\$ 1,500,000	\$ 1,420,715	\$ (79,285)
Total Stormwater Management Fund	<u>\$ 1,500,000</u>	<u>\$ 1,420,715</u>	<u>\$ (79,285)</u>
Refuse Fund			
Charges for services	\$ 2,133,400	\$ 1,961,312	\$ (172,088)
Commercial Refuse Recycling	16,000	17,277	1,277
Total Refuse Fund	<u>\$ 2,149,400</u>	<u>\$ 1,978,589</u>	<u>\$ (170,811)</u>

CITY OF ANNAPOLIS, MARYLAND
ENTERPRISE FUNDS
SCHEDULE OF EXPENSES AND OTHER USES
COMPARED TO BUDGET (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2018

	2018		
	Budget as revised	Actual	Over (Under) Budget
Water Fund			
Salaries	\$ 2,290,659	\$ 2,460,187	\$ (169,528)
Utilities	258,200	274,806	(16,606)
Repairs and maintenance	385,100	377,976	7,124
Materials and supplies	283,600	253,116	30,484
Contractual services	214,000	250,021	(36,021)
Administrative charge from general fund	935,008	935,008	-
Depreciation	425,500	428,973	(3,473)
Debt service	2,887,609	346,458	2,541,151
Other	-	488	(488)
Total Water Fund	<u>\$ 7,679,676</u>	<u>\$ 5,327,033</u>	<u>\$ 2,352,643</u>
Sewer Fund			
Salaries	\$ 964,230	\$ 1,088,570	\$ (124,340)
Utilities	162,400	227,310	(64,910)
Repairs and maintenance	168,800	180,599	(11,799)
Materials and supplies	76,066	79,637	(3,571)
Contractual services	3,893,434	3,279,337	614,097
Administrative charge from general fund	1,913,381	1,913,381	-
Depreciation	641,700	776,008	(134,308)
Intergovernmental	859,695	428,938	430,757
Other	3,000	11,157	(8,157)
Total Sewer Fund	<u>\$ 8,682,706</u>	<u>\$ 7,984,937</u>	<u>\$ 697,769</u>
Off Street Parking Fund			
Salaries	\$ 147,600	\$ 54,499	\$ 93,101
Utilities	57,000	69,966	(12,966)
Repairs and maintenance	174,000	95,342	78,658
Materials and supplies	1,000	1,520	(520)
Contractual services	2,152,942	2,703,128	(550,186)
Administrative charge from general fund	678,191	678,191	-
Depreciation	908,700	944,189	(35,489)
Debt Service	1,280,140	375,400	904,740
Operating transfers and subsidies	2,400,000	2,400,000	-
Total Off Street Parking Fund	<u>\$ 7,799,573</u>	<u>\$ 7,322,235</u>	<u>\$ 477,338</u>

CITY OF ANNAPOLIS, MARYLAND
ENTERPRISE FUNDS
SCHEDULE OF EXPENSES AND OTHER USES
COMPARED TO BUDGET (BUDGETARY BASIS) (CONTINUED)
YEAR ENDED JUNE 30, 2018

	2018		
	Budget as revised	Actual	Over (Under) Budget
Transportation Fund			
Salaries	\$ 3,995,154	\$ 4,077,023	\$ (81,869)
Utilities	24,493	24,188	305
Repairs and maintenance	233,294	167,302	65,992
Materials and supplies	775,971	711,609	64,362
Contractual services	39,726	1,639	38,087
Depreciation	489,400	437,048	52,352
Interest expense	860,033	861,231	(1,198)
Capital outlay	218,528	45,865	172,663
Total Transportation Fund	<u>\$ 6,636,599</u>	<u>\$ 6,325,905</u>	<u>\$ 310,694</u>
Stormwater Management Fund			
Salaries	\$ 469,522	\$ 723,613	\$ (254,091)
Utilities	650	540	110
Repairs and maintenance	11,000	12,175	(1,175)
Materials and supplies	16,000	12,790	3,210
Contractual services	74,427	67,107	7,320
Administrative charge from general fund	144,077	144,077	-
Depreciation	-	14,386	(14,386)
Operating transfers and subsidies	500,000	500,000	-
Other	28,800	9,834	18,966
Total Stormwater Management Fund	<u>\$ 1,244,476</u>	<u>\$ 1,484,522</u>	<u>\$ (240,046)</u>
Refuse Fund			
Salaries	\$ 198,527	\$ 411,774	\$ (213,247)
Utilities	1,200	1,156	44
Repairs and maintenance	1,000	1,615	(615)
Materials and supplies	116,800	68,821	47,979
Professional Services	661,235	525,836	135,399
Contractual services	1,062,570	834,360	228,210
Administrative charge from general fund	546,359	546,359	-
Depreciation	900	61,729	(60,829)
Interest expense	7,730	1,162	6,568
Other	14,390	-	14,390
Total Refuse Fund	<u>\$ 2,610,711</u>	<u>\$ 2,452,812</u>	<u>\$ 157,899</u>

