

# City of Annapolis, Maryland



## Annual Comprehensive Financial Report



For the Fiscal Year Ended  
June 30, 2023



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**CITY OF ANNAPOLIS, MARYLAND**



## **ANNUAL COMPREHENSIVE FINANCIAL REPORT**

For the Fiscal Year Ended June 30, 2023

MAYOR:  
Gavin Buckley

ALDERMEN AND ALDERWOMEN:

Eleanor Tierney  
Karma O'Neill  
Rhonda Pindell Charles  
Sheila M. Finlayson

Brooks Schandelmeier  
DaJuan Gay  
Robert Savidge  
Ross H. Arnett, III

CITY MANAGER:  
Michael Mallinoff, J.D.

Prepared By:  
FINANCE DEPARTMENT

Jodee Dickinson  
Finance Director

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**CITY OF ANNAPOLIS, MARYLAND**

CITY OF ANNAPOLIS, MARYLAND

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# INTRODUCTORY SECTION



***CITY OF  
ANNAPOLIS,  
MARYLAND***

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**CITY OF ANNAPOLIS, MARYLAND**





February 4, 2024

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 Annual Comprehensive Financial Report of the City for the fiscal year ended June 30, 2023.

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 UHY, 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, 2023, 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, 2023, 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 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. Annapolis serves as Maryland's Capital, the Anne Arundel County seat, and location of the U.S. Naval Academy.

The City of Annapolis is empowered to levy a real and personal property tax located within its boundaries. Because of the strong government presence, approximately 20% of the City's property is exempt from property taxes. The City of Annapolis operates under a mayor-council form of government. Legislative authority is vested in an elected city council consisting of eight members elected by ward plus the Mayor elected at large. The city council is responsible for passing ordinances, adopting the budget, appointing committees, and confirming the hiring of department head nominees submitted by the Mayor. The Mayor is responsible for carrying out the policies and ordinances of the city council, overseeing the day-to-day operations of the City, drafting the budget and submitting it to the city council for approval, and appointing department heads. The Mayor and the eight city council members are elected every four years with a term limit for the Mayor of two terms.

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

## **Budgetary Controls**

The annual budget serves as the foundation for the City of Annapolis' financial planning and control. All City departments are required to submit budget requests to the Mayor. The Mayor uses these requests as the starting point for developing the proposed budget. The Mayor then presents his proposed budget to the city council for review. The city council is required to hold public hearings on the proposed budget and to appropriate a final budget no later than June 30<sup>th</sup>. The City prepares the budget by fund and department.

Subsequently, departments can request budget transfers; however, the City Manager must authorize transfers within departments and funds up to and including \$25,000. Transfers between funds, transfers between departments greater than \$25,000, and any increase to appropriations from additional revenue or reserves must be approved by the city council. All funds, except for the benefit trust funds, have a legal appropriated budget. For those funds with appropriations, budget-to-actual comparisons are provided in the subsequent exhibits. For the General Fund, this information is presented as required supplementary information, the remaining funds' budget-to-actual comparisons are included 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.

## ***Pandemic Recovery***

The City felt the impact of the pandemic on its operations and its revenue sources primarily during fiscal years 2020 and 2021. The City received significant funding from the CARES Act from Federal, State, and County sources as well as Federal ARPA Funds. The City used a significant portion of its CARES and ARPA funds to support ongoing transportation activities, because of the lack of parking revenue. Impacts were also apparent in occupancy taxes, admission and amusement taxes, highway user revenue, investment income, permitting activities, boat show revenue, and recreation program income. The City depleted its General CARES funding in fiscal year 2022 and most of its transportation CARES and ARPA funding in fiscal year 2023. The City still has small amounts of transportation CARES and ARPA funds as well as ARPA funds to assist in general City initiatives.

Fiscal year 2023 has seen recovery of most of the revenue sources, including state shared taxes, charges for services, and parking revenue. The City planned to use ARPA funding in the General Fund for operational costs in 2023; however, the subsidy was not needed and the General Fund added \$6.9 million to its fund balance reserves. The Off-Street Parking Fund also ended the year with a significant increase to its net assets. Transportation was able to utilize its ARPA grant to cover operational costs.

### ***Public Private Partnership***

During fiscal 2022, the City joined with Maryland Economic Development Corporation (MEDCO) and AMRP to facilitate replacement of the Hillman Parking Garage and provide funding for City Dock flood mitigation. The City, MEDCO, and AMRP completed the concession agreement in September 2022, at which time MEDCO issued senior revenue bonds for the design and construction of a new garage. Proceeds from those bonds and subordinate debt sold to AMRP provided funding for the City Dock improvement through a concession payment. Revenue from the new garage, downtown meter, and street parking is deposited into a trust to pay for the bonds and garage operations. The City will receive periodic distribution of the excess revenue from the trust. In fiscal year 2023, the City received the concession payments negotiated in the agreement. The City also refinanced sub debt issued by MEDCO on the City's behalf for the construction of the Hillman Garage.

### ***Local economy***

As compared to the U.S. regional economies, the City of Annapolis generally 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 several million visitors a year. While the tourism industry provides a valuable economic benefit, the City must continually manage the growing demand for services, as well as provide a desirable place to live for its residents. Despite the impacts of the pandemic on the local economy, the area's unemployment rate remained low. The region's growth and economic diversity are expected to be the basis for recovery and continued long-term health of the local economy.

### ***Long-term financial planning***

The City continues to see new growth in property taxes and building permit 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. The most recent triennial valuation, which increased property values by 7.5%, began in fiscal year 2022 and will continue to phase in through fiscal year 2024.

The County increased its piggyback income tax rate from \$.025 to \$.0281 beginning January 1, 2020. The City has received additional revenue from this tax increase, which has helped offset anticipated losses from the pandemic. However, the County recently lowered the piggyback rate for the first \$50,000 of taxable income, which will decrease income taxes from each filer. Still the City's income taxes continued to exceed budget by \$2.3 million in fiscal year 2023.

Inflationary factors and intense competition in the workforce has impacted the costs of providing City services. Union negotiations took effect for fiscal year 2023, and resulted in significant increases in the base salary for uniformed police in order to hire and retain officers. The City provided modest cost of living increases for all other staff, merit raises, and plans one time bonuses in fiscal years 2023 and 2024 to help offset the effects of the high inflation.

### ***Financial Policies***

The City's fund balance policy requires that the City retain 15% of its annual budgeted General Fund, Transportation Fund, and Off Street Parking Fund revenue as unassigned General 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, sewer, watershed restoration, and refuse 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 System. The system is a cost sharing multiple-employer defined benefit plan 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.

The City of Annapolis also provides retirement health care benefits (OPEB) for certain retirees and their dependents. 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.

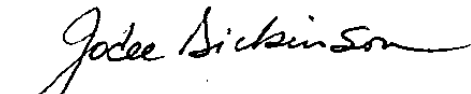
The City fully funds the annual contribution to the State plans and has been fully funding the Police & Fire pension plan since fiscal year 2019. The City plans to increase its OPEB funding each year until it reaches the actuary's determined annual contribution. Additional information on the City of 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 Annual Comprehensive Financial Report (*ACFR*) for the fiscal year ended June 30, 2022. This was the thirty-third 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 *ACFR*. 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 *ACFR* 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, particularly Assistant Finance Director, Julie Donnelly. I express my appreciation to all members of the department who assisted and contributed to the preparation of this report. I also want to thank the City Manager, Mayor, and City Council for their support for maintaining the highest standards of professionalism in the City's finances.

Respectfully Submitted,

  
Jodee Dickinson  
Director of Finance



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Annapolis  
Maryland**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2022

*Christopher P. Morill*

Executive Director/CEO

# CITY OF ANNAPOLIS, MARYLAND ORGANIZATIONAL CHART





**CITY OF ANNAPOLIS, MARYLAND**  
**LIST OF PRINCIPAL OFFICIALS**

**City Council**

Gavin Buckley, Mayor

<u>Ward</u>	<u>Aldermen and Alderwomen</u>
1	Eleanor Tierney
2	Karma O'Neill
3	Rhonda Pindell Charles
4	Sheila M. Finlayson
5	Brooks Schandelmeier
6	DaJuan Gay
7	Robert Savidge
8	Ross H. Arnett, III

**Management Team**

<u>Title</u>	<u>Name</u>
City Manager	Michael Mallinoff, J.D.
City Attorney	D. Michael Lyles, Esq.
City Clerk	Regina C. Watkins-Eldridge
Finance Director	Jodee Dickinson, CPA
Fire Chief	Douglas Remaley
Human Resources Manager	Tricia Hopkins
Information Technology Manager	Brian Paquin
Director of the Office of Emergency Management	Kevin J. Simmons
Director of Planning and Zoning	Christopher N. Jakubiak, AICP
Chief of Police	Edward C. Jackson
Director of Public Works	Burr Vogel
Director of Recreation and Parks	Roslyn Johnson
Director of Transportation	Markus Moore

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**CITY OF ANNAPOLIS, MARYLAND**

# FINANCIAL SECTION



***CITY OF  
ANNAPOLIS,  
MARYLAND***

## INDEPENDENT AUDITOR'S REPORT

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

### Opinions

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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents.

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, 2023, 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.

### Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 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 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 fund financial statements and schedules listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2024, 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 solely 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 the effectiveness of the City's 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 System's internal control over financial reporting and compliance.

The logo for UHY LLP, featuring the letters 'UHY' in a large, stylized, cursive font, with 'LLP' in a smaller, simpler font to the right.

Columbia, Maryland  
February 15, 2024



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**CITY OF ANNAPOLIS, MARYLAND**

# **MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**



***CITY OF  
ANNAPOLIS,  
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**CITY OF ANNAPOLIS, MARYLAND**

**CITY OF ANNAPOLIS, MARYLAND  
MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2023**

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, 2023. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our letter of transmittal on pages 1-4 of this report.

**Financial Highlights**

- At the end of fiscal year 2023, the City's assets and deferred outflows exceed liabilities and deferred inflows by \$95,593,464 (*net position*) an increase of \$22,273,146. Governmental activities accounted for \$19,519,328 of the increase and business-type activities accounted for \$2,753,818 over fiscal year 2023. Governmental activities recognized an increase in revenues of approximately \$12.2 million, this was offset by an increase in expenses of \$13.3 million. The receipt of \$11.9 million concession payment resulting from the Public/Private Partnership discussed in note 13 on page 70 combined with the issuance of bonds in December, 2022, drove the increase in governmental activity fund balance. The City recorded business-type activities saw modest growth in revenues and a \$349,336 decline in expenses.
- As discussed in Note 13 on page 70, the City entered into a Public/Private Partnership with Maryland Economic Development Corporation (MEDCO) for the full replacement and operations of the Hillman Garage as well as a concession payment for future City Dock Improvements. As a result of this agreement, the City booked an increase in \$30.0 million to fixed assets in the Off-street Parking Fund, refinanced subdebt in the amount of \$8.7 million and received two concession payments related to future parking revenues.
- At the close of fiscal year 2023, the City's governmental funds reported a combined ending fund balance of \$59,900,618, a net increase of \$18,506,951 from the prior year. The General Fund increased marginally by \$716,000, while the Capital Projects Fund increased by \$17.7 million due to the receipt of concession payment proceeds and proceeds from the issuance of 2022 Series A bonds. The General Fund revenues increased modestly across all categories for a total revenue increase of \$5.6 million. The most significant driver of revenue growth in the General Fund was an increase in interest and investment income which resulted in additional revenue \$2.3 million. General Fund revenue increases were offset slightly by moderate increases in expenditures, which were expected and controlled results of modest pay increases provided to most employees. Police officers were provided with a pay scale adjustment of 16.2%.
- In spite of the increase in operating costs and relatively modest increase to the General Fund balance overall, the City was able to strengthen its Capital Reserve Fund and the Reserve for One-time Uses as required by the fund balance policy. The City added to these reserves by \$3.9 million and \$3.7 million, respectively.
- The increase in the fund balance of the Capital Projects Fund was due to fiscal year 2023 bond proceeds that were not consumed within the fiscal year as well as cash from the concession payment received during MEDCO's debt issuance. The restricted cash growth reflects these unused sources, which increased from \$3.3 million to \$25.5 million.
- Fiscal year 2021, the City received an award of \$4,173,899 in CARES funding for transportation assistance. At the end of fiscal year 2023, \$1.1 million remains of the original funding to be used by June 30, 2024.
- The City received advance funding from the federal American Recovery Plan Act (ARPA). The City's ARPA allocation is \$7,609,469. The City used \$1.172 million in fiscal year 2021 for transportation activities and did not use any ARPA funds in fiscal year 2022 or fiscal year 2023. At June 30, 2023, unspent ARPA funds and related interest totaled approximately \$6.7 million. This balance is presented as unearned revenue on the government-wide statements and deferred revenue in the fund financial statements. These funds must be obligated by December 31, 2024.
- The City was awarded \$1.9 million in ARPA Funding through the Maryland Department of Transportation

**CITY OF ANNAPOLIS, MARYLAND  
MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2023**

in June of 2022. As of June 30, 2023, the City has a remaining balance of \$114,679 which will be utilized in fiscal year 2024.

- The City issued bonds in November 2022, including Series 2022A in the amount of \$34,425,000 and Series 2022B in the amount of \$8,260,000. Series 2022B refinanced debt incurred for the benefit of the connection with the demolition, development, and replacement of the Hillman Garage. As a result of these issuances, total bonds in the governmental activities increased by approximately \$6.9 million and business-type activities increased by approximately \$29.0 million.
- Overall long-term liabilities increased for governmental activities by approximately \$13.9 million as a result of a new debt issuances as well as an increase of \$7.3 million in net pension liability. Business-type activities long-term liabilities increased by \$29.3 million. This increase was primarily driven by the new debt issuances as well as a \$1.5 million dollar increase in net pension liability offset by modest reductions to other long-term liabilities. Net pension liability is directly impacted by market conditions at the pension measurement date. The Fire and Police net pension calculation is based upon market conditions at June 30, 2023; however, the State net pension liability calculation was calculated at June 30, 2022.
- The City's triennial real property assessment took effect in fiscal year 2022. A 7.5% increase in assessed values is being phased in over fiscal years 2022, 2023, and 2024. The phased in assessed value for fiscal year 2023 resulted in additional 2023 property tax revenue of \$1.2 million.
- The City's Fiduciary Funds' (Benefit Trust Funds) net position increased by \$13.5 million. Contributions and subsidies of \$29.4 million exceeded benefits and expenses of \$15.9 million. Significant market increases in investment value in both the Police and Fire Pension Trust Fund and OPEB Trust Fund lead to this increase.
- The City implemented GASB 96 (*subscription based information technology agreements*) in fiscal year 2023.

### **Overview of the Financial Statements**

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

#### **Government-Wide Financial Statements**

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, land use, public safety, public

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works, community services, and community development. The business-type activities of the City include the water and sewer utilities, parking facilities, transportation, watershed restoration, and refuse collection services. The government-wide financial statements include only the City of Annapolis. The City does not have any component units to report. The government-wide financial statements are on pages 23-24 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 now maintains eleven 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 that are classified as major funds, and six special revenue, and three capital projects funds that are considered nonmajor funds.

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

The Governmental Fund Financial Statements are on pages 25-28 of this report.

***Proprietary Funds***

The City maintains ten different proprietary funds. *Enterprise Funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its sewer utilities, water utilities, parking facilities, transportation, watershed restoration, and refuse collection services. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally for the City's self-insurance, health insurance, fleet operations, and fleet replacement activities. Because these services predominately benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for four of six enterprise funds that are classified as major funds, and the remaining two nonmajor enterprise funds are combined into a single, aggregated presentation. Individual fund data for the enterprise funds is provided in the form of *combining statements* later in this report. The internal service funds are presented in the proprietary fund financial statements in a combined column and individual fund data for these four funds are provided as combining statements later in this report. The proprietary fund financial statements are on pages 29-32 of this report.