CITY OF ANNAPOLIS, MARYLAND
COMBINING SCHEDULE OF CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS – HEALTH INSURANCE AND SELF INSURANCE ACTIVITIES
JUNE 30, 2018

	<u>Self Insurance Activities</u>	<u>Health Insurance Activities</u>	<u>Total</u>
Operating Revenues			
Employer Contributions	\$ -	\$ 7,873,103	\$ 7,873,103
Employee Contributions	-	1,970,627	1,970,627
Reimbursements and Other	-	755,949	755,949
Workman's Compensation Contribution	1,400,000	-	1,400,000
General Liability Contribution	997,500	-	997,500
Unemployment Contribution	150,000	-	150,000
Total Operating Revenues	<u>2,547,500</u>	<u>10,599,679</u>	<u>13,147,179</u>
Operating Expenses			
Medical and Related	-	7,748,478	7,748,478
Contractual Services	129,000	(34,745)	94,255
Worker's Compensation	1,752,957	-	1,752,957
General and Vehicle	1,427,786	-	1,427,786
Unemployment	40,274	-	40,274
Total Operating Expenses	<u>3,350,017</u>	<u>7,713,733</u>	<u>11,063,750</u>
Operating Income (Loss)	(802,517)	2,885,946	2,083,429
Non Operating Revenue and Expense			
Interest Income	34,075	9,246	43,321
Subsidy to OPEB Trust	-	(1,335,859)	(1,335,859)
Change in Net Position	<u>(768,442)</u>	<u>1,559,333</u>	<u>790,892</u>
Net Position at beginning of year	<u>914,890</u>	<u>(112,402)</u>	<u>802,488</u>
Net Position as of end of year	<u>\$ 146,448</u>	<u>\$ 1,446,931</u>	<u>\$ 1,593,380</u>

**CITY OF ANNAPOLIS, MARYLAND
COMBINING SCHEDULE OF FIDUCIARY NET POSITION
PENSION AND OPEN TRUST FUNDS
JUNE 30, 2018**

	Pension Trust Fund	OPEB Trust Fund	Total Benefit Trust Funds
ASSETS			
Cash	\$ 15,936	1,357,376	\$ 1,373,312
Investments, at fair value:			
Pooled Investments	-	3,097,123	3,097,123
Common stocks	103,854,550	-	103,854,550
Corporate bonds	6,639,915	-	6,639,915
Money market	11,425,850	-	11,425,850
U.S. Agency securities	9,514,458	-	9,514,458
Limited partnerships and alternative investments	32,443,122	-	32,443,122
Real estate	10,065,577	-	10,065,577
Total investments	<u>173,943,472</u>	<u>3,097,123</u>	<u>177,040,595</u>
Total assets	<u>\$ 173,959,408</u>	<u>\$ 4,454,499</u>	<u>\$ 178,413,907</u>
NET POSITION			
Total net position restricted for pension benefits and OPEB	<u>\$ 173,959,408</u>	<u>\$ 4,454,499</u>	<u>\$ 178,413,907</u>

CITY OF ANNAPOLIS, MARYLAND
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
PENSION AND OPEB TRUST FUNDS
YEAR ENDED JUNE 30, 2018

	Pension Trust Fund	OPEB Trust Fund	Total Benefit Trust Funds
ADDITIONS			
Contributions			
Employer	\$ 3,389,348	2,974,120	\$ 6,363,468
Employer - subsidy from Self Insurance Fund	-	1,336,103	1,336,103
Plan member	1,458,763	21,162	1,479,925
Total Contributions	4,848,111	4,331,385	9,179,496
Investment Income			
Interest and Dividends	2,372,115	12,626	2,384,741
Net depreciation in fair value of investments	10,123,580	189,180	10,312,760
Real estate operating income, net	503,918	-	503,918
	12,999,613	201,806	13,201,419
Less: Investment expense	(771,399)	(1,694)	(773,093)
Total investment income	12,228,214	200,112	12,428,326
Total additions	17,076,325	4,531,497	21,607,822
DEDUCTIONS			
Benefits	11,705,270	3,354,002	15,059,272
Administrative expenses	174,376	304,254	478,630
Total deductions	11,879,646	3,658,256	15,537,902
Change in net position	5,196,679	873,241	6,069,920
Net position as of beginning of year	168,762,729	3,581,258	172,343,987
Net position as of end of year	\$ 173,959,408	\$ 4,454,499	\$ 178,413,907