***Fiduciary Funds***



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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 the same as that used for proprietary funds. The City uses fiduciary funds to account for the police and fire pension plan and other postemployment benefit plan. The fiduciary fund financial statements are on pages 33-34 of this report. Individual statements for pension and OPEB trust funds are provided as combining statements later in 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 are on pages 35-72 of this report.

***Other information***

In addition to the basic financial statements and the accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits to its police and fire employees and other postemployment benefits to retirees. Required supplementary information is on pages 73-82 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 are on pages 85-120 of this report.

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$95,593,464 at the close of fiscal year 2023. The table on the following page presents a condensed statement of net assets for the City.

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

Restricted net position include grants, other restricted resources, and City funding used for capital improvements.

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

The net position for governmental activities increased by \$19,519,328. This significant increase was driven by an increase in assets, particularly an increase in restricted cash and capital assets. Total restricted cash increased by \$18.7 million due to the December 2022 bond issuance.

Net capital assets increased by \$20.0 million primarily due to the net increases in Land of \$6.7 million, Buildings of \$13.3 million, and Improvements of \$5.2 million offset by reduction in net CIP of \$7.8 million. Land increases were a result of the purchase of Carr's Beach property, while the City's new maintenance facility and

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parking garage were capitalized in fiscal year 2023, simultaneously reducing CIP and increasing the Building balances. Deferred outflows related to pensions decreased by \$5.0 million. Current and non-current liabilities increased by a total of \$19.7 million primarily driven by an increase in accrued self-insurance costs and City pension liability for the State pension system of \$4.3 million and \$4.0 million respectively. The increase in self-insurance costs is driven by anticipated costs resulting from current general liability litigation. The market decline in June 2022, and salary increases were the major causes of the increase in the pension liability as the State Pension liability reflects economic data as of June 30, 2022.

**City of Annapolis - Net Position**

	Governmental Activities		Business-type Activities		Total	
	FY2023	FY2022	FY2023	FY2022	FY2023	FY2022
Current assets	\$ 91,356,467	\$ 72,318,903	\$ 66,955,043	\$ 43,463,608	\$ 158,311,510	\$ 115,782,511
Noncurrent assets:						
Lease Receivable	7,124,169	7,598,425	399,347	-	7,523,516	7,598,425
Restricted water and sewer capital facility assessments	-	-	3,953,216	4,345,396	3,953,216	4,345,396
Net capital assets	159,687,650	139,723,204	137,375,890	105,921,154	297,063,540	245,644,358
Total noncurrent assets	166,811,819	147,321,629	141,728,453	110,266,550	308,540,272	257,588,179
Total assets	258,168,286	219,640,532	208,683,496	153,730,158	\$ 466,851,782	373,370,690
Deferred outflows of resources	28,541,906	34,584,199	3,421,648	3,640,999	31,963,554	38,225,198
Current liabilities	33,082,088	31,353,906	12,320,247	9,005,656	45,402,335	40,359,562
Noncurrent liabilities	188,539,351	170,583,558	115,727,340	87,504,066	304,266,691	258,087,624
Total liabilities	221,621,439	201,937,464	128,047,587	96,509,722	349,669,026	298,447,186
Deferred inflows of resources	29,220,500	35,938,342	24,332,346	3,890,052	53,552,846	39,828,394
Net position						
Net investment in capital	98,607,231	65,493,241	27,780,653	25,063,681	126,387,884	90,556,922
Restricted	21,120,644	3,816,268	25,490,881	7,530,611	46,611,525	11,346,879
Unrestricted	(83,859,622)	(52,960,584)	6,453,677	24,377,101	(77,405,945)	(28,583,483)
Total net position	\$ 35,868,253	\$ 16,348,925	\$ 59,725,211	\$ 56,971,393	\$ 95,593,464	\$ 73,320,318

The net position for business-type activities increased by \$2.8 million. Total business-type assets increased by \$55.0 million as result of restricted cash increases in the Sewer Fund of \$4.8 million, Water Fund of \$3.1 million, and the Off-Street Parking Fund of \$13.6 million, as well as a significant increase in Net Capital Assets in the Off-Street Parking Fund as a result of the completion of the Noah Hillman Garage.

The parking fund's revenue decreased by approximately \$1.3 million due to the on-going construction of the Noah Hillman Garage throughout fiscal year 2023. Total business-type liabilities increased by approximately \$31.5 million, primarily driven by the debt issuance of December 2022.

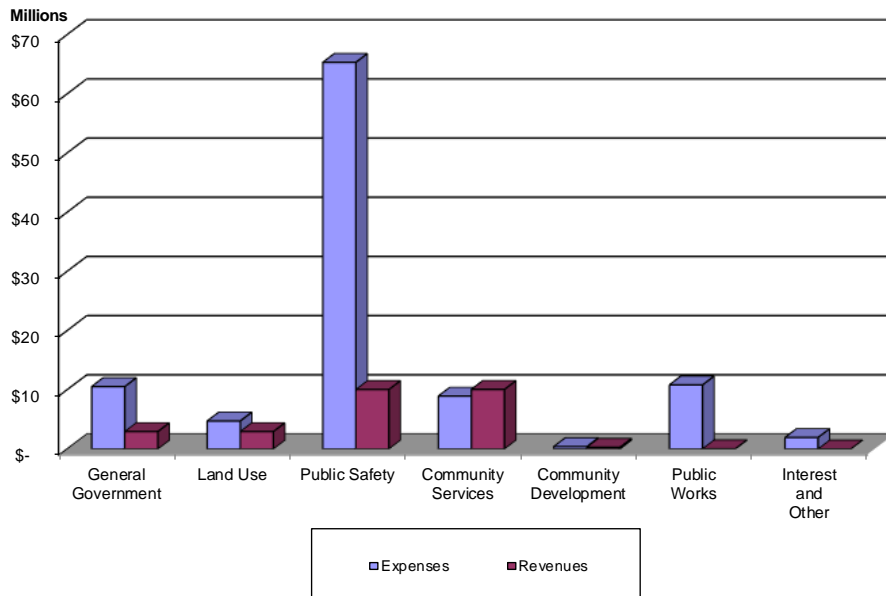
Revenues from business-type activities did not significantly increase from fiscal year 2022 while expenses decreased slightly. Sewer and Water Fund expenses decreased by \$1.5 million and \$1.0 million respectively. These reductions were offset by an increase in the Transportation Fund expenses of \$1.5 million. This increase was a result of increased operating costs associated with additional transit services during the parking garage construction. Transportation also experienced a significant increase in the allocated administrative charge from the General Fund. For fiscal year 2023, the Off-Street Parking Fund continued profitably operating with revenues exceeding expenses by nearly \$4.6 million despite revenue losses from the year-long garage construction. For this reason, this fund was able to support its annual transfer to the Transportation Fund at the budgeted amount of \$1,987,300. As noted, the City applied ARPA transportation funding to subsidize transportation efforts.

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**City of Annapolis  
Changes in Net Position**

	Governmental Activities		Business-type Activities		Total	
	FY2023	FY2022	FY2023	FY2022	FY2023	FY2022
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 12,744,255	\$ 11,784,662	\$ 28,565,650	\$ 28,406,473	\$ 41,309,905	\$ 40,191,135
Operating grants and contributions	4,818,232	5,467,325	3,706,295	2,878,463	8,524,527	8,345,788
Capital grants and contributions	8,760,573	788,146	1,093,896	2,045,491	9,854,469	2,833,637
<b>General revenues:</b>						
Property and other taxes	79,498,147	77,719,232	-	-	79,498,147	77,719,232
Other general Revenues	3,273,529	1,119,834	472,296	499,436	3,745,825	1,619,270
<b>Total revenues</b>	<b>109,094,736</b>	<b>96,879,199</b>	<b>33,838,137</b>	<b>33,829,863</b>	<b>142,932,873</b>	<b>130,709,062</b>
<b>Expenses:</b>						
General government	10,546,689	8,698,064	-	-	10,546,689	8,698,064
Land use	4,735,878	5,223,498	-	-	4,735,878	5,223,498
Public safety	65,336,885	54,685,682	-	-	65,336,885	54,685,682
Public health	-	542,834	-	-	-	542,834
Community services	8,933,470	7,669,574	-	-	8,933,470	7,669,574
Community development	403,112	394,413	-	-	403,112	394,413
Public works	10,828,333	10,443,364	-	-	10,828,333	10,443,364
Interest	1,938,674	1,671,544	-	-	1,938,674	1,671,544
Sewer	-	-	6,402,438	7,922,053	6,402,438	7,922,053
Water	-	-	6,922,631	7,930,410	6,922,631	7,930,410
Off street parking	-	-	5,919,037	5,855,657	5,919,037	5,855,657
Transportation	-	-	5,783,275	4,262,766	5,783,275	4,262,766
Watershed Restoration	-	-	1,483,945	999,582	1,483,945	999,582
Refuse	-	-	3,387,303	3,277,497	3,387,303	3,277,497
<b>Total expenses</b>	<b>102,723,041</b>	<b>89,328,973</b>	<b>29,898,629</b>	<b>30,247,965</b>	<b>132,621,670</b>	<b>119,576,938</b>
Excess (deficiency) before special items	6,371,695	7,550,226	3,939,508	3,581,898	10,311,203	11,132,124
Special Item - concession payment	11,961,943	-	-	-	11,961,943	-
Transfers	1,185,690	1,482,718	(1,185,690)	(1,482,718)	-	-
<b>Changes in net position</b>	<b>19,519,328</b>	<b>9,032,944</b>	<b>2,753,818</b>	<b>2,099,180</b>	<b>22,273,146</b>	<b>11,132,124</b>
Net position at beginning of year	16,348,925	7,315,981	56,971,393	54,872,213	73,320,318	62,188,194
<b>Net position at end of year</b>	<b>\$ 35,868,253</b>	<b>\$ 16,348,925</b>	<b>\$ 59,725,211</b>	<b>\$ 56,971,393</b>	<b>\$ 95,593,464</b>	<b>\$ 73,320,318</b>

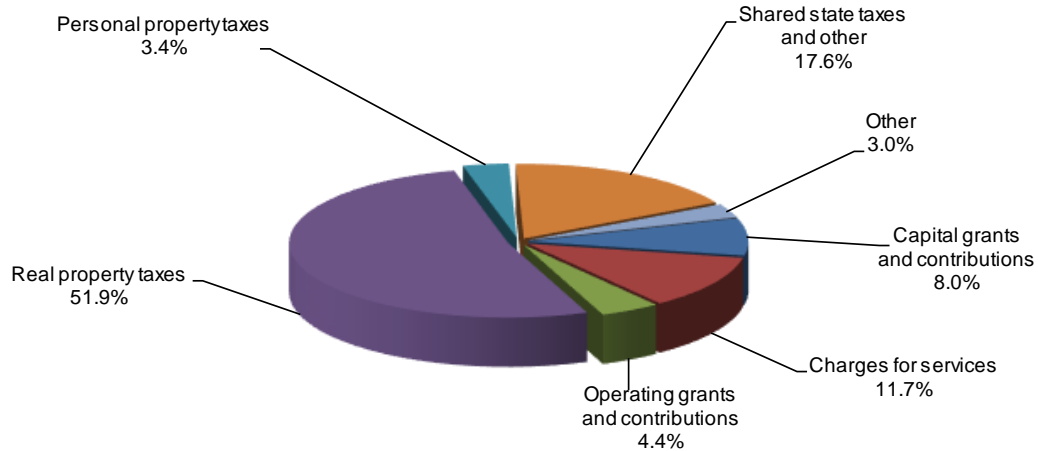
**Expenses and Program Revenues - Governmental Activities  
For the year ended June 30, 2023**



**CITY OF ANNAPOLIS, MARYLAND  
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JUNE 30, 2023**

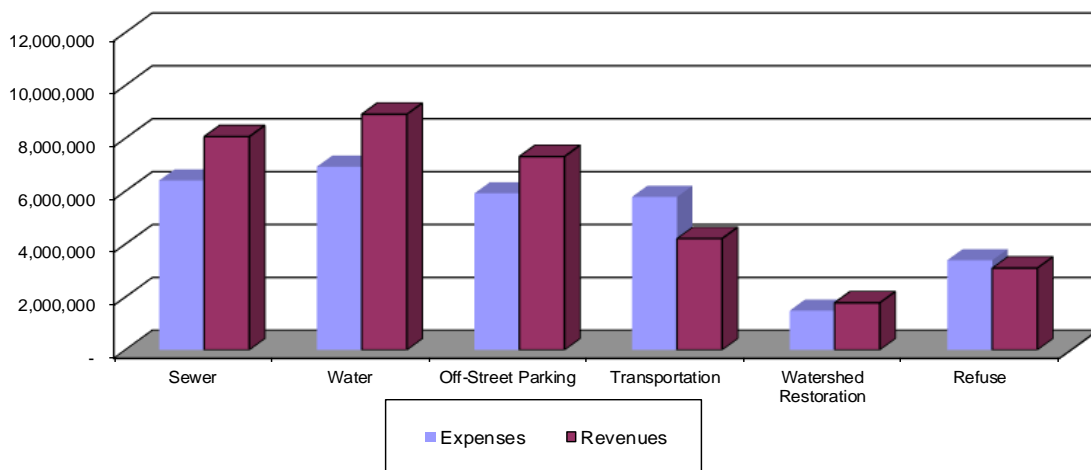
The graph on the previous page compares the expenses within the functions of the City's governmental activities to the program revenues earned within each function. Program revenues are fees, charges, and grants that offset the cost of those functions. Functions that are not supported by program revenues 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.

**Revenues by Source - Governmental Activities  
For the year ended June 30, 2023**



The pie chart above shows that capital grants and contributions make up 8.0% of the revenues within the governmental activities compared to 0.8% in fiscal year 2022. Operating grants and contributions represent 4.4% of revenues in fiscal year 2023 down from 5.6% in fiscal year 2022. The decrease in operating grants is a reflection of reduced dependence on post COVID grants including CARES and ARPA. In fiscal year 2022 the City utilized \$540,000 in CARES funding from the County but did not use any COVID funding to support Governmental Activities in fiscal year 2023. The tenfold increase in Capital grants is a direct result of a \$6.5 million State Program Open Space grant allotted to the City for the purchase of Carr's Beach and significant earnings on unspent bond funds. Charges for services represented 11.7% of governmental activities revenue in fiscal year 2023 and 12.2% for fiscal year 2022. While overall, charges for services increased year to year, it decreased as a percentage of total revenue due to the discussed and significant increase in grant funding.

**Expenses and Program Revenues - Business-type Activities  
For the year ended June 30, 2023**

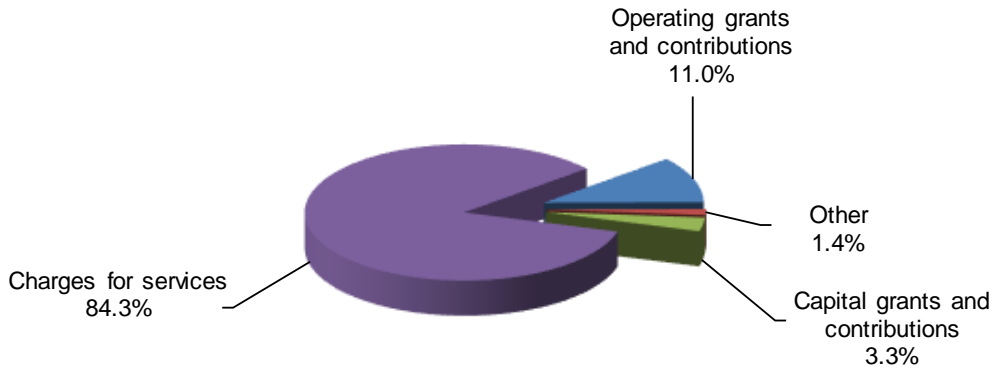


**CITY OF ANNAPOLIS, MARYLAND  
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The chart on the previous page shows that program revenue in the Sewer, Water, Off-Street Parking, and Watershed Restoration funds exceeded the expenses of those funds. The Transportation Fund typically spends more than the fees raised and the City uses surplus from the parking activities to offset the cost of transit operations. The transportation revenues shown above include fees received and \$3.7 million in grants but does not include the \$1,987,300 of subsidy from the parking operations because this is shown as a non-operating transfer. The Refuse Fund reported an overall loss in fiscal year 2023 of \$766,705, this loss includes a non-operating transfer to the capital projects fund of \$491,500 to support the City’s new maintenance facility. The City has set refuse fees to draw down on the net asset balance and smooth out rate increases.