**CITY OF ANNAPOLIS, MARYLAND
STATISTICAL SECTION**

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

<u>Contents</u>	<u>Page</u>
<i>Financial Trends</i> These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	97
<i>Revenue Capacity</i> These schedules contain information to help the reader assess the City's most significant local revenue source – property tax.	103
<i>Debt Capacity</i> These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue debt in the future.	105
<i>Demographic and Economic Information</i> These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	107
<i>Operating Information</i> These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	109

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

	Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities										
Net Investment in capital assets	\$ 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	\$ 64,772,139
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	11,627,900
Unrestricted	(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)	(73,244,870)
Total governmental activities net position	<u>\$ 26,426,057</u>	<u>\$ 16,727,860</u>	<u>\$ 12,053,961</u>	<u>\$ 13,620,894</u>	<u>\$ 11,179,654</u>	<u>\$ 11,987,567</u>	<u>\$ 9,363,561</u>	<u>\$ 9,346,815</u>	<u>\$ 9,445,103</u>	<u>\$ 3,155,169</u>
Business-type activities										
Net Investment in capital assets	\$ 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	\$ 39,278,976
Restricted	-	3,493,242	3,610,180	1,764,988	11,201,495	13,422,350	18,606,456	11,169,944	20,162,006	14,601,654
Unrestricted	(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)	(9,165,161)
Total business-type activities net position	<u>\$ 23,048,171</u>	<u>\$ 16,650,580</u>	<u>\$ 13,545,818</u>	<u>\$ 16,507,228</u>	<u>\$ 25,366,278</u>	<u>\$ 26,794,618</u>	<u>\$ 25,046,407</u>	<u>\$ 38,429,774</u>	<u>\$ 43,781,113</u>	<u>\$ 44,715,469</u>
Primary government										
Net Investment in capital assets	\$ 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	\$ 104,051,115
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	26,229,554
Unrestricted	(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)	(82,410,031)
Total primary government net position	<u>\$ 49,474,228</u>	<u>\$ 33,378,440</u>	<u>\$ 25,599,779</u>	<u>\$ 30,128,122</u>	<u>\$ 36,545,932</u>	<u>\$ 38,782,185</u>	<u>\$ 34,409,968</u>	<u>\$ 47,776,589</u>	<u>\$ 53,226,216</u>	<u>\$ 47,870,638</u>

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

	Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental Activities:										
General government	\$ 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	\$ 3,436,940
Land use	-	-	-	-	-	-	-	-	-	3,795,364
Public safety	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	44,379,756
Community services	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	5,602,536
Community development	727,629	979,789	439,922	219,690	824,734	1,054,349	404,147	736,673	520,738	610,568
Public works	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	10,684,076
Interest and bond issuance costs	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	2,628,460
Total Governmental Activities Expenses	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	71,137,700
Business-type Activities:										
Water	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	5,281,429
Sewer	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	8,010,034
Off Street Parking	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	4,922,237
Transportation	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	6,326,514
Dock*	1,517,822	1,683,535	1,228,289	1,446,831	1,151,363	1,004,113	1,148,449	-	-	-
Market*	828,273	449,267	171,670	224,104	165,188	232,218	355,987	-	-	-
Stormwater Management	914,981	703,710	382,467	315,056	528,573	326,889	320,909	514,327	719,818	967,676
Refuse	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	2,420,454
Total Business-type Activities Expenses	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	27,928,344
Total Primary Government Expenses	<u>\$ 123,270,700</u>	<u>\$ 97,060,845</u>	<u>\$ 85,527,393</u>	<u>\$ 90,057,973</u>	<u>\$ 104,685,419</u>	<u>\$ 106,100,378</u>	<u>\$ 105,243,809</u>	<u>\$ 101,636,757</u>	<u>\$ 102,417,561</u>	<u>\$ 99,066,044</u>
Program Revenues										
Governmental Activities:										
Charges for Service:										
General government	\$ 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	\$ 3,287,196
Land use	-	-	-	-	-	-	-	-	-	2,344,675
Public safety	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	2,730,087
Community services	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	2,852,271
Public works	826,574	824,426	855,577	2,794,677	1,173,707	1,677,748	1,171,131	1,233,422	1,275,788	1,198,955
Operating Grants and Contributions	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	5,691,722
Capital Grants and Contributions	1,894,954	344,667	190,892	626,762	45,450	32,750	503,516	1,755,221	1,098,816	395,870
Total Governmental Activities										
Program Revenues	<u>23,120,827</u>	<u>20,910,938</u>	<u>20,401,740</u>	<u>26,551,931</u>	<u>29,380,476</u>	<u>33,396,258</u>	<u>33,418,476</u>	<u>40,305,308</u>	<u>17,072,979</u>	<u>18,500,776</u>

*Transferred to General fund and Governmental Activities in 2016.

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

	Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Program Revenues (continued)										
Business-type Activities:										
Charges for Services:										
Water	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	8,040,690
Sewer	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	7,962,125
Off Street Parking	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	8,410,206
Transportation	968,705	1,077,233	764,847	1,088,490	938,735	895,661	938,100	937,916	884,316	917,369
Dock*	867,020	857,683	1,022,585	855,759	861,833	963,162	909,174	-	-	-
Market*	3,191	77,905	36,931	57,367	10,571	135,053	208,500	-	-	-
Stormwater Management	516,776	509,995	493,586	895,510	830,185	831,557	934,653	947,886	1,077,499	1,420,715
Refuse	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	1,978,669
Operating Grants and Contributions	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	1,795,402
Capital Grants and Contributions	1,501,620	1,808,382	334,290	1,961,369	138,092	149,899	455,863	427,568	3,022,680	1,887,568
Total Business-type Activities Program Revenues	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	32,412,744
Total Primary Government Program Revenues	<u>\$ 43,308,980</u>	<u>\$ 41,258,499</u>	<u>\$ 39,557,742</u>	<u>\$ 56,208,292</u>	<u>\$ 60,771,205</u>	<u>\$ 65,233,914</u>	<u>\$ 65,760,543</u>	<u>\$ 70,675,260</u>	<u>\$ 50,817,977</u>	<u>\$ 50,913,520</u>
Net (expenses) / revenues										
Governmental Activities	\$ (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)	(52,636,924)
Business-type Activities	(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	4,484,400
Total Primary Government Net Expenses	<u>\$ (79,961,720)</u>	<u>\$ (55,802,346)</u>	<u>\$ (45,969,651)</u>	<u>\$ (33,849,681)</u>	<u>\$ (43,914,214)</u>	<u>\$ (40,866,464)</u>	<u>\$ (39,483,266)</u>	<u>\$ (30,961,497)</u>	<u>\$ (51,599,584)</u>	<u>\$ (48,152,524)</u>
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes****										
Real	\$ 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	\$ 43,294,360
Personal property	-	-	-	-	-	-	-	-	-	3,404,056
Unincorporated	39,979	28,121	24,841	27,031	33,719	37,187	31,632	45,410	48,610	-
Public utility	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	1,627,009	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	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	13,275,271
Interest and investment earnings	296,086	27,695	9,719	17,415	148,041	24,650	16,430	101,179	233,794	622,199
Miscellaneous	6,142,779	309,918	698,543	422,268	1,382,844	180,147	-	-	2,853,912	3,119,479
Transfers**	(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	<u>38,879,020</u>	<u>36,124,569</u>	<u>36,708,360</u>	<u>41,703,346</u>	<u>44,495,156</u>	<u>43,571,769</u>	<u>43,025,575</u>	<u>37,958,517</u>	<u>57,517,226</u>	<u>63,715,365</u>

*Transferred to General fund and Governmental Activities in 2016.