The pie chart below shows that fees charged for services make up 84.3% of the revenues within the business-type activities compared to 86.2% in the prior year. Charges for services and other revenue increased across all business type funds except for Off-Street Parking. This decline of \$1.3million was directly related to Noah Hillman Garage construction project which shutdown the garage for the entirety of the fiscal year. Operating grants and contributions increased marginally to 11.0% in fiscal year 2023 from 10.8% in fiscal year 2022. As previously discussed, the Transportation Fund relies heavily on these grant funds and collections from customers cannot sustain operations. In fiscal year 2023, the Transportation Fund utilized State MTA ARPA funding in the amount of \$1.8 million.

**Revenues by Source - Business-type Activities  
For the year ended June 30, 2023**



**Financial Analysis of the City’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 2023, the City’s governmental funds reported a combined ending fund balance of \$59,900,618, an increase of \$18.5 million. The fund balance has restrictions for public safety, community services, land use, and capital projects totaling \$21,120,646. The City has also committed \$7,783,730 in a capital reserve and \$3,604,103 in a budget stabilization reserve. The nonspendable portion for inventories and leases is a total of \$279,735.

**CITY OF ANNAPOLIS, MARYLAND  
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As discussed previously, the General Fund's fund balance increased modestly by \$716,083 as a result of \$5.6 million in additional revenues largely related to Money and Property revenue increases of \$1.9 million, a result of favorable interest and investment earnings in fiscal year 2023. These General Fund revenues were more than offset by a total increase in expenditures of \$10.2 million. In general, salary and benefits drove the increases, an anticipated outcome of the union contracts implemented in fiscal year 2023. Debt service expenses also reflected an increase of \$360,000 related to the implementation of GASB 96.

The Capital Projects fund balance increased by \$17.7 million, due to the issuance of new bonds. The City returned to pre-pandemic level of construction and brought the new public works facility to substantial completion. The restricted cash in this fund increased by approximately \$22.2 million as a result of the bond issuances.

Finally, the City has assigned fund balance of \$1,223,853 for encumbrances outstanding at the end of fiscal year 2023, and set aside \$8,319,437 for contingencies and other one-time purposes as required by the City's fund balance policy. Of the assignment for one-time purposes, \$3,701,400 was allotted for specific uses in subsequent years, including the Main Street traffic study, loan program for landlords, bonuses for City employees, gun range HVAC system, conceptual resilience study, and other program initiatives established by Council.

Resolution 9-15 created the Budget Stabilization Fund (BSF) and a Capital Reserve Fund (CRF), which are shown as committed fund balance. A one-time contribution of \$5 million to the CRF and 50% of General Fund excess of revenues over expenditures built the balance in the CRF to the fiscal year 2022 total of \$8,334,747. The City used \$4,461,450 of the CRF for capital projects during fiscal year 2023 and added \$3,910,433 excess from fiscal year 2023 activity, resulting in \$7,783,730 at June 30, 2023. The BSF increased by \$242,009 during the current year to \$3,604,103, which is the calculated maximum balance.

### ***Proprietary Funds***

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

The total increase in net position of the six enterprise funds was \$2,753,818 with an ending balance of \$59,725,211. The net position restricted for capital projects was \$25,490,881 and net investment in capital assets was \$27,780,653, leaving an unrestricted net position of \$6,453,677. The restricted cash held by trustee or in restricted accounts totals \$25,490,881 which represents Series 2022A unspent bond funding.

In past years both Transportation and Parking had negative cash balances, thereby owing the General Fund at year end. At the end of the current year, the Transportation Fund owed the General Fund \$1,585,252, a decrease of \$391,583 from the prior year. The Off-Street Parking Fund showed a positive cash balance for the second year in a row of \$1,262,179, which reflects a decrease of \$487,078 from the June 30, 2022 balance. The City has been successfully decreasing the amount owed from the Transportation Fund in recent years largely due to annual budgeted subsidy from the Off-Street Parking Fund. In fiscal year 2023, the Off-Street Parking Fund was able to return to pre-pandemic levels of the subsidy and transferred \$1,987,300.

The City uses four internal service funds to account for its self-insurance and fleet activities. The Self Insurance Fund had a \$3,524,103 deficit at the end of fiscal year 2023, a sharp decline from prior years. The decrease between fiscal year 2022 and fiscal year 2023 was \$5.5 million. The bulk of this deficit is due to an increase in the reserve for the City's general liability claims, a result of the annual actuarial study of the Self-Insurance Fund which studied all outstanding litigation involving the City. The Health Insurance Fund's net position at the end of fiscal year 2023 was \$802,288, a decrease of \$1.2 million. These results reflect the City's policy to limit the net position in this Fund.

The Fleet Replacement Fund accumulates resources to replace City vehicles and pay the debt service on the equipment financing leases. The fund increased its net position in fiscal year 2023 by \$2.7 million. This increase represents increases in transfers from other funds throughout the City for the purchase of new vehicles.

**CITY OF ANNAPOLIS, MARYLAND  
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For fiscal year 2023 transfers to Fleet Replacement included \$800,000 to support the purchase of a new firetruck and \$258,500 toward the purchase of an electric bus. Fleet Operations added \$68,729 to its net position in fiscal year 2023, creating a surplus in this fund for the second year in a row. The steady growth in surplus was a result of management refining the rates charged for operation and maintenance of its vehicles.

**General Fund Budgetary Highlights**

The difference between the original General Fund operating budget and the Final Amended General Fund budget was an increase of \$2.7 million. This largely reflects the City's decision to use one time fund and capital reserves, which increased budgeted transfers by \$2.2 million. The General Fund Detailed Schedule of Expenditures also reflects a large reclassification from nonallocated expenses. This reclassification moves management's budget for the compensation contingency resulting from union negotiations to the relevant department salary line items. At the time the fiscal year 2023 budget was approved, details from the negotiations were unclear. Upon full execution of the union agreements, a budget amendment was created and compensation contingency funds were allocated citywide to the appropriate department salary line item to support negotiated terms of the agreements.

The City's General Fund spent \$6,963,246 less than its total adjusted budget appropriations. City-wide there were significant savings in salary and benefit costs, particularly in public safety. The Police Department was under budget in total by \$3.2 million with \$2.5 million deriving from lower than anticipated salaries. The Fire Department underspent by \$1.2 million. Utility costs were difficult for departments to manage in fiscal year 2023 as the City experienced significant electrical rate increase. At the end of fiscal year 2023, every department's spending was in total within its budgetary appropriations. Debt service expense was over budget as a result of implementation of the GASB's new lease and subscription based information technology pronouncements which require lessees/subscribers to amortize these liabilities and an intangible right-to-use assets over the life of the lease/subscription. Implementation of this pronouncement effectively reclassified budgeted lease expenses that were budgeted as rent expense to debt service. Management did not incorporate the effects of GASB 87 or GASB 96 in the budget for fiscal year 2023.

General Fund revenues ended the year \$2.3 million higher than the adjusted anticipated amount of \$96,289,610. Intergovernmental revenue were budgeted to include American Rescue Plan Act (ARPA) funding in fiscal year 2023. City management determined it was not necessary to use these fund in fiscal year 2023 which appears on the Detailed Schedules of Revenues Compared to Budget as a large under budget item. The largest increase was in Money and Property revenue related to interest and dividends. The resulting over budget revenue of \$2.5 million reflects the positive economic conditions. Highway taxes were over budget by \$626,000. These collections offset the shortfall in real property tax collections which was \$2.3 million under budget. (See page 81, 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, 2023 is \$297,063,541, net of accumulated depreciation, an increase of \$51.4 million from the prior year. Building assets demonstrated the greatest increase with an additional \$42.2 million added in fiscal year 2023. These increases reflect the capitalization of the City's new maintenance facility and the addition of the rebuilt Noah Hillman Garage. Capitalization of the maintenance facility accounted for the \$7.8 million reduction in Governmental Activities CIP, while business-type CIP increases were primarily driven by approximately \$2.0 million related to the water distribution rehabilitation project. As mentioned previously, during fiscal year 2023, the State of Maryland granted the City \$6.7 million to purchase the Carr's Beach property, which will allow for the preservation of the historic beachfront area within the City. This purchase increased the governmental assets for land. Additional information can be found in the notes to the financial statements, Note 4, Capital Assets and Depreciation.

**CITY OF ANNAPOLIS, MARYLAND  
MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2023**

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

	Governmental Activities		Business-Type Activities		Total	
	FY2023	FY2022	FY2023	FY2022	FY2023	FY2022
Land	\$ 17,694,496	\$ 10,990,962	\$ 3,222,742	\$ 3,222,742	\$ 20,917,238	\$ 14,213,704
Buildings	41,597,722	28,254,447	52,356,749	23,476,491	93,954,470	51,730,938
Improvements/infrastructure other than buildings	68,971,655	63,796,899	50,278,786	51,467,126	119,250,441	115,264,025
Equipment	6,604,596	6,998,778	434,240	291,816	7,038,836	7,290,594
Construction in progress	17,849,537	25,681,482	31,073,204	27,462,979	48,922,741	53,144,461
Right-to-use leased assets	5,437,084	4,000,635	7,649	-	5,444,733	4,000,635
Right-to-use subscription assets	1,532,560	-	2,521	-	1,535,081	-
Total	<u>\$ 159,687,650</u>	<u>\$ 139,723,203</u>	<u>\$ 137,375,891</u>	<u>\$ 105,921,154</u>	<u>\$ 297,063,540</u>	<u>\$ 245,644,357</u>

**Long-Term Debt**

At the end of the current fiscal year, the City had total general bonded debt outstanding of \$159,172,001, excluding premium and refunding losses. This represents a net increase to total bonded debt of \$33.0 million, including the December 2022 series A and B bond issuance.

In fiscal year 2019 the City entered into an equipment financing lease to fund vehicle replacements and provide take-home vehicles to police officers. In fiscal year 2019, 2020, and 2021 the City borrowed \$5.5 million, \$2.4 million, and \$584,131, respectively using this agreement. Repayment terms are structured based on the lives of the related assets.

The City used proceeds from the Series 2021A bond issue, and the related premiums and interest, to fund much of its capital projects during fiscal year 2023. The City used a small amount of the proceeds from the Series 2022A bond issue in fiscal year 2023, but bulk of the issue will be used to fund capital projects in future years. The City issued \$8.3 million of Series 2022B taxable bonds to refund debt incurred on behalf of the City through the Public/Private Partnership agreement for the on-going operations of the Noah Hillman Garage.

At June 30, 2023, other debt outstanding included \$4,689,420 for the equipment financing lease, and \$21,758,921 for a State of Maryland water quality loan.

**City of Annapolis  
Outstanding Bonds and Loans**

	Governmental Activities		Business-type Activities		Total	
	FY2023	FY2022	FY2023	FY2022	FY2023	FY2022
General obligation & revenue bonds	\$ 69,323,340	\$ 63,082,440	\$ 89,848,661	\$ 63,043,561	\$159,172,001	\$126,126,001
Equipment loan	4,689,420	5,818,446	-	-	4,689,420	5,818,446
Maryland Water Quality Loan	-	-	21,758,921	22,747,863	21,758,921	22,747,863
Total	<u>\$ 74,012,760</u>	<u>\$ 68,900,886</u>	<u>\$111,607,582</u>	<u>\$ 85,791,424</u>	<u>\$185,620,342</u>	<u>\$154,692,310</u>

The City's net total debt increased by \$30,928,032 (20.0%) during fiscal year 2023. This is a reflection of the 2022 series A issuance.

During the current year, the City maintained ratings of "AA+" from Fitch and Standard & Poor's, and "Aa2" from Moody's for its bonds. In September 2021, Moody's increased the City rating to "Aa1." Additional information on the City's long-term debt can be found in Note 5 on pages 48-53 of this report.



**CITY OF ANNAPOLIS, MARYLAND  
MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2023**

**Economic Factors and Next Year's Budgets and Rates**

The coronavirus pandemic had major impacts on the City of Annapolis. The downturn caused by the pandemic reduced several City revenues below amounts anticipated in fiscal years 2020 and 2021. The City has anticipated structural deficits in the fiscal years coming out of the pandemic as revenue growth continued to wane. Budgeted ARPA funding allows the City to use federal funding for projected revenue and present a balanced budget. The City has been fortunate for the last two fiscal years to not need the subsidies from this funding for General Fund operations. The City plans to utilize remaining ARPA funding for new initiatives if funds remain at the end of fiscal year 2024.

At June 30, 2023, national inflation continued at a high level and as a result interest rates increased. This inflation has major implications for the City with price increases across the supply chain and affect the short-term and long-term planning. Additionally, the current economic uncertainty is straining the value of investments as factors such as inflation and interest rates heavily influence market movements. As market performance is directly linked to pension and OPEB liabilities, these liabilities will increase or decrease with overall market performance, which is ever increasingly difficult to predict. While current market performance is strong for the City investments and the related interest earnings. U.S. and international events continue to contribute to economic uncertainty.

The City continues to experience increased competition in recruitment and retention of employees. Many departments struggle to fill vacancies. This is particularly evident in the police department as events during the past few years have reduced the number of police officers and driven up police compensation. During the union negotiations leading into fiscal years 2023 and 2024, the City provided a significant increase to the base pay of all uniformed officers, increased salaries for City employees by 2.5%, and funded planned merit increases. The City has also undertaken a class and compensation study to ensure that all positions throughout the City are classed and paid at an appropriate and competitive level.

The focus for fiscal year 2024 is to control expenses within budget limits and use ARPA funds if City revenue sources are inadequate. The fiscal year 2024 budget was built with the expectation that \$3.5 million of ARPA will be needed for ongoing expenditures. The City projects more ARPA will be tapped for fiscal year 2025. As the fiscal year 2025 budget is developed, the City will have to identify other revenue sources to replace the depleted ARPA funds or plan reductions in City services.

The fiscal year 2022 triennial assessment resulted in a 7.5% increase in assessed value, which is being phased in over 2022, 2023, and 2024. The City retained its \$.738 real property tax rate for fiscal year 2023.

The City has entered into a public private partnership to fund capital improvements, including replacement of the Hillman Parking Garage and improvements to the City Dock. The garage closed in May 2022 with the rebuild substantially complete in June 2023. The City entered into a concession agreement with MEDCO, which issued senior revenue bonds, subordinate debt, and contracted with AMRP, a private company to design and construct the new parking garage, plan and design City Dock, operate the new garage and downtown street parking for 30 years. In fiscal year 2023 the City refinanced the subordinate debt. All revenue from the garage and downtown area will be funneled to a trust to pay debt services and operations. More information can be found in Note 13 on page 70.