**Transfer of OPEB Trust funds in 2017.

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

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

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

	Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Revenues and Other Changes in Net Position (continued)										
Business-type Activities:										
Interest and Investment Earnings	19,708	4,312	3,527	6,663	26,132	8,759	6,104	31,952	6,986	422,009
Miscellaneous	953,685	1,732,926	2,143,353	-	-	-	-	-	-	-
Transfers	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	<u>1,791,393</u>	<u>632,198</u>	<u>1,482,630</u>	<u>(3,325,322)</u>	<u>(2,255,237)</u>	<u>(774,871)</u>	<u>(563,416)</u>	<u>6,369,602</u>	<u>(468,014)</u>	<u>422,009</u>
Total Primary Government	<u>\$ 40,670,413</u>	<u>\$ 36,756,767</u>	<u>\$ 38,190,990</u>	<u>\$ 38,378,024</u>	<u>\$ 42,239,919</u>	<u>\$ 42,796,898</u>	<u>\$ 42,462,159</u>	<u>\$ 44,328,119</u>	<u>\$ 57,049,212</u>	<u>\$ 64,137,374</u>
Change in Net Position										
Governmental Activities	\$ (37,308,392)	\$ (12,647,988)	\$ (4,673,899)	\$ 1,566,933	\$ (2,441,240)	\$ 807,913	\$ 1,259,862	\$ (16,746)	\$ 98,288	\$ 11,078,441
Business-type Activities	(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	4,906,409
Total Primary Government	<u>\$ (39,291,307)</u>	<u>\$ (19,045,579)</u>	<u>\$ (7,778,661)</u>	<u>\$ 4,528,343</u>	<u>\$ (1,674,295)</u>	<u>\$ 1,930,434</u>	<u>\$ 2,978,892</u>	<u>\$ 13,366,621</u>	<u>\$ 5,449,627</u>	<u>\$ 15,984,850</u>

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

	Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Non-Spendable	\$ 711,154	\$ 314,552	\$ 225,660	\$ 214,329	\$ 218,712	\$ 145,414	\$ 173,401	\$ 178,711	\$ 143,209	\$ 154,479
Restricted	-	-	-	-	7,107,625	-	-	-	-	13,281,052
Committed	-	-	-	-	-	-	-	-	-	1,251,403
Assigned	-	3,478,434	3,536,307	364,208	-	20,539,453	11,212,929	22,581,009	12,651,103	1,886,721
Unassigned	4,407,708	-	8,279,541	23,387,107	25,491,299	14,458,859	32,319,856	15,816,683	14,489,171	14,057,004
Total general fund	<u>\$ 5,118,862</u>	<u>\$ 3,792,986</u>	<u>\$ 12,041,508</u>	<u>\$ 23,965,644</u>	<u>\$ 32,817,636</u>	<u>\$ 35,143,726</u>	<u>\$ 43,706,186</u>	<u>\$ 38,576,403</u>	<u>\$ 27,283,483</u>	<u>\$ 30,630,659</u>
Capital Projects Fund										
Restricted	\$ -	\$ -	\$ -	\$ -	\$ 2,624,930	\$ -	\$ -	\$ -	\$ 6,302,248	\$ 5,882,725
Assigned	12,123,072	1,038,021	4,190,198	2,144,609	-	-	-	-	-	-
Unassigned	(1,079,462)	3,826,100	-	-	-	-	(366,096)	(9,287,428)	-	-
Total capital projects fund	<u>\$ 11,043,610</u>	<u>\$ 4,864,121</u>	<u>\$ 4,190,198</u>	<u>\$ 2,144,609</u>	<u>\$ 2,624,930</u>	<u>\$ -</u>	<u>\$ (366,096)</u>	<u>\$ (9,287,428)</u>	<u>\$ 6,302,248</u>	<u>\$ 5,882,725</u>
Special Revenue Fund										
Restricted	\$ 243,689	\$ 150,340	\$ 145,087	\$ -	\$ 319,574	\$ 104,847	\$ 208,839	\$ 14,567	\$ 123,626	\$ 196,400
Unassigned	(243,689)	(150,340)	(145,087)	316,804	-	-	-	(65,748)	(31,878)	-
Total special revenue fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 316,804</u>	<u>\$ 319,574</u>	<u>\$ 104,847</u>	<u>\$ 208,839</u>	<u>\$ (51,181)</u>	<u>\$ 91,748</u>	<u>\$ 196,400</u>

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

	Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Taxes	\$ 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	\$ 46,614,066
Licenses and Permits	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	3,224,034
Fines and Forfeitures	1,229,028	947,614	829,371	1,435,632	416,035	733,127	518,255	378,159	250,002	585,868
Money and Property	1,370,121	846,380	820,868	1,845,211	1,122,180	831,850	1,926,216	1,840,860	2,853,185	1,715,579
Intergovernmental	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	19,210,011
Current Services	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	5,630,951
Other Revenue	-	-	-	-	-	-	-	-	-	522,872
Total Revenues	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	77,503,381
Expenditures										
General Government	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	3,394,054
Land Use	-	-	-	-	-	-	-	-	-	3,795,364
Public Safety	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	41,764,737
Community Services	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	5,124,924
Community Development	727,629	979,789	439,922	204,998	824,734	892,026	404,147	736,673	520,738	610,568
Public Works	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	8,866,618
Debt Service										
Principal	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	2,957,144
Interest	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	2,810,285
Bond Issuance Costs	-	-	-	-	851,819	-	-	-	-	-
Capital Outlays	13,348,193	18,297,251	1,812,456	-	2,479,045	4,108,944	3,182,796	12,613,991	9,078,508	8,428,280
Total Expenditures	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	77,751,974
Excess of Revenues Over (Under)										
Expenditures	(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)	(248,593)
Other Financing Sources (Uses)	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	3,281,898
Net Change In Fund Balances	\$ (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	\$ 3,033,305
Debt Service as a Percentage of Noncapital										
Expenditures	10.17%	9.80%	8.79%	8.10%	6.47%	6.93%	8.65%	9.43%	10.85%	8.32%