**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.

**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, 2023**

	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 50,290,396	\$ 34,672,641	\$ 84,963,037
Cash and cash equivalents - restricted	32,201,765	25,490,881	57,692,646
Accrued interest receivable on leases	42,455	-	42,455
Receivables, net of allowances	5,983,542	7,799,599	13,783,141
Leases Receivable	724,965	12,025	736,990
Internal balances	1,585,252	(1,585,252)	-
Inventories	140,530	565,149	705,679
Prepaid items	387,562	-	387,562
Total Current Assets	<u>91,356,467</u>	<u>66,955,043</u>	<u>158,311,510</u>
Non-current Assets:			
Lease receivable, non-current	7,124,169	399,347	7,523,516
Restricted water and sewer capital facility assessments	-	3,953,216	3,953,216
Right to use lease capital assets, net of amortization	5,437,084	7,649	5,444,733
Right to use subscription capital assets, net of amortization	1,532,560	2,521	1,535,081
Capital assets, not being depreciated:	35,544,033	34,295,946	69,839,979
Capital assets, net of depreciation	117,173,973	103,069,774	220,243,747
Total Non-current Assets	<u>166,811,819</u>	<u>141,728,453</u>	<u>308,540,272</u>
Total Assets	<u>258,168,286</u>	<u>208,683,496</u>	<u>466,851,782</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Deferred outflows related to pensions	25,013,433	1,881,489	26,894,922
Deferred outflows related to OPEB	2,418,134	187,176	2,605,310
Deferred loss on refunding	1,110,339	1,352,983	2,463,322
Total deferred outflow of resources	<u>28,541,906</u>	<u>3,421,648</u>	<u>31,963,554</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	5,174,507	3,654,969	8,829,476
Accrued payables and other liabilities	2,834,675	1,434,332	4,269,007
Customer deposits	8,000	2,352	10,352
Compensated absences	2,814,052	375,376	3,189,428
Unearned revenue	8,785,733	6,437	8,792,170
Escrowed funds	1,021,409	220,323	1,241,732
Accrued Interest	1,146,777	1,551,376	2,698,153
Current portion of claims	2,952,863	-	2,952,863
Current portion long-term debt - Leases	662,392	1,273	663,665
Current portion long-term debt - Subscriptions	285,806	2,084	287,890
Current portion long-term debt	7,395,874	5,071,725	12,467,599
Total Current Liabilities	<u>33,082,088</u>	<u>12,320,247</u>	<u>45,402,335</u>
Non-current Liabilities:			
OPEB liability	22,385,112	1,732,738	24,117,850
Accrued self insurance costs, net of current portion	7,583,811	-	7,583,811
City pension liability - State pension system	14,613,226	4,545,188	19,158,414
Police & Fire pension liability	68,714,195	-	68,714,195
Long-term debt, net of current portion - Leases	4,930,547	6,527	4,937,074
Long-term debt, net of current portion - Subscriptions	1,220,155	-	1,220,155
Long-term debt, net of current portion	69,092,305	109,442,887	178,535,192
Total Non-current Liabilities	<u>188,539,351</u>	<u>115,727,340</u>	<u>304,266,691</u>
Total Liabilities	<u>221,621,439</u>	<u>128,047,587</u>	<u>349,669,026</u>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Leases	7,647,163	383,371	8,030,534
Deferred inflows related to pensions	1,936,690	514,376	2,451,066
Deferred inflows related to OPEB	19,636,647	1,519,994	21,156,641
Deferred inflows related to Contr Garage	-	21,914,605	21,914,605
Total deferred inflow of resources	<u>29,220,500</u>	<u>24,332,346</u>	<u>53,552,846</u>
<b>NET POSITION</b>			
Net investment in capital assets	98,607,231	27,780,653	126,387,884
Restricted for:			
Debt service	-	-	-
Capital projects	17,327,812	25,490,881	42,818,693
Land Use	45,163	-	45,163
Public Safety	2,043,640	-	2,043,640
Community services	1,704,029	-	1,704,029
Unrestricted	(83,859,622)	6,453,677	(77,405,945)
Total net position	<u>\$ 35,868,253</u>	<u>\$ 59,725,211</u>	<u>\$ 95,593,464</u>

See accompanying Notes to the Financial Statements.

**CITY OF ANNAPOLIS, MARYLAND  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2023**

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	
<b>Governmental Activities:</b>							
General Government	\$ 10,546,689	\$ 1,100,512	\$ 13,211	\$ 1,829,422	\$ (7,603,544)	\$ -	\$ (7,603,544)
Land Use and Permits	4,735,878	2,938,566	5,200	-	(1,792,112)	-	(1,792,112)
Public Safety	65,336,885	5,364,919	4,687,397	-	(55,284,569)	-	(55,284,569)
Community Services	8,366,115	3,337,920	87,677	6,643,314	1,702,796	-	1,702,796
Community Development	970,467	-	-	287,837	(682,630)	-	(682,630)
Public Works	10,828,333	2,338	24,747	-	(10,801,248)	-	(10,801,248)
Interest on Long Term Debt	1,938,674	-	-	-	(1,938,674)	-	(1,938,674)
<b>Total Governmental Activities</b>	<b>102,723,041</b>	<b>12,744,255</b>	<b>4,818,232</b>	<b>8,760,573</b>	<b>(76,399,981)</b>	<b>-</b>	<b>(76,399,981)</b>
<b>Business-type Activities:</b>							
Sewer	6,402,438	8,062,033	-	-	-	1,659,595	1,659,595
Water	6,922,631	8,908,688	-	-	-	1,986,057	1,986,057
Off Street Parking	5,919,037	6,216,160	-	1,093,896	-	1,391,019	1,391,019
Transportation	5,783,275	503,850	3,706,295	-	-	(1,573,130)	(1,573,130)
Watershed Restoration	1,483,945	1,780,875	-	-	-	296,930	296,930
Refuse	3,387,303	3,094,044	-	-	-	(293,259)	(293,259)
<b>Total Business-Type Activities</b>	<b>29,898,629</b>	<b>28,565,650</b>	<b>3,706,295</b>	<b>1,093,896</b>	<b>-</b>	<b>3,467,212</b>	<b>3,467,212</b>
<b>Total</b>	<b>\$ 132,621,670</b>	<b>\$ 41,309,905</b>	<b>\$ 8,524,527</b>	<b>\$ 9,854,469</b>	<b>(76,399,981)</b>	<b>3,467,212</b>	<b>(72,932,769)</b>
<b>General Revenues:</b>							
Property Taxes					60,308,062	-	60,308,062
Shared state taxes and other					19,190,085	-	19,190,085
Interest and investment earnings					2,760,336	16,806	2,777,142
Miscellaneous					513,193	455,490	968,683
Special Item - concession payment					11,961,943	-	11,961,943
Transfers					1,185,690	(1,185,690)	-
Total general revenues, special items, and transfers					<u>95,919,309</u>	<u>(713,394)</u>	<u>95,205,915</u>
Change in net position					<u>19,519,328</u>	<u>2,753,818</u>	<u>22,273,146</u>
Net position as of beginning of year					<u>16,348,925</u>	<u>56,971,393</u>	<u>73,320,318</u>
Net position at end of year					<u>\$ 35,868,253</u>	<u>\$ 59,725,211</u>	<u>\$ 95,593,464</u>

See accompanying Notes to the Financial Statements.

# 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, 2023**

	General	Capital Projects	Non-Major Governmental Funds	Totals
<b>ASSETS</b>				
Cash and cash equivalents	\$ 34,800,224	\$ -	\$ 3,635,662	\$ 38,435,886
Cash and cash equivalents - restricted	-	25,540,325	6,661,440	32,201,765
Receivables, net of allowances	4,143,349	101,311	1,713,390	5,958,050
Due from other funds	7,198,547	-	-	7,198,547
Leases Receivable	7,849,134	-	-	7,849,134
Accrued Interest Receivable - Leases	42,455	-	-	42,455
Inventories	77,764	-	-	77,764
Total assets	\$ 54,111,473	\$25,641,636	\$12,010,492	\$ 91,763,601
<b>LIABILITIES</b>				
Accounts payable	\$ 2,488,772	\$ 1,868,940	\$ 280,633	\$ 4,638,345
Accrued expenses and other liabilities	2,377,260	207,622	226,658	2,811,540
Customer deposits	8,000	-	-	8,000
Due to General Fund	-	4,338,217	1,275,078	5,613,295
Unearned revenue	-	2,067,442	6,718,291	8,785,733
Escrowed funds	1,021,409	-	-	1,021,409
Total liabilities	5,895,441	8,482,221	8,500,660	22,878,322
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue	1,337,498	-	-	1,337,498
Leases	7,647,163	-	-	7,647,163
Total deferred inflows of resources	8,984,661	-	-	8,984,661
<b>FUND BALANCE</b>				
Non Spendable:				
Inventories	77,764	-	-	77,764
Leases	201,971	-	-	201,971
Restricted for:				
Public Safety	-	-	2,043,642	2,043,642
Community Services	-	-	1,704,029	1,704,029
Land Use	-	-	45,163	45,163
Capital Projects	-	17,159,415	168,397	17,327,812
Committed for:				
Capital Reserve Fund	7,783,730	-	-	7,783,730
Budget Stabilization Fund	3,604,103	-	-	3,604,103
Assigned for:				
Encumbrances:				
General Government	131,010	-	-	131,010
Land Use and Permits	75,502	-	-	75,502
Public Safety	710,823	-	-	710,823
Public Works	224,281	-	-	224,281
Community Services	67,049	-	-	67,049
Community Development	15,188	-	-	15,188
Other	8,319,437	-	-	8,319,437
Unassigned	18,020,513	-	(451,399)	17,569,114
Total fund balances	39,231,371	17,159,415	3,509,832	59,900,618
Total liabilities, deferred inflow of resources and fund balances	\$ 54,111,473	\$25,641,636	\$12,010,492	\$ 91,763,601

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, 2023**

Total Governmental Fund Balances		\$ 59,900,618
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.		154,993,917
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.		1,337,498
Long-term liabilities are not due and payable in the current-period and therefore, are not reported in the funds.		
Compensated absences	\$ (2,756,057)	
Accrued interest	(1,087,485)	
Lease Liability	(5,592,939)	
Subscription Liability	(1,505,961)	
OPEB	(22,190,298)	
Net pension liability	<u>(82,816,399)</u>	(115,949,139)
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	\$ (71,798,759)	
Loss on refunding deferred outflow	<u>1,110,339</u>	(70,688,420)
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.		22,923,037
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.		(17,068,663)
Internal service funds are used by management to charge the costs of self insurance and fleet activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		<u>419,405</u>
Net position of Governmental Activities		<u><u>\$ 35,868,253</u></u>

**CITY OF ANNAPOLIS, MARYLAND**  
**STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2023**

	General	Capital Projects	Non-Major Governmental Funds	Totals
<b>Revenues</b>				
Property taxes	\$ 60,308,062	\$ -	\$ -	\$ 60,308,062
Licenses and permits	3,522,462	-	-	3,522,462
Fines and forfeitures	576,720	-	-	576,720
Money and property	2,936,645	1,579,423	-	4,516,068
Intergovernmental	18,648,787	6,845,387	4,841,406	30,335,580
Charges for services	8,359,192	-	74,487	8,433,679
Other revenue	438,941	-	506,125	945,066
Total revenues	<u>94,790,809</u>	<u>8,424,810</u>	<u>5,422,018</u>	<u>108,637,637</u>
<b>Expenditures</b>				
Current:				
General Government	9,090,447	-	-	9,090,447
Land Use and Permits	4,615,181	-	294,199	4,909,380
Public Safety	51,123,427	-	3,646,296	54,769,723
Community Services	6,610,591	-	1,027,231	7,637,822
Community Development	403,112	-	567,355	970,467
Public Works	8,550,568	-	-	8,550,568
Debt service:				-
Principal	6,120,234	-	-	6,120,234
Interest	1,851,242	-	-	1,851,242
Debt service leases:				-
Principal	644,039	-	29,693	673,732
Interest	72,193	-	2,603	74,796
Debt service subscriptions:				
Principal	344,393	-	-	344,393
Interest	14,952	-	-	14,952
Bond issuance costs	268,096	-	-	268,096
Capital outlays	913,619	20,800,600	54,107	21,768,326
Total expenditures	<u>90,622,094</u>	<u>20,800,600</u>	<u>5,621,484</u>	<u>117,044,178</u>
Excess (deficiency) of revenues over expenditures	<u>4,168,715</u>	<u>(12,375,790)</u>	<u>(199,466)</u>	<u>(8,406,541)</u>
<b>Other Financing Sources (Uses)</b>				
Issuance of debt	11,299,065	1,279,044	-	12,578,109
Unamortized premium	1,161,617	-	-	1,161,617
Concession payment	-	11,961,943	-	11,961,943
Transfers in	7,195	17,683,337	291,800	17,982,332
Transfers out	(15,920,509)	(850,000)	-	(16,770,509)
Total other financing sources (uses)	<u>(3,452,632)</u>	<u>30,074,324</u>	<u>291,800</u>	<u>26,913,492</u>
Net change in fund balance	716,083	17,698,534	92,334	18,506,951
Fund balance at beginning of year	38,515,288	(539,119)	3,417,498	41,393,667
Fund balance at end of year	<u>\$ 39,231,371</u>	<u>\$ 17,159,415</u>	<u>\$ 3,509,832</u>	<u>\$ 59,900,618</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, 2023**

Net Change in Fund Balance - Total Governmental Funds \$ 18,506,951

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 - Capital Expenditures	\$ 21,014,298	
Depreciation Expense	(3,926,859)	
Amortization Expense	<u>(1,062,549)</u>	16,024,889

Some revenues will not be collected for several months after the fiscal year ends. As such these revenues are not considered "available" and are deferred in the governmental funds. Deferred inflows decreased this year. 281,425

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:		
New general obligation bonds	\$ (11,150,000)	
Prior year bond obligations reclassified from business type activities	(1,211,134)	
Premium from prior year bond obligations reclassified from business type activities	(7,616)	
New bond premium	(1,153,998)	
Amortization of premium	532,276	
Amortization of loss on refunding	(149,947)	
Principal repayments:		
General obligation bonds	6,120,234	
Capital leases	673,732	
Subscriptions	<u>344,393</u>	(6,002,060)

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	\$ (178,774)	
Increase in accrued interest payable	<u>(267,279)</u>	(446,053)

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.		(7,692,515)
Net effect of the expenses for recording OPEB liability from the other post-employee benefit plan.		2,773,892

Internal service funds are used by management to charge the costs of self insurance and fleet activities to individual funds. The net expense of this internal service funds are included in the governmental activities on the government wide Statement of Activities, but not in the governmental funds. (3,927,201)

Change in Net Position of Governmental Activities		<u><u>\$ 19,519,328</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, 2023**