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

ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Fiscal Year	Real Property	Personal Property	Total
	Assessed Market Value	Assessed Market Value	Assessed Market Value
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
2018	6,672,654,101	164,047,200	6,836,701,301

**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
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
2018	0.65	0.54	0.11	1.30

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

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

Taxpayer	2018	
	Assessed	Percentage
	Market Valuation	of Total Assessed Market Valuation
CL WATERGATE LLC	\$ 57,903,800	0.90%
BELL FUND VI WEST STREET LLC(FORMALLY 1901 WEST ST)	51,152,700	0.80%
BAYWOODS COOPERATIVES HOUSING CORP	42,260,512	0.66%
APTCO ANNAPOLIS LLC	39,186,900	0.61%
GUARDIAN PARK PLACE LLC	39,067,200	0.61%
YACHT BASIN CO OF MARYLAND	36,179,500	0.56%
HOME PROPERTIES ANNAPOLIS	34,509,500	0.54%
GPIF WANN HOTEL LLC (FKA CH REALTY ANNAPOLIS HOTEL	31,885,700	0.50%
LEXIN SPA COVE OWNER LLC(FKA CH RLTY ANNAPOLIS HOTEL PARTNERS)	27,489,200	0.43%
ADMIRAL FARRAGUT JNT VNT	24,238,700	0.38%
	<u>\$ 383,873,712</u>	<u>5.99%</u>

Taxpayer	2009	
	Assessed	Percentage
	Market Valuation	of Total Assessed Market Valuation
PARK PLACE	\$ 134,950,012	2.34%
VERIZON	74,624,800	1.30%
BALTIMORE GAS & ELECTRIC	73,471,075	1.28%
BAYWOODS COOPERATIVE HSG	63,992,337	1.11%
YACHT BASIN CO OF MARYLAND	42,372,664	0.74%
LOEWS ANNAPOLIS HOTEL CORP	32,585,800	0.57%
COLUMBIA REALTY VENTURE	32,483,432	0.56%
CASCO THORNBURY BAY LLC	28,410,632	0.49%
SPA COVE APARTMENTS	27,156,734	0.47%
ANNAPOLIS RDS APART. CO	18,552,466	0.32%
	<u>\$ 528,599,952</u>	<u>9.18%</u>

SUMMARY OF PROPERTY TAX LEVIES AND COLLECTIONS

Fiscal Year	Tax Levy	Subsequent Adjustments	Total Tax Levy (2)	Current Year's Tax Collected in Year of Levy (1)		Total Taxes Collected (Current & Delinquent)		Delinquent Taxes	Delinquent Taxes as % of Current Year's Tax Levy
				Amount	Percent	Amount	Percent		
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
2018	43,162,048	(239,942)	42,922,106	42,881,780	99.91	42,851,925	99.84	92,541	0.22

Note:

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

(2) Includes subsequent adjustments

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

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

Fiscal Year	Governmental Activities		Business-Type Activities		Total Bonded Debt	Percentage of Personal Income ¹	Per Capita ¹	Percentage of Market Value ²
	General	Other	General	Other				
	Obligation Bonds	Debt	Obligation Bonds	Debt				
2009	\$ 44,355,776	\$ 1,275,055	\$ 18,961,352	\$ 766,090	\$ 65,358,273	2.32 %	1,796	1.11 %
2010	55,026,790	931,215	28,648,357	625,178	85,231,540	3.21	2,285	1.41
2011	56,733,851	569,945	28,626,150	482,545	86,412,491	3.30	2,221	1.37
2012 *	55,413,563	193,822	50,635,557	334,851	106,577,793	4.28	2,818	1.66
2013	62,876,856	947,092	63,096,140	731,346	127,651,434	4.64	3,290	1.92
2014	60,401,296	735,358	59,893,697	2,266,324	123,296,675	4.52	3,193	2.02
2015	63,213,100	520,883	63,776,900	5,627,394	133,138,277	7.96	3,434	2.18
2016	68,924,370	304,713	65,550,389	18,300,555	153,080,027	8.80	3,837	2.47
2017	74,756,990	36,182	63,720,153	22,245,843	160,759,168	8.99	3,996	2.53
2018	72,609,720	-	61,659,358	23,457,406	157,726,484	8.52	3,971	2.39

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

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

* as restated

SCHEDULE OF LEGAL DEBT MARGIN

SCHEDULE OF LEGAL DEBT MARGIN

Fiscal Year	Assessable Base	Debt Limit:		City Debt Limitation	Debt Margin	Ratio of City Debt to Assessable Base
		10% of	Assessable Base			
2009	\$ 5,911,023,962	\$	591,102,396	\$ 65,616,145	\$ 525,486,251	1.11 %
2010	6,040,939,755		604,093,976	85,431,393	518,662,583	1.41
2011	6,437,267,368		643,726,737	86,590,528	557,136,209	1.35
2012	6,640,303,945		664,030,395	84,034,058	579,996,337	1.27
2013	6,105,379,175		610,537,918	130,797,928	479,739,990	2.14
2014	6,120,838,023		612,083,802	123,296,675	488,787,127	2.01
2015	6,189,834,962		618,983,496	133,138,277	485,845,219	2.15
2016	6,359,593,401		635,959,340	153,080,027	482,879,313	2.41
2017	6,604,180,109		660,418,011	160,759,168	499,658,843	2.43
2018	6,836,701,301		683,670,130	157,726,484	525,943,646	2.31

**COMPUTATION OF DIRECT AND OVERLAPPING DEBT
YEAR ENDED JUNE 30, 2018**

Jurisdiction	Net Debt Outstanding	Percentage Applicable to City of Annapolis	Amount Applicable to City of Annapolis
City of Annapolis	\$ 157,726,484	100%	\$ 157,726,484
Anne Arundel County - Education	1,382,442,974	8%	110,595,438
Total	<u>\$ 1,540,169,458</u>		<u>\$ 268,321,922</u>

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

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

Fiscal Year	Expenditures		Debt Service as a Percentage of Total
	Debt Service	Total General Fund	
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
2018	5,767,429	68,490,882	8.42

**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)
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
2018	39,717	1,850,892	46,602	2.9	7,660

Sources:

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

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

	2018		2009	
	Employees	Percentage of City	Employees	Percentage of City
United States Naval Academy	2,500	6.29%	2,052	5.50%
ARC of the Central Chesapeake Region	502	1.26%	-	-
St. John's College	204	0.51%	-	-
Rams Head Tavern, Inc.	140	0.35%	-	-
Annapolis Marriott Waterfront Hotel/Pussers Restaurant	215	0.54%	-	-
Buddy's Crabs & Ribs, Inc.	167	0.42%	-	-
(Comtech) TeleCommunication Systems, Inc.	200	0.50%	500	1.34%
Federal Catering	180	0.45%	-	-
Severn Bancorp (Severn Savings Bank FSB)	120	0.30%	-	-
Loews Annapolis Hotel	166	0.42%	-	-
Anne Arundel health Systems, Inc	-	-	2,800	7.51%
ARINC	-	-	1,100	2.95%
Home Depot	-	-	852	2.28%
Verizon Maryland (formerly Bell Atlantic)	-	-	844	2.26%
Baltimore Gas and Electric	-	-	412	1.10%
Northrop Grumman Mission Systems	-	-	400	1.07%
US Internetworking, Inc	-	-	365	0.98%
MedAssurant Inc.	-	-	300	0.80%
Capital Gazette Communications, Inc	-	-	330	0.91%
	<u>4,394</u>	<u>11.06%</u>	<u>10,255</u>	<u>27.54%</u>

Note:

Excludes state and local government.

Source:

City of Annapolis

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

FULL TIME EQUIVALENT EMPLOYEES BY FUNCTION

<u>Fiscal Year</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
General Government	63	68	57	59	56	76	75	75	82	85
Public Safety	341	340	307	320	335	322	318	316	312	295
Public Works	51	49	46	45	40	42	60	60	61	59
Recreation & Parks	20	20	18	12	20	21	26	25	35	25
Water Fund	27	27	27	26	25	22	25	26	25	24
Sewer Fund	7	7	6	5	6	6	6	6	6	6
Dock Fund	3	3	3	2	3	3	2	2	-	0
Transportation Fund	55	55	49	37	38	50	55	52	45	41
Stormwater Mgmt Fund	3	3	3	3	3	3	3	3	3	3
Refuse Fund	22	22	21	23	1	2	2	2	2	1
Total	592	594	537	537	527	547	572	567	571	539