	Business-Type Activities					Governmental	
	Sewer Fund	Water Fund	Off Street Parking Fund	Transportation Fund	Non-Major Enterprise Funds	Total	Internal Service Funds Total
<b>ASSETS</b>							
Current Assets:							
Cash and cash equivalents	\$ 15,083,288	\$ 14,702,902	\$ 1,262,179	\$ 50	\$ 3,624,222	\$ 34,672,641	\$ 11,854,510
Cash and cash equivalents - Restricted	5,000,000	6,400,000	13,590,881	-	500,000	25,490,881	-
Lease Receivable	-	-	-	-	411,372	411,372	-
Accounts receivable:							
Service charges and penalties	1,931,593	1,684,111	1,447,209	1,752,690	983,996	7,799,599	-
Capital and other charges	-	-	-	-	-	-	25,492
Total accounts receivable, net	1,931,593	1,684,111	1,447,209	1,752,690	983,996	7,799,599	25,492
Inventories	-	455,015	-	110,134	-	565,149	62,766
Prepaid expenses	-	-	-	-	-	-	387,562
Total Current Assets	22,014,881	23,242,028	16,300,269	1,862,874	5,519,590	68,939,642	12,330,330
Noncurrent Assets:							
Restricted water and sewer capital facility assessments	1,952,142	2,001,074	-	-	-	3,953,216	-
Net capital assets	16,525,878	61,409,822	51,763,715	2,355,971	5,320,504	137,375,890	4,693,733
Total Noncurrent Assets	18,478,020	63,410,896	51,763,715	2,355,971	5,320,504	141,329,106	4,693,733
Total Assets	40,492,901	86,652,924	68,063,984	4,218,845	10,840,094	210,268,748	17,024,063
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
Deferred outflows related to pensions	198,827	524,705	-	853,199	304,758	1,881,489	211,538
Deferred outflows related to OPEB	19,780	52,199	-	84,880	30,317	187,176	21,045
Deferred loss on refunding	83,252	587,033	681,260	116	1,322	1,352,983	-
Total deferred outflows of resources	301,859	1,163,937	681,260	938,195	336,397	3,421,648	232,583
<b>LIABILITIES</b>							
Current Liabilities:							
Accounts payable	1,303,870	619,530	1,175,864	14,832	540,873	3,654,969	536,164
Accrued expenses and other liabilities	870,816	70,983	22,055	126,939	343,539	1,434,332	23,135
Accrued self insurance costs - current portion	-	-	-	-	-	-	2,952,863
Accrued Interest	242,400	576,687	708,889	256	23,144	1,551,376	59,292
Due to General Fund	-	-	-	1,585,252	-	1,585,252	-
Compensated absences	24,883	139,770	-	139,757	70,966	375,376	57,993
Unearned revenue	-	-	634	5,388	415	6,437	-
Escrowed funds	101,554	114,371	-	-	4,398	220,323	-
Customer deposits	-	-	2,352	-	-	2,352	-
Current portion of long-term debt - leases	-	366	-	907	-	1,273	-
Current portion of long-term debt - subscriptions	475	-	-	1,609	-	2,084	-
Current portion of long-term debt	590,988	2,275,530	2,126,747	2,379	76,081	5,071,725	1,136,589
Total Current Liabilities	3,134,986	3,797,237	4,036,541	1,877,319	1,059,416	13,905,499	4,766,036
Noncurrent Liabilities:							
Accrued self insurance costs, net of current portion	-	-	-	-	-	-	7,583,811
Net OPEB Liability	183,108	483,222	-	785,745	280,663	1,732,738	194,814
Net Pension Liability	480,315	1,267,550	-	2,061,107	736,216	4,545,188	511,022
Long-term debt, net of current portion - leases	-	2,680	-	3,847	-	6,527	-
Long-term debt, net of current portion	16,917,242	58,334,508	32,820,335	17,995	1,352,807	109,442,887	3,552,831
Total Noncurrent Liabilities	17,580,665	60,087,960	32,820,335	2,868,694	2,369,686	115,727,340	11,842,478
Total Liabilities	20,715,651	63,885,197	36,856,876	4,746,013	3,429,102	129,632,839	16,608,514
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Deferred inflows related to leases	-	-	-	-	383,371	383,371	-
Deferred inflows related to pensions	54,357	143,448	-	233,254	83,317	514,376	57,832
Deferred inflows related to OPEB	160,626	423,894	-	689,270	246,204	1,519,994	170,895
Deferred inflows related to Hillman Garage & City Dock Private/Public Partnership	-	-	21,914,605	-	-	21,914,605	-
Total deferred outflows of resources	214,983	567,342	21,914,605	922,524	712,892	24,332,346	228,727
<b>NET POSITION</b>							
Net investment in capital assets	4,100,425	7,783,771	9,174,169	2,329,350	4,392,938	27,780,653	4,313
Restricted for capital projects	5,000,000	6,400,000	13,590,881	-	500,000	25,490,881	-
Restricted for debt service	-	-	-	-	-	-	-
Unrestricted	10,763,701	9,180,551	(12,791,287)	(2,840,847)	2,141,559	6,453,677	415,092
Total net position	<u>\$ 19,864,126</u>	<u>\$ 23,364,322</u>	<u>\$ 9,973,763</u>	<u>\$ (511,497)</u>	<u>\$ 7,034,497</u>	<u>\$ 59,725,211</u>	<u>\$ 419,405</u>

See accompanying Notes to the Financial Statements.

**CITY OF ANNAPOLIS, MARYLAND**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2023**

	Business-Type Activities					Total	Governmental
	Sewer Fund	Water Fund	Off Street Parking Fund	Transportation Fund	Non-Major Enterprise Funds		Internal Service Funds Total
Operating revenues							
Charges for services	\$ 8,062,033	\$ 8,908,688	\$ 6,216,160	\$ 503,850	\$ 4,859,854	\$ 28,550,585	\$ 15,982,714
Grants	-	-	-	3,706,295	-	3,706,295	-
Other	111,379	230,218	-	111,333	2,560	455,490	689,450
Total operating revenues	<u>8,173,412</u>	<u>9,138,906</u>	<u>6,216,160</u>	<u>4,321,478</u>	<u>4,862,414</u>	<u>32,712,370</u>	<u>16,672,164</u>
Operating expenses							
Salaries and benefits	875,622	2,258,090	-	3,738,342	1,321,489	8,193,543	937,492
Utilities	125,604	336,426	105,071	17,225	9,399	593,725	14,265
Repairs and maintenance	224,075	429,511	27,583	204,655	57,255	943,079	660,317
Contractual services	3,506,880	766,250	3,524,930	66,218	2,887,070	10,751,348	9,043
Materials and supplies	36,580	210,530	-	427,663	62,666	737,439	794,814
Administrative charge from General Fund	503,000	528,000	192,000	1,180,000	441,000	2,844,000	-
Depreciation	707,132	1,103,065	806,793	141,395	57,977	2,816,362	1,877,133
Amortization	322	332	-	1,761	-	2,415	-
Claim payments	-	-	-	-	-	-	17,185,322
Other	2,702	13,863	-	5,116	6,135	27,816	172,750
Total operating expenses	<u>5,981,917</u>	<u>5,646,067</u>	<u>4,656,377</u>	<u>5,782,375</u>	<u>4,842,991</u>	<u>26,909,727</u>	<u>21,651,136</u>
Operating (loss) income	<u>2,191,495</u>	<u>3,492,839</u>	<u>1,559,783</u>	<u>(1,460,897)</u>	<u>19,423</u>	<u>5,802,643</u>	<u>(4,978,972)</u>
Non-operating revenues (expenses)							
Leases	-	-	-	-	15,065	15,065	-
Interest income and other	-	-	-	-	10,397	10,397	175,672
Interest expense	(389,436)	(1,174,180)	(1,020,372)	(900)	(25,254)	(2,610,142)	(112,733)
Bond proceeds	-	(63,776)	-	-	6,409	(57,367)	-
Bond issuance costs	(31,085)	(38,608)	(242,288)	-	(3,003)	(314,984)	-
Total non-operating revenues (expenses), net	<u>(420,521)</u>	<u>(1,276,564)</u>	<u>(1,262,660)</u>	<u>(900)</u>	<u>3,614</u>	<u>(2,957,031)</u>	<u>62,939</u>
Income (loss) before contributions and transfers	<u>1,770,974</u>	<u>2,216,275</u>	<u>297,123</u>	<u>(1,461,797)</u>	<u>23,037</u>	<u>2,845,612</u>	<u>(4,916,033)</u>
Capital contributions	-	-	1,093,896	-	-	1,093,896	1,014,965
Transfers in	24,697	-	850,000	2,007,300	-	2,881,997	8,825
Transfers out	(73,500)	(1,232,887)	(1,987,300)	-	(774,000)	(4,067,687)	(34,958)
Change in net position	1,722,171	983,388	253,719	545,503	(750,963)	2,753,818	(3,927,201)
Net position at beginning of year	18,141,955	22,380,934	9,720,044	(1,057,000)	7,785,460	56,971,393	4,346,606
Net position at end of year	<u>\$ 19,864,126</u>	<u>\$ 23,364,322</u>	<u>\$ 9,973,763</u>	<u>\$ (511,497)</u>	<u>\$ 7,034,497</u>	<u>\$ 59,725,211</u>	<u>\$ 419,405</u>

See accompanying Notes to the Financial Statements.

**CITY OF ANNAPOLIS, MARYLAND  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2023**

	Business-type Activities					Total	Governmental Activities
	Sewer Fund	Water Fund	Off Street		Non-Major Enterprise Funds		Internal Service Funds Total
			Parking Fund	Transportation Fund			
<b>Cash flows from operating activities</b>							
Receipts from customers and users	\$ 8,266,266	\$ 9,201,996	\$ 6,103,727	\$ 326,213	\$ 4,783,191	\$ 28,681,393	\$ 16,774,477
Receipts from contributions and other sources	-	-	-	3,471,019	-	3,471,019	-
Payments to suppliers for goods and services	(2,496,536)	(1,673,736)	(2,765,703)	(788,037)	(3,012,973)	(10,736,985)	(12,057,975)
Payments to employees for services	(973,254)	(2,570,107)	-	(3,771,242)	(1,328,956)	(8,643,559)	(1,414,222)
Payments for interfund services uses	(503,000)	(528,000)	(192,000)	(1,180,000)	(441,000)	(2,844,000)	(1,057,466)
Net cash provided by (used for) operating activities	<u>4,293,476</u>	<u>4,430,153</u>	<u>3,146,024</u>	<u>(1,942,047)</u>	<u>262</u>	<u>9,927,868</u>	<u>2,244,814</u>
<b>Cash flows from noncapital financing activities</b>							
Effect of change from due from General Fund	-	-	-	(391,584)	-	(391,584)	-
Transfer from other funds	24,697	-	850,000	2,007,300	-	2,881,997	8,825
Transfer to other funds	-	-	(1,987,300)	-	-	(1,987,300)	(34,958)
Net cash provided by (used for) noncapital financing activities	<u>24,697</u>	<u>-</u>	<u>(1,137,300)</u>	<u>1,615,716</u>	<u>-</u>	<u>503,113</u>	<u>(26,133)</u>
<b>Cash flows from capital and related financing activities</b>							
Acquisition of capital assets	(658,076)	(2,491,731)	(136,093)	(215,364)	(1,262,275)	(4,763,539)	(1,157,730)
Transfer to City capital projects	(73,500)	(1,232,887)	-	-	(774,000)	(2,080,387)	-
Loss from the sale of capital assets	-	-	-	-	-	-	14,605
Proceeds from issuance of long term debt	5,043,304	6,512,056	12,805,292	4,992	967,791	25,333,435	-
Principal payments of long term debt	(400,833)	(1,951,827)	(1,059,883)	-	(55,260)	(3,467,803)	(1,129,026)
Refunding and transfers of long term debt	(395,549)	(340,488)	-	-	(201,912)	(937,949)	-
Bond issuance costs	(31,085)	(38,608)	(49,189)	-	(1,003)	-	-
Interest paid	(326,353)	(1,104,617)	(465,048)	(863)	(13,691)	(1,910,572)	(111,811)
Net cash used for capital and related financing	<u>3,157,908</u>	<u>(648,102)</u>	<u>11,095,079</u>	<u>(211,235)</u>	<u>(1,340,350)</u>	<u>12,173,185</u>	<u>(2,383,962)</u>
<b>Cash flows from investing activities</b>							
Interest received	-	-	-	-	11,637	11,637	161,067
Net cash provided by investing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,637</u>	<u>11,637</u>	<u>161,067</u>
Net increase (decrease) in cash and cash equivalents	7,476,081	3,782,051	13,103,803	(537,566)	(1,328,451)	22,495,918	(4,214)
Cash, cash equivalents, and restricted cash at beginning of year	12,607,207	17,320,851	1,749,257	537,616	5,452,673	37,667,604	11,858,724
Cash, cash equivalents, and restricted cash at end of year	<u>\$ 20,083,288</u>	<u>\$ 21,102,902</u>	<u>\$ 14,853,060</u>	<u>\$ 50</u>	<u>\$ 4,124,222</u>	<u>\$ 60,163,522</u>	<u>\$ 11,854,510</u>

See accompanying Notes to the Financial Statements.



**CITY OF ANNAPOLIS, MARYLAND**  
**STATEMENT OF CASH FLOWS (Continued)**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2023**

	Business-type Activities					Governmental	
	Sewer Fund	Water Fund	Off Street		Non-Major Enterprise Funds	Total	Internal
			Parking Fund	Transportation Fund			Service Funds Total
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities</b>							
Operating income (loss)	\$ 2,191,495	\$ 3,492,839	\$ 1,559,783	\$ (1,460,897)	\$ 19,423	\$ 5,802,643	\$ (4,978,972)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:							
Depreciation	707,132	1,103,065	806,793	141,395	57,976	2,816,361	1,877,133
Amortization	322	-	-	1,762	-	2,084	-
Effects of changes on non-cash operating assets and liabilities:							
Accounts receivable	(101,266)	(167,532)	(79,982)	(524,246)	(77,990)	(951,016)	102,313
Restricted water and sewer capital facility assessments	190,700	201,480	-	-	-	392,180	-
Inventories	-	(59,868)	-	6,363	-	(53,505)	59,111
Accounts payable	751,879	143,044	905,341	(73,564)	9,553	1,736,253	222,351
Accrued expenses and other liabilities	618,088	(75,309)	-	(83,610)	(21,194)	437,975	(29,967)
Compensated absences	(23,242)	2,554	-	(12,261)	8,029	(24,920)	3,586
Unearned revenue	-	-	(48,263)	-	(1,190)	(49,453)	-
Escrowed funds	3,420	29,142	2,352	-	(43)	34,871	-
Deferred outflows	8,004	59,822	-	(48,016)	(11,601)	8,209	23,196
Net pension liability	156,353	357,290	-	788,735	273,955	1,576,333	145,362
Deferred inflows	(166,023)	(503,199)	-	(573,889)	(214,135)	(1,457,246)	(201,318)
Other post employment benefits	(43,386)	(153,175)	-	(103,819)	(42,521)	(342,901)	(60,833)
Claims payable	-	-	-	-	-	-	5,082,852
Total adjustments	<u>2,101,981</u>	<u>937,314</u>	<u>1,586,241</u>	<u>(481,150)</u>	<u>(19,161)</u>	<u>4,125,225</u>	<u>7,223,786</u>
Net cash provided by (used for) operating activities	<u>\$ 4,293,476</u>	<u>\$ 4,430,153</u>	<u>\$ 3,146,024</u>	<u>\$ (1,942,047)</u>	<u>\$ 262</u>	<u>\$ 9,927,868</u>	<u>\$ 2,244,814</u>
<b>Noncash investing, capital and financing activities</b>							
Contributed capital	\$ -	\$ -	\$ 1,093,896	\$ -	\$ -	\$ 1,093,896	\$ -
Total noncash transactions	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,093,896</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,093,896</u>	<u>\$ -</u>

See accompanying Notes to the Financial Statements.

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**CITY OF ANNAPOLIS, MARYLAND**

**FIDUCIARY FUND  
FINANCIAL STATEMENTS**



***CITY OF  
ANNAPOLIS,  
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**CITY OF ANNAPOLIS, MARYLAND**

**CITY OF ANNAPOLIS, MARYLAND  
STATEMENT OF FIDUCIARY NET POSITION  
BENEFIT TRUST FUNDS  
JUNE 30, 2023**

<b>ASSETS</b>	
Cash	\$ 303,664
Other receivables	255,534
Investments, at fair value:	
Pooled Investments	10,832,728
Common stocks	7,724,028
Corporate bonds	2,195,528
Money market	6,207,039
U.S. Agency securities	10,852,502
Limited partnerships and alternative investments	50,299,406
Common and Collective Funds	105,459,332
Real estate	13,600,923
Total investments	<u>207,171,486</u>
Total assets	<u>207,730,684</u>
<b>LIABILITIES</b>	
Accounts payable	<u>15,887</u>
Total liabilities	<u>15,887</u>
<b>NET POSITION</b>	
Net position restricted for pensions	196,594,292
Net position restricted for OPEB	11,120,505
Total net position	<u><u>\$ 207,714,797</u></u>

See accompanying Notes to the Financial Statements.

**CITY OF ANNAPOLIS, MARYLAND**  
**STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION**  
**BENEFIT TRUST FUNDS**  
**YEAR ENDED JUNE 30, 2023**

**ADDITIONS**

Contributions:	
Employer	\$ 10,360,719
Plan member	1,892,665
Total Contributions	<u>12,253,384</u>
Investment Income:	
Interest and Dividends	2,336,703
Net appreciation in fair value of investments	15,261,421
Other income	2,303
	<u>17,600,427</u>
Less: Investment expense	<u>(440,952)</u>
Total investment income	<u>17,159,475</u>
Total additions	<u>29,412,859</u>

**DEDUCTIONS**

Benefits	15,509,671
Administrative expenses	273,084
Surplus to health insurance fund	119,160
Total deductions	<u>15,901,915</u>
Change in net position	13,510,944
Net position as of beginning of year	<u>194,203,853</u>
Net position as of end of year	<u>\$ 207,714,797</u>

# **NOTES TO BASIC FINANCIAL STATEMENTS**



***CITY OF  
ANNAPOLIS,  
MARYLAND***

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**CITY OF ANNAPOLIS, MARYLAND**



**CITY OF ANNAPOLIS, MARYLAND  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**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:

**ADOPTION OF NEW GASB PRONOUNCEMENTS**

During the fiscal year ended June 30, 2023, the City implemented GASB Statement No. 96, Subscription-Based Information Technology (SBITA). The objective of this Statement is to establish a single model for SBITA accounting based on the foundational principle that SBITAs are financings of the right to use an underlying asset. Under this statement, a government is required to recognize a subscription liability and an intangible right-to-use subscription asset. The effect of this statement has been included in these financial statements.

**BASIS OF PRESENTATION – FUND ACCOUNTING**

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

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

**BASIS OF ACCOUNTING**

**Government-wide Financial Statements**

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

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.

**CITY OF ANNAPOLIS, MARYLAND  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The primary effect of internal activity has been eliminated from the government-wide financial statements. An exception to this rule is when the amounts are reasonably equivalent in value to the interfund services provided and other charges between various functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by laws through constitutional provisions or enabling legislation. The restriction for debt service represents cash held by trustee to pay debt service on the City's revenue bonds. Restrictions for capital projects represents bond proceeds and other special sources restricted for capital purposes. Restrictions for land use, public safety, and community services represent grant and other restricted sources.

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.

**Governmental Funds**

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

The major governmental funds are:

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

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

**CITY OF ANNAPOLIS, MARYLAND  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The non-major governmental funds are:

Special Revenue Funds:

- Community Development Block Grant Fund - The Community Development Block Grant Fund is used to account for Community Development Block Grants received from the Federal government.
- Grants Fund - The Grants Fund is used to account for all federal, state, and other grants received and expended that are not accounted for in another fund.
- Community Legacy Fund - The Community Legacy Fund accounts for the remainder of the City's prior community legacy programs. The City must use these funds for community development and revitalization.
- Art in Public Places Fund - The Arts in Public Places Fund is used to account for all income and expenses related to the Arts in Public Places Commission. This fund receives 3% of the City's short-term rental tax in accordance with §20-603 of the Local Government Article of the State Code.
- Police Forfeiture & Asset Seizure Fund - The Police Forfeiture and Seizure Fund accounts for proceeds from property seized by the City or allocated to the City from the regional public safety groups. These funds must be spent on public safety initiatives.
- Sprinkler Fund - The Sprinkler Fund accounts for City funds loaned to property owners for the installation of sprinklers in their home or business. The applicant must meet all requirements established in the City Code to participate in this loan program.

Capital Project Funds:

- Reforestation Fund - The Reforestation Fund accounts for critical area fees received by the City from developers in accordance with 17.09.070 of the City Code.
- Public Education and Governmental Fund - The Public Education and Governmental (PEG) Fund accounts for the fees paid by cable subscribers that the City uses for its public television studio.
- Affordable Housing Trust Fund - The Affordable Housing Trust Fund accounts for monies received from developers who do not provide moderately priced dwelling units in accordance with City Code requirements. The funds must be used to purchase land or buildings for other affordable housing; provide settlement expense, down payment, and mortgage write-down assistance to eligible persons or households; construct housing units; purchase or rehabilitate rental housing for conversion to homeownership; rehabilitate residential units; provide funds to match other State or Federal homeownership programs; administrative costs; and to contract with nonprofit developers for development of housing units for sale to eligible low or moderate income buyers.

This fund receives 3% of the City's occupancy tax in accordance with §20-603 of the Local Government Article of the State Code. These funds may be used for rental assistance.

**CITY OF ANNAPOLIS, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Proprietary Funds

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

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

**CITY OF ANNAPOLIS, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The major proprietary funds are:

- Sewer Fund - To account for all financial activity associated with the operation of the City's sewage collection and treatment program. The sewer fund consists of two divisions: sewer plant and sewer collection. The sewer collection division is responsible for operating, maintaining, and repairing the sewage conveyance system. Sewage treatment is performed at a single, jointly-owned plant site controlled and operated by Anne Arundel County. The City has a 50% ownership of the property, plant and equipment, but does not have joint control of the financial or operating policies; therefore the arrangement is not considered a joint venture. The current agreement calls for the City to share in actual costs for 50% of capital improvements and a flow-based percentage of operational costs.
- Water Fund - To account for all financial activity associated with the operation of the City's water plant and water distribution system. The water plant is responsible for the production, treatment, testing, storage, and initial distribution of all potable water for the customers of the City. The water distribution division is responsible for meter reading, operating, maintaining, and repairing the distribution system.
- Off-Street Parking Fund - To account for all financial activity associated with the operation of the City's municipal parking facilities and parking enforcement. The parking facilities include four parking garages and two parking lots.
- Transportation Fund - To account for all financial activity associated with the operation and maintenance of the City's public transportation system. The transportation fund consists of three divisions: Administration, Transit Operations and Maintenance.

The nonmajor proprietary funds shown aggregated are:

- Watershed Restoration Fund - To account for all financial activity associated with the maintenance of public storm drainage systems, which include pipes, inlets, manholes, drainage ways, and watershed restoration facilities.
- Refuse Fund - To account for all financial activity associated with the operation of the City's residential refuse, yard waste, recycling, and bulk disposal systems. The refuse fund consists of three divisions: Residential Refuse, Yard Waste Recycling, and Curbside Recycling.

The City has four internal service funds:

- Self Insurance Fund - To account for the City's self-insurance activities for general liability, workers compensation, and other insurance coverage. An actuary estimates the liability for unpaid claims based on the claims reported as of June 30, 2023 and calculates an estimate for claims incurred but not reported the current claims and historical experience.
- Health Insurance Fund - To account for the City's health insurance and related claims, and administrative expenses. The City is self insured for its health care, prescription, dental, and vision benefits. An outside administrator processes the claims and the City pays in advance weekly for estimated claims. Therefore, there are no material accruals for claims liability at year end.
- Fleet Replacement Fund – To accumulate contributions from participating funds to pay for the replacement of City vehicles, including police vehicles, fire apparatus, and public works equipment. The City uses the fund to purchase vehicles, to record debt for its equipment, and repay amounts borrowed for fleet purchases.

**CITY OF ANNAPOLIS, MARYLAND  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

- Fleet Operations Fund - To account for fleet activities, increase transparency, and allocate these costs to each fund and department based on the vehicles used.

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.

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

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

**BUDGETARY PROCESS**

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

1. By the second Monday in April, the Mayor submits to the City Council a proposed budget for these 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 approved by the City Council. The allocation of funds from the surplus of the budget requires a two-thirds vote by the City Council.
6. All budgets are on an annual basis except the capital projects funds budgets, which are 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.

**CITY OF ANNAPOLIS, MARYLAND  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Budgetary Control**

Annually, budgets are adopted on a departmental level. Any budget changes subsequent to the adoption by the City Council, including any transfers between expenditures classifications greater than \$25,000 or between funds, must be reviewed by the Finance Committee and approved by the City Council. Any transfers between expenditure classifications within the same fund \$25,000 or less require approval by the City Manager, who must report the transfer to City Council at the following City Council meeting. For the General Fund, the total amendments were a net increase of \$2,742,162, increasing the original budget from \$103,111,350 to a revised budget of \$105,853,512.

The City has established a Budget Stabilization Fund (BSF) by resolution. The fund is within the General Fund balance and receives 50% of the excess above the target fund balance, which is calculated as 15% of revenues in the General, Parking, and Transportation funds. The BSF balance is limited to 3% of the budgeted revenues in the General, Parking, and Transportation funds for the ensuing fiscal year. Balances in the BSF may be appropriated for any purpose of City government by a simple majority vote of the Council.

The following are explanations of budget overages and deficit balances for the fiscal year ending June 30, 2023:

The City did not budget for Capital Lease or Subscription principal payments for the fiscal year 2023 as these payments are result of the implementation of GASB 87 and GASB 96. These accounting principles are fully included in the budget for fiscal year 2025.

The City did not budget for bond issuance costs incurred in fiscal year 2023.

The reallocation of fiscal year 2022 bonds also affected the City's Refuse Fund. Approximately \$486,000 in fiscal year 2022 bond liabilities were transferred to the Refuse Fund. These funds were used to support the construction of the new public works facility. This reallocation contributed to the overspending in the Refuse Fund of \$330,646.

The City's Self Insurance Fund had a net deficit of \$3.5 million in fiscal year 2023. As a result of outstanding litigation, it was necessary to increase the City's reserve for general liability claims by \$5.6 million. The City will address the deficit in the fiscal years 2024 and 2025 contributions.

The City's County Grant Fund overspent budgetary expenses by \$88,738. This is due to unexpected revenue for the 911 Funds grant. The City transferred salary expenses for the excess revenue, but did not increase the budget appropriation.

The City's Community Development Block Grant Fund overspent the budget by \$301,948 which reflected the spending down of program income funds from prior fiscal years.

The City's Transportation Fund has a net deficit of \$511,497 at the end of fiscal year 2023. The fund carries significant pension and OPEB liabilities, which has caused the deficit balance. The deficit was \$243,040 in fiscal year 2017 but increased to \$2,661,205 when the OPEB liability was recorded in fiscal year 2018. Since then the deficit has been decreasing. The City provides significant subsidies from the Off Street Parking Fund to strengthen transportation activities and improve the fund's net position.

**COMPONENTS OF NET POSITION**

**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.

**CITY OF ANNAPOLIS, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Investments

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

Inventories and Prepaid Items

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

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

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the City as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in government-wide activities. The valuation bases for general capital assets are historical cost, or, where historical cost is not available, estimated historical cost based on replacement cost. The minimum capitalization threshold is any individual item with a total cost greater than \$5,000 and a useful life of more than one year.

Capital assets in the proprietary funds are capitalized in the fund in which the assets are utilized. The valuation bases for proprietary fund capital assets are the same as those used for the general capital assets. Donated capital assets are capitalized at acquisition value on the date donated.

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

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 (Personal Property)	\$ 8,566
General Fund (Real Estate)	93
	<u>\$ 8,659</u>

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



**CITY OF ANNAPOLIS, MARYLAND  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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, 2023.

Due to the City's policies limiting the total accrual of vacation time, the liability for compensated absences varies minimally year to year. Employees who reach their limit do not continue to accrue leave. Therefore, the City considers the total of compensated absences to be a current liability. Depending on employee, excess leave is either lost, paid into a medical savings account, or paid directly to the employee at the end of December.

Deferred Outflows/Inflows of Resources

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

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

Fund Balance Reporting

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

1. Nonspendable – amounts that cannot be spent because the amounts are either not in spendable form or are legally required to be maintained intact, such as inventory, prepaid expenses, or other assets.
2. Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
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.

**CITY OF ANNAPOLIS, MARYLAND  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 2 – PROPERTY TAX**

Net Position Flow Assumption

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

The City's property tax is levied each July 1 on the assessed value of real and personal property located in the City. At that time, a lien is placed against the property. Assessed values are established by the Maryland State Department of Assessments and Taxation. A revaluation of all property is required to be completed every three years. For owner-occupied residential property, owners can choose to pay one payment due September 30th or two installments due on September 30th and December 31st. Property taxes are due from all other taxpayers on September 30th. Once the due date has passed, interest is charged each month or fraction thereof (at an interest rate of 15% per year), until such taxes are paid. Property with delinquent taxes, are included in the tax sale each May or June conducted by Anne Arundel County. The assessed market value of taxable real property and personal property as of July 1, 2023, was approximately \$7,688,230,894 and \$174,393,260, respectively.

**NOTE 3 – DEPOSITS AND INVESTMENTS**

Cash and Investments

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

***Custodial Credit Risk –***

***Deposits:*** In the case of deposits, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. The City's investment policy requires at least 102% collateralization of deposits. The carrying amount of total deposits for the City held with local banks was \$2,395,292; and the bank balances were \$3,727,391 as of June 30, 2023. As of June 30, 2023, the City's bank balances were fully collateralized by securities held by Bank of New York Mellon, in the City's name.

Teller and petty cash totaled \$6,510 at June 30, 2023.

***Money Markets:*** The City invests some operating and all bond proceeds in short-term money market funds that are not subject to custodial credit risk. The total amount invested in these short-term money market funds was \$10,780,662 as of June 30, 2023. 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

**CITY OF ANNAPOLIS, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)**

obligations, taxable fixed income securities, mutual funds, global funds, and international equity securities. The City's investment in the MACO Trust was \$10,832,778 as of June 30, 2023.

*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 \$129,776,882 as of June 30, 2023.

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

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

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

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

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

**CITY OF ANNAPOLIS, MARYLAND  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)**

Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

	Balance June 30, 2023
Investments measured at net asset value (NAV)	
MACO OPEB Trust	\$ 10,832,728
Total Investment at NAV	10,832,728
Cash and Investments carried at amortized cost:	
Cash on hand	6,510
Deposits	2,395,292
Money Market Mutual Funds	10,780,662
MLGIP	129,776,882
Total Cash and Investments at amortized cost	142,959,347
Total Cash and Investments	\$ 153,792,075

The MACO OPEB Trust is measured at net asset value. Investments in the trust include stocks, bonds, and real estate. Distributions from the Trust are solely to (1) make payments for benefits pursuant to and in accordance with the terms of the plan and (2) to pay the costs associated with administering the Trust Fund. With six months advance notice, a member may terminate its membership in the Trust. The Trust has no unfunded commitments.