Source:

City of Annapolis - Finance Office

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

OPERATING INDICATORS BY FUNCTION

Fiscal Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Government										
Finance:										
Real property tax accounts	15,075	15,195	15,294	15,392	14,857	14,891	14,860	14,842	15,107	15,079
Personal property tax accounts	2,003	1,990	2,112	1,911	1,986	1,965	2,180	1,945	2,014	2,215
Public Safety										
Police										
Calls for service	35,980	36,501	35,233	36,907	35,983	36,780	35,036	35,003	39,406	40,132
Physical arrests	4,168	4,265	2,165	3,945	3,657	3,929	3,330	2,625	2,366	1,837
Parking violations	19,388	5,138	29,655	27,020	25,606	24,358	28,795	1,384	16,457	14,199
Traffic violations	6,729	5,572	4,115	9,535	7,097	7,555	3,619	7,538	4,123	6,789
Fire										
Number of calls answered	9,189	8,310	10,041	10,232	9,344	9,344	9,697	9,847	10,961	11,798
Inspections	1,746	1,100	1,486	1,279	1,440	2,299	1,273	1,569	1,757	2,460
Recreation & Parks										
Programs offered	118	151	N/A	N/A	116	353	362	367	152	194
Enrollment	4,161	4,195	N/A	N/A	4,238	1,433	5,287	5,695	3,494	4,341
Public Works										
Roadways and sidewalks										
Potholes repaired	1,579	1,005	1,241	820	1,431	2,671	2,214	1,931	1,537	2,118
Water Fund										
Water main repairs	26	21	43	14	33	10	22	22	20	45
Number of accounts	12,404	12,411	12,246	12,554	12,526	13,154	12,753	12,663	12,755	12,847
Sewer Fund										
Number of accounts	11,400	11,409	11,197	11,435	10,400	12,026	11,597	11,618	11,699	11,782
Refuse Fund										
Refuse collected (tons per year)	5,297	6,501	7,167	8,801	8,135	7,807	7,416	7,592	7,439	6,892
Recycling collected (tons per year)	2,430	2,366	2,856	2,762	3,312	3,406	3,439	3,592	3,591	3,500
Yard Waste collected (tons per year)	2,318	97	3,368	3,114	1,534	1,826	2,133	1,912	1,895	1,851
Neighborhood & Environmental Programs										
Construction permits issued - Commercial	270	129	290	274	234	208	182	152	207	91
Construction permits issued - Residential	892	787	836	851	682	766	637	596	576	392
Transportation Fund										
Number of routes	10	10	8	8	9	10	10	10	10	10
Number of passengers (in thousands)	1,465	1,580	1,139	650	728	753	597	445	385	464

Source:

Various City of Annapolis departments

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

CAPITAL ASSET STATISTICS BY FUNCTION

Fiscal Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Government										
Buildings	5	6	7	7	7	7	8	9	8	7
Vehicles	22	20	23	23	37	41	43	26	23	23
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Uniformed police officers	131	116	116	112	112	114	114	114	124	124
Police vehicles	100	108	96	92	98	86	86	86	75	83
Fire										
Stations	3	3	3	3	3	3	3	3	3	3
Career firefighters	137	126	133	119	120	127	123	124	136	136
Pumper/ladder trucks	6	6	7	7	7	7	6	7	7	7
Paramedic units	6	6	1	5	5	6	7	7	7	7
Other vehicles	34	37	38	44	40	39	34	32	32	32
Public Works										
Buildings	7	6	6	6	6	6	9	20	9	7
Street (in miles)	99	99	99	91	91	276	276	276	276	276
Traffic signals	28	28	28	26	26	20	20	21	21	21
Recreation & Parks										
Buildings	4	3	3	3	3	4	4	13	11	11
Playgrounds / parks in acres	126	126	126	126	126	126	201	250	250	250
Ballfields	5	5	5	8	8	4	14	14	14	14
Tennis courts	14	14	14	14	14	14	14	14	14	13
Water Fund										
Mains in miles	128	128	128	128	128	128	140	140	140	140
Storage tanks	5	5	5	5	5	5	5	5	5	5
Sewer Fund										
Lines in miles	140	140	140	140	140	140	125	125	125	125
Number of pumping stations	25	25	25	25	25	23	25	25	25	25
Transportation Fund										
Passenger buses	29	33	33	22	22	25	23	22	22	17

Source:

Various City of Annapolis departments