**CITY OF ANNAPOLIS, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 4 – CAPITAL ASSETS AND DEPRECIATION/AMORTIZATION**

Capital assets at June 30, 2023 consist of the following:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 10,990,962	\$ 6,703,534	\$ -	\$ 17,694,496
Construction in progress	25,681,482	7,552,524	(15,384,469)	17,849,537
Total capital assets not being depreciated	<u>36,672,444</u>	<u>14,256,058</u>	<u>(15,384,469)</u>	<u>35,544,033</u>
Capital assets being depreciated/amortized:				
Buildings	50,013,907	14,244,281	-	64,258,188
Improvements/infrastructure	113,924,349	7,372,687	-	121,297,036
Equipment	26,453,089	2,310,873	(599,897)	28,164,065
Right-to-use leased assets (buildings)	4,508,616	2,181,204	-	6,689,820
Right-to-use subscription assets	-	1,850,354	-	1,850,354
Subtotal	<u>194,899,961</u>	<u>27,959,399</u>	<u>(599,897)</u>	<u>222,259,463</u>
Less accumulated Depreciation:				
Buildings	(21,759,460)	(901,007)	-	(22,660,467)
Improvements/infrastructure	(50,127,450)	(2,197,931)	-	(52,325,381)
Equipment	(19,454,311)	(2,705,055)	599,897	(21,559,469)
Less accumulated amortization:				
Right-to-use leased assets (buildings)	(507,981)	(744,755)	-	(1,252,736)
Right-to-use subscription assets	-	(317,794)	-	(317,794)
Subtotal	<u>(91,849,202)</u>	<u>(6,866,542)</u>	<u>599,897</u>	<u>(98,115,847)</u>
Total capital assets being depreciated	<u>103,050,759</u>	<u>21,092,857</u>	<u>-</u>	<u>124,143,616</u>
Net capital assets	<u>\$ 139,723,203</u>	<u>\$ 35,348,915</u>	<u>\$ (15,384,469)</u>	<u>\$ 159,687,649</u>
<b>Business-type Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 3,222,742	\$ -	\$ -	\$ 3,222,742
Construction in progress	27,462,979	4,022,555	(412,330)	31,073,204
Total capital assets not being depreciated	<u>30,685,721</u>	<u>4,022,555</u>	<u>(412,330)</u>	<u>34,295,946</u>
Capital assets being depreciated/amortized:				
Buildings	56,033,740	30,131,619	-	86,165,359
Improvements/infrastructure	72,909,933	224,054	-	73,133,987
Equipment	6,806,350	295,029	(656,451)	6,444,928
Right-to-use leased assets (equipment)	-	8,499	-	8,499
Right-to-use subscription assets	-	4,087	-	4,087
Subtotal	<u>135,750,023</u>	<u>30,663,288</u>	<u>(656,451)</u>	<u>165,756,860</u>
Less accumulated Depreciation:				
Buildings	(32,557,249)	(1,251,361)	-	(33,808,610)
Improvements/infrastructure	(21,442,807)	(1,412,394)	-	(22,855,201)
Equipment	(6,514,534)	(152,605)	656,451	(6,010,688)
Less accumulated amortization:				
Right-to-use leased assets (equipment)	-	(850)	-	(850)
Right-to-use subscription assets	-	(1,566)	-	(1,566)
Subtotal	<u>(60,514,590)</u>	<u>(2,818,776)</u>	<u>656,451</u>	<u>(62,676,915)</u>
Total capital assets being depreciated	<u>75,235,433</u>	<u>27,844,512</u>	<u>-</u>	<u>103,079,945</u>
Net capital assets	<u>\$ 105,921,154</u>	<u>\$ 31,867,068</u>	<u>\$ (412,330)</u>	<u>\$ 137,375,891</u>

**CITY OF ANNAPOLIS, MARYLAND  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 4 – CAPITAL ASSETS AND DEPRECIATION/AMORTIZATION (CONTINUED)**

Depreciation/Amortization was charged as follows:

**Governmental Activities:**

General Government	\$ 693,341
Public Safety	1,170,492
Public Works	2,393,618
Community Services	725,394
Land Use	6,564
Fleet	1,877,133
Total depreciation expense	<u><u>\$ 6,866,542</u></u>

**Business-type Activities:**

Water	\$ 1,103,397
Sewer	707,454
Off Street Parking	806,793
Transportation	143,156
Non Major Funds	57,977
Total depreciation expense	<u><u>\$ 2,818,777</u></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 the bonds are expected to be repaid from proprietary fund revenues. In addition, general obligation bonds have been issued to refund general obligation bonds. General obligation bonds are direct obligations and pledge the full faith and credit of the City. Refunding debt is repaid by either the General Fund or proprietary fund based on the debt that was refunded.

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

Under provisions of Article 41, Section 14-101 through 14-109 of the Annotated Code of Maryland, the City has participated in Economic Development Revenue Bonds for various projects within the City. Neither the bonds nor the interest thereof constitute an indebtedness or contingent liability of the City and, accordingly, these bonds are not included in the City's basic financial statements. During fiscal years 1998, 2007, and 2016, the City issued \$7,835,000, \$13,445,000, and \$24,460,000, respectively of these bonds on behalf of St. John's College, a Maryland nonprofit educational corporation. In fiscal year 2016, St. John's College refunded the 1998 bonds and a portion of the 2007 bonds. In fiscal year 2021, St. John's College issued \$8,430,000 in Series 2020 bonds which were issued to finance and refinance certain capital projects and to refund the Series 2007 bonds. The amount of conduit debt outstanding as of June 30, 2023 was \$18,363,566 for the 2016 and 2020 issuances.

On December 21, 2022, the City issued \$34,425,000 (Series 2022A) and \$8,260,000 (Series 2022B) general obligation bonds. The Series 2022A Bonds are not taxable and will be used to finance certain capital projects as well as to cover the costs of issuance of the Series 2022A Bonds. The Series 2022B bonds are taxable and refinanced indebtedness incurred for the benefit of the City in connection with the Public/Private Partnership discussed in note 13, as well as covered the costs associated with issuing the Series 2022B bonds. Interest on the Series 2022A ranges from 3.0% to 5.0%, due serially to August 1, 2052. Interest on the Series 2022B ranges from 4.5% to 6%, due serially to August 1, 2052. The Series 2022B bonds will be repaid by future parking revenues.

**CITY OF ANNAPOLIS, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 5 - DEBT (CONTINUED)**

Changes in Long-term Liabilities

The following is a summary of changes in long-term liabilities by type for the year ended June 30, 2023:

	Beginning Balance	Additions and Adjustments	Reductions	Ending Balance	Amount due within one year
<b>Governmental Activities:</b>					
General obligation bonds	\$ 63,082,440	\$ 12,361,134	\$ (6,120,234)	\$ 69,323,340	\$ 5,756,599
Unamortized premium	1,846,080	1,161,617	(532,278)	2,475,419	502,686
Bond anticipation notes	-	-	-	-	-
Other Debt/Financing Lease	5,818,446	-	(1,129,026)	4,689,420	1,136,589
Subscription Liabilities	-	1,850,354	(344,393)	1,505,961	285,806
Lease Liabilities	4,085,466	2,181,205	(673,732)	5,592,939	662,392
Total long-term debt	<u>74,832,432</u>	<u>17,554,310</u>	<u>(8,799,663)</u>	<u>83,587,079</u>	<u>8,344,072</u>
Net OPEB liability	24,702,628	-	(2,317,516)	22,385,112	-
Compensated absences	2,631,692	4,805,184	(4,622,824)	2,814,052	2,814,052
Net pension liability	75,996,124	7,331,297	-	83,327,421	-
Total long-term liabilities	<u>\$ 178,162,876</u>	<u>\$ 29,690,791</u>	<u>\$ (15,740,003)</u>	<u>\$ 192,113,664</u>	<u>\$ 11,158,124</u>
	Beginning	Additions and	Reductions	Ending	Amount due
<b>Business-type Activities:</b>					
General obligation bonds	\$ 63,043,561	\$ 30,323,866	\$ (3,518,766)	\$ 89,848,661	\$ 3,650,401
Unamortized premium	686,211	2,541,444	(320,625)	2,907,030	423,482
MDE Loan	22,747,863	-	(988,942)	21,758,921	997,842
Subscription Liabilities	-	4,087	(2,003)	2,084	2,084
Lease Liabilities	-	8,499	(699)	7,800	1,273
Total long-term debt	<u>86,477,635</u>	<u>32,877,896</u>	<u>(4,831,035)</u>	<u>114,524,496</u>	<u>5,075,082</u>
Net OPEB liability	2,075,639	-	(342,901)	1,732,738	-
Compensated absences	400,296	735,732	(760,652)	375,376	375,376
Net pension liability	2,968,855	1,576,333	-	4,545,188	-
Total long-term liabilities	<u>\$ 91,922,425</u>	<u>\$ 35,189,961</u>	<u>\$ (5,934,588)</u>	<u>\$ 121,177,798</u>	<u>\$ 5,450,458</u>

The liability for pension-related debt is fully liquidated by the General Fund. The liability for the OPEB is expected to be liquidated by the general and proprietary funds. The liability for compensated absences will be liquidated by general and proprietary funds based on the fund paying the respective employees' wages.

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, 2023, the debt margin of the City was as follows:

Assessed value of taxable real and property, July 1, 2022	\$ 7,862,624,154
Debt limit: 10% of assessable basis	786,262,415
Debt subject to limitation	<u>198,111,575</u>
Debt margin	<u>\$ 588,150,840</u>

**CITY OF ANNAPOLIS, MARYLAND  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 5 - DEBT (CONTINUED)**

Long-term debt comprises the following amounts as of June 30, 2023:

**Governmental Activities:**

General obligation bonds:

Public Improvement Bonds of 2015: \$11,500,000; interest 3.0 to 4.0%; due serially to 2035	\$ 1,055,000
Public Refunding Bonds of 2015: \$15,088,643; interest 3.0% to 4.0%; due serially to 2028	7,772,937
Public Refunding Bonds of 2017: \$8,969,907; interest 3.0% to 5.0%; due serially to 2036	6,975,000
Public Refunding Bonds of 2017: \$3,337,750; interest 2.06%; due serially to 2024	860,731
Public Improvement Refunding Bonds of 2017, Series B & C: \$11,030,000 interest 1.3% to 5.0%; due serially to 2033	10,290,000
Public Refunding Bonds of 2019: \$1,680,000; interest 2.0% to 5%; due serially to 2049	1,443,832
Public Refunding Bonds of 2019: \$3,783,182; interest 2.0% to 3%; due serially to 2036	3,010,233
Public Improvement Bonds of 2021, Series A: \$9,180,000; interest 1.875% to 5.0%; due serially to 2041	10,091,135
Public Improvement Refunding Bonds of 2021, Series B: \$16,674,472; interest 1.450% to 2.8%; due serially to 2045	16,674,472
Public Improvement Bonds of 2022, Series A: \$11,150,000; interest 3.0% to 5.0%; due serially to 2052	11,150,000

Total general obligation bonds	69,323,340
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Other debt:

Equipment Financing Lease 2018 - Tranche 1: interest 3.0440%; due 2029	2,913,112
Equipment Financing Lease 2019 - Tranche 2: interest 1.7330%; due 2029	1,367,428
Equipment Financing Lease 2020 - Tranche 3: interest 1.5196%; due 2030	408,880

Total other debt	4,689,420
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Total governmental activities long-term debt	\$ 74,012,760
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**CITY OF ANNAPOLIS, MARYLAND  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 5 - DEBT (CONTINUED)**

**Business-type Activities:**

General obligation bonds:

Public Refunding Bonds of 2013: \$20,035,000; interest 2.54% to 3.89%; due serially to 2035	\$ 572,000
Public Refunding Bonds of 2015: \$4,876,357; interest 3.0% to 4.0%; due serially to 2028	2,512,063
Public Refunding Bonds of 2017: \$530,093; interest 3.0% to 5.0%; due serially to 2036	-
Public Refunding Bonds of 2017: \$197,250; interest 2.06%; due serially to 2024	199,269
Public Improvement and Refunding Bonds of 2017, Series B & C: \$14,520,000 interest 1.3% to 5.0%; due serially to 2033	12,065,000
Public Improvement and Refunding Bonds of 2019, Series A: \$7,400,000 interest 3.00% to 5.0%; due serially to 2049	7,041,168
Public Improvement and Refunding Bonds of 2019B, Series B & C: \$1,360,000 interest 2.00% to 3.00%; due serially to 2036	1,109,767
Public Improvement Bonds of 2021, Series A: \$4,700,000; interest 1.875% to 5.0%; due serially to 2041	3,378,866
Public Improvement and Refunding Bonds of 2021, Series B: \$32,240,528; interest 1.450% to 2.8%; due serially to 2045	31,435,528
Public Improvement Bonds of 2022, Series A: \$34,425,000; interest 3.0% to 5.0%; due serially to 2052	23,275,000
Public Improvement Bonds of 2022, Series B: \$8,260,000; interest 4.50% to 6.0%; due serially to 2052	<u>8,260,000</u>
Total general obligation bonds	<u>89,848,661</u>

Other debt:

State of Maryland Water Quality loan: \$28,500,000; interest 0.900%; due semiannually to 2043	21,758,921
Total business-type activities debt	<u><u>\$ 111,607,582</u></u>

**CITY OF ANNAPOLIS, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 5 - DEBT (CONTINUED)**

Interest incurred on general obligation bonds allocated to governmental and business-type activities were \$1,938,674 and \$2,610,142 respectively for the year ended June 30, 2023.

Long-term debt maturities, excluding the unamortized loss on refunding of \$1,110,339 and \$1,352,983 in governmental and business-type activities, respectively, are scheduled as follows:

	General Obligation Bonds		Equipment Financing Leases		Total
	Principal	Interest	Principal	Interest	
<b>Governmental activities:</b>					
2024	\$ 5,756,599	\$ 2,235,636	\$ 1,136,589	\$ 114,856	\$ 9,243,680
2025	6,219,950	1,977,009	1,099,177	86,170	9,382,306
2026	5,982,581	1,780,604	1,063,962	59,266	8,886,413
2027	5,667,797	1,589,043	626,095	32,670	7,915,605
2028	6,390,131	1,381,982	345,418	20,590	8,138,121
2029 - 2033	20,797,298	4,538,261	418,179	11,715	25,765,453
2034 - 2038	11,258,812	1,995,269	-	-	13,254,081
2039 - 2043	7,011,198	572,192	-	-	7,583,390
2044 - 2048	144,026	19,916	-	-	163,942
2049 - 2051	94,948	3,418	-	-	98,366
	<u>\$ 69,323,340</u>	<u>\$ 16,093,330</u>	<u>\$ 4,689,420</u>	<u>\$ 325,267</u>	<u>\$ 90,431,356</u>

	General Obligation Bonds		MDE Water Quality Loan		Total
	Principal	Interest	Principal	Interest	
<b>Business-type Activities:</b>					
2024	\$ 3,650,400	\$ 3,216,757	\$ 997,842	\$ 195,830	\$ 8,060,829
2025	3,325,050	2,940,389	1,006,823	186,850	7,459,112
2026	3,377,419	2,826,467	1,015,884	177,788	7,397,558
2027	3,507,203	2,705,514	1,025,027	168,645	7,406,389
2028	3,664,869	2,577,865	1,034,252	159,420	7,436,406
2029 - 2033	17,767,702	11,043,736	5,312,572	655,790	34,779,800
2034 - 2038	17,041,188	8,096,770	5,555,980	412,382	31,106,320
2039 - 2043	18,313,802	5,309,801	5,810,540	157,822	29,591,965
2044 - 2048	12,610,974	2,562,235	-	-	15,173,209
2049 - 2051	6,590,053	782,269	-	-	7,372,322
	<u>\$ 89,848,660</u>	<u>\$ 42,061,803</u>	<u>\$ 21,758,920</u>	<u>\$ 2,114,527</u>	<u>\$155,783,910</u>

**CITY OF ANNAPOLIS, MARYLAND  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 6 – LEASES**

City as Lessor

For the year ended June 30, 2023 the financial statements include GASB Statement No. 87, *Leases*. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right-to-use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. Details of the City's lease receivables at June 30, 2023 are as follows:

In November of 1989, the City entered into a lease agreement with the Cousins Team II, LLC for 1796 square feet of real property located on the south side of Defense Highway. In August of 2007, the lease was assigned to HH&P IV, LLC as a result of the sale by Cousins Team II, LLC to HH&P IV, LLC of 201 Defense Highway. Terms and conditions of the lease are outlined below.

The original lease term was a period of five years with the tenant having the option to extend the same terms for up to nine consecutive additional terms of five years each for a total term of 50 years. The original contract called for the base annual rent of \$1,750 to be adjusted in each subsequent year by the change in CPI-W for the Washington, DC area. At the time, Washington and Baltimore were separate areas and the index base was 1982 and the inception CPI was 129.5 (11/89). In January 1998 the index was changed to combine the Baltimore/Washington area and the index base became (11/96). This change resulted in a conversion calculation in which current annual base rent is calculated by adjusting prior year rent by a factor of (the annual change in CPI-W for the Baltimore/Washington area/81.7). Fiscal year 2023 base annual rent was \$6,565. The City is reasonably certain that all options will be exercised and anticipates the lease to continue through the end of fiscal year 2039.

In August 2015 the City entered into a lease agreement with Annapolis Solar Park, LLC for the "Annapolis Landfill Property" for the purpose of designing and constructing a solar photovoltaic generating facility. The term of the original lease is 20 years, with the lessee having the option to extend for two additional five year periods. The City is reasonably certain both these options will be exercised.

Annual base rent at the conception of the lease was \$10,000 with annual increase of 2% at the beginning of each new fiscal year. Base rent is payable in 12 equal monthly payments. Additional annual rental payments are made based on the facility's capacity. At the conception of the lease, the rate for additional rent was \$15,000 annually per megawatt of capacity. This rent increases by 2% at the start of each fiscal year. The completed facility has a capacity of 12.06 megawatts.

Rent is offset by an allowance granted to the lessee in the amount of the interconnection costs associated with aligning and connecting the facility to Baltimore Gas and Electric. The total offset is amortized over a 10 year period from fiscal year 2018 to fiscal year 2028. The total monthly offset is \$7,329. 91% of the Annapolis Solar Park lease is accounted for in the General Fund and 9% in the Refuse Fund. In fiscal year 2023 total rent recognized in the General Fund was \$119,631 and \$11,637 in the Refuse Fund.

In March 2018 the City entered into a five year lease agreement with New Market House, LLC for the rental of space located at 25 Market Space in downtown Annapolis. Base rent for the property was \$8,000 a month. The New Market House, LLC has exercised the option to extend the lease for another five year term with an increase in monthly rent of 5% for the duration of the extended term.

In April 2017 the City entered into an agreement with the Annapolis Spring Sailboat Show for the lease of space to hold a Sailboat show in the spring of 2021. The lease has a renewal option of five additional one year terms. Rent is calculated as the greater of either 50% of lessee's gross receipts or a

**CITY OF ANNAPOLIS, MARYLAND  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 6 – LEASES (CONTINUED)**

minimum rent (\$15,953 multiplied by 50% of the CPI increase over the previous 12 months where CPI-U, 1982-84=100). Renewal option minimum rent is equal to 50% of the amount of the CPI increase over the previous 12 months multiplied by the prior year's minimum rent. In addition to rent, the lessee pays \$4,000 for the reimbursement of costs. For each renewal period the amount of this reimbursement increases by 50% of the amount of the CPI increase of the 12 months preceding the renewal term. The City is reasonably certain that all renewal periods will be exercised. In fiscal year 2023 total revenue recognized under the term of the lease was \$32,904.

In April 2017 the City entered into an agreement with the United States Sailboat Shows, Inc. and the United States Powerboat Show, Inc. for the lease of space to hold two fall boats for the fall of 2021-2026. The lease has a renewal option of five additional one year terms. Rent is calculated as the greater of either 50% of lessee's gross receipts or a minimum rent (\$385,000 multiplied by 50% of the CPI increase over the previous 12 months where CPI-U, 1982-84=100). Renewal option minimum rent is equal to 50% of the amount of the CPI increase over the previous 12 months multiplied by the prior year's minimum rent. In addition to rent, the lessee pays \$38,625 multiplied by the increase in CPI over the previous 12 months for the reimbursement of costs. For each renewal period the amount of this reimbursement increases by 50% of the amount of the CPI increase of the 12 months preceding the renewal term. The City is reasonably certain that all renewal periods will be exercised. In fiscal year 2023 total revenue under the term of the lease were \$581,304.

City as Lessee

Details of the City's lease liabilities at June 30, 2023 are as follows:

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

The current lease agreement terminates on June 30, 2030. The City has paid for the option to extend the lease to June 30, 2094. The city is not reasonably certain it will exercise this option. The initial lease liability was recorded at July 1, 2021 in the amount of \$4,277,143. The implied interest rate is 1.530%.

As of July 1, 2022 monthly basic rent payments were \$38,773. Base payments increase annually at a 3% rate. In addition, the City pays estimated Common Area Maintenance (CAM) expense of \$6,272 per month (revised annually), which is subject to annual reconciliation based on actual operating charges.

In 2021, the City entered into a two year lease agreement with the Limited Partnership for office space to be used by law enforcement staff. The initial lease liability was recorded at July 1, 2021 in the amount of \$231,473. As of June 30, 2023 the value of the lease liability is \$173,161. The implied interest rate is 1.375%. Monthly payments have a base rate of \$2,678 and increase annually and with each renewal period at a 3% rate. In addition, the City pays estimated operating charges of \$1,181 per month which is subject to an annual reconciliation based on actual operating charges.

In 2021, the City entered into a five year lease agreement with Axon Enterprises for equipment used by law enforcement staff. The initial lease liability was recorded at July 1, 2022 in the amount of \$2,051,909. As of June 30, 2023 the value of the lease liability is \$1,824,220. The implied interest rate is 3.036%. Annual payments for the initial term of the lease are \$235,071. There is a single five year extension option that the City is reasonably certain to exercise.

In January 2023, the City entered into a five year lease agreement with Konica Minolta Business Solutions USA, Inc. for copiers to be used in departments throughout the City. The initial lease liability was

**CITY OF ANNAPOLIS, MARYLAND  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 6 - LEASES (CONTINUED)**

recorded at January 1, 2023 in the amount of \$137,795. As of June 30, 2023 the value of the lease liability is \$126,471. The implied interest rate is 8.430%. Monthly payments total \$2,823.

Annual requirements to amortize all long-term obligations and related interest are as follows:

<b>Governmental Activities</b>			<b>Business Type Activities</b>		
For Year Ending June 30,	Principal	Interest	For Year Ending June 30,	Principal	Interest
2024	\$ 662,392	\$ 116,954	2024	\$ 1,488	\$ 601
2025	692,353	102,368	2025	1,618	471
2026	723,460	87,096	2026	1,761	328
2027	755,765	71,103	2027	1,915	174
2028	772,954	54,638	2028	1,018	25
2029 - 2033	1,986,015	85,160	2029 - 2033	-	-
	<u>\$ 5,592,939</u>	<u>\$ 517,319</u>		<u>\$ 7,800</u>	<u>\$ 1,599</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 System (the System), a cost sharing multiple-employer defined benefit plan sponsored and administered by the State Retirement and Pension System of Maryland. The System was created by the Maryland General Assembly. The Police and Fire Pension Plan was established by the City Council through legislation. Police and fire personnel participate in the single employer defined benefit pension plan, which is administered by the City's Human Resources Manager. In addition, the City established an eight-member police and fire retirement plan commission to review funding and actuarial reports and to make investing decisions. The City Council has the authority to establish and amend benefit and contribution provisions.

**General Information about the Employees Retirement and Pension System**

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

*Benefits provided.* The System provides retirement allowances to employees of participating governmental units. For individuals who become members of the Employees' Retirement and Pension Systems on or before June 30, 2011, retirement/pension allowances are computed using both the highest three years Average Final Compensation (AFC) and the actual numbers of years of accumulated creditable service. For individuals who become members of the Employees' Pension System on or after July 1, 2011, pension allowances are computed using both the highest five years AFC and the actual number of years of accumulated creditable service. Various retirement options are available under each system which ultimately

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**NOTE 7 – BENEFIT PLANS (CONTINUED)**

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 5-7% annually, depending on the retirement option selected. The contribution requirements of the participating governmental employers are established and may be amended by the Board of Trustees for the System.

The City's contractually required contribution rate for the Employees' Retirement and Pension System for the year ended June 30, 2023, was 10.93% 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 \$2,415,768, during the year ended June 30, 2023.

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

At June 30, 2023, the City reported a liability of \$19,158,414 for its proportionate share of the net pension liability of the System. The net pension liability was measured as of June 30, 2022, 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, 2022. The contributions were increased to adjust for differences between actuarial determined contributions and actual contributions by the State of Maryland. As of June 30, 2022, the City's proportionate share was 0.09575%, up from 0.09052% in the prior year.

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**NOTE 7 – BENEFIT PLANS (CONTINUED)**

For the year ended June 30, 2023, the City recognized pension expense of \$2,588,948. At June 30, 2023, 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	\$ -	\$ (1,305,395)
Changes in assumptions	2,016,197	(152,915)
Change in proportion	3,300,864	(709,766)
Net difference between projected and actual earnings		
on pension plan investments	148,131	
Change in proportionate share of contribution	49,703	(72)
City contributions subsequent to the measurement date	2,415,768	-
Total	<u>\$ 7,930,663</u>	<u>\$ (2,168,148)</u>

City contributions made after the measurement date but before the end of fiscal year 2023 will be recognized as a reduction of net pension liability in the subsequent fiscal period. 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>
2024	\$ 784,783
2025	627,001
2026	303,482
2027	1,671,848
2028	(40,366)
	<u>\$ 3,346,748</u>

*Actuarial assumptions.* The total pension liability in the June 30, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25% general, 2.75% wages
Salary increases	2.75% to 6.50%, including wage inflation
Investment rate of return	6.80%

Mortality rates were based on Public Sector 2010 Mortality Tables calibrated to MSRPS experience with generational projections using MP-2018 (2-dimensional) mortality improvement scale.

The economic and demographic actuarial assumptions used in the June 30, 2022 valuation were adopted by the System's Board of Trustees based upon review of the System's experience study for the period 2014-2018, which was completed during fiscal year 2018. 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, 2019. New economic assumptions (investment return, inflation, wage inflation and COLA increases) were adopted by the Board for the June 30, 2021 valuation.

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

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**NOTE 7 – BENEFIT PLANS (CONTINUED)**

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	34.00 %	6.00%
Private Equity	16.00	8.40
Rate Sensitive	21.00	1.20
Credit Opportunity	8.00	4.90
Real Assets	15.00	5.20
Absolute Return	6.00	3.50
Total	100.00 %	

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, 2022.

For the year ended June 30, 2022, the annual money-weighted rate of return on pension plan investments, net of the pension plan expense was 26.69% and (2.97)% respectively. 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 6.80%. This single discount rate was based on the expected rate of return on pension plan investments of 6.80%. 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 System’s separately issued 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 6.80%, 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 (5.80%)	Current (6.80%)	1% Increase (7.80%)
Net Pension Liability	\$ 10,664,335	\$ 19,158,414	\$ 29,395,105

**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



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**NOTE 7 – BENEFIT PLANS (CONTINUED)**

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.

Participants in the original plan were 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, 2023, the City had an actuarially determined contribution of \$7,397,136 or 34.10% of covered payroll, and the City made a contribution of \$8,299,373, which is in accordance with the actuary's recommendation. The City's contribution was 38.30% of covered payroll. Pension payments and the administrative costs of the plan are financed through investment earnings and liquidation of investments and contributions from the City and participants. The Plan is considered part of the City's reporting entity and is included in the City's financial statements as Pension Trust funds. There is no separately issued financial report for this plan.

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

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

Investment Type	Fair Value	Investment Maturities (in years)			
		Less than 1	1-5	5-10	Over 10
Corporate bonds	\$ 2,195,528	\$ 150,042	\$ 883,441	\$ 1,011,987	\$ 150,058
U.S. Agency securities	10,852,502	-	3,799,583	3,135,266	3,917,653
	<u>\$ 13,048,030</u>	<u>\$ 150,042</u>	<u>\$ 4,683,024</u>	<u>\$ 4,147,253</u>	<u>\$ 4,067,711</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.

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**NOTE 7 – BENEFIT PLANS (CONTINUED)**

As of June 30, 2023, the System's fixed income investments had the following risk characteristics:

SP Rating or Comparable	Percent of Total Investments	Fair Value
A	9.32%	\$ 1,216,080
AA	1.42	185,109
AAA	52.41	6,839,048
BBB	6.09	794,339
Not Rated	30.76	4,013,454
	100.00%	\$ 13,048,030

*Custodial Credit Risk* – Wilmington Trust invests in a money market fund on behalf of the Plan. As of June 30, 2023, the amount in the money market fund was \$2,485,430. This fund is uninsured and uncollateralized. All other investments of the fund are held by Wilmington Trust as trustee in the Plan's name.

	Level 1	Level 2	Level 3	Balance June 30, 2022
<b>Investments by fair value level:</b>				
Debt securities:				
Corporate bonds	\$ -	\$ 2,195,528	\$ -	\$ 2,195,528
U.S. agency securities	10,852,502	-	-	10,852,502
Total Debt securities	10,852,502	2,195,528	-	13,048,030
Equity Securities:				
Common stocks	7,724,028	-	-	7,724,028
Total investments measured at fair value level	\$ 18,576,530	\$ 2,195,528	\$ -	\$ 20,772,058
<b>Investments measured at the net asset value (NAV)</b>				
Limited partnerships & Alternative investments <sup>1</sup>				50,299,406
Common and Collective Funds <sup>2</sup>				105,459,332
Real estate investment trust <sup>3</sup>				13,600,923
Total investments measured at the NAV				169,359,662
Total investments measured at fair value				\$ 190,131,719
<b>Cash and Investments carried at amortized cost:</b>				
Interest and Dividends Receivables				255,534
Money market mutual funds				6,207,039
Total Cash and Investments at amortized cost				6,462,573
Total Cash and Investments				\$ 196,594,292

<sup>1</sup> Limited partnerships & alternative investments – This type includes nine 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.

<sup>2</sup> Common and Collective Funds – This type includes seven daily valued mutual funds and common trust funds that invest primarily in publicly traded equity and fixed income securities. These investments are valued on a net asset value basis and are liquid on a daily basis.

<sup>3</sup> Real estate investment trusts – This type includes three 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.

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**NOTE 7 – BENEFIT PLANS (CONTINUED)**

**Plan Membership**

Non-active Members	
Retirees and beneficiaries receiving benefits	276
Terminated employees not yet receiving benefits	52
Total nonactive members	<u>328</u>
Active Members	<u>231</u>
Total	<u><u>559</u></u>

The City's Police and Fire 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. Wilmington Trust is the plan trustee for the assets.

**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, 2023:

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

**Concentrations**

The Plan held investments (other than those issued or explicitly guaranteed by the U.S. Government) in any one organization that represented 5% or more of the pension plan's fiduciary net position, as follows, as of June 30, 2023:

<u>Investments</u>	<u>% of Pension Fiduciary Net Position</u>	<u>Fair Value</u>
PIMCO Tactical Opportunities	5.3%	\$ 10,450,608
Grosvenor Institutional	7.2	14,259,429
Wellington CTF Global Opportunities	8.9	<u>17,511,761</u>
Total		<u><u>\$ 42,221,798</u></u>

At June 30, 2023, the City reported a liability of \$68,714,195 for the Plan's net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022.

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**NOTE 7 – BENEFIT PLANS (CONTINUED)**

**Net Pension Liability**

The net pension liability of the trust as of June 30, 2022, for measurement date June 30, 2022, is as follows:

Total pension liability	\$ 265,308,487
Plan fiduciary net position	<u>(196,594,292)</u>
Net pension liability	<u>\$ 68,714,195</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>74.1%</u>

For the year ended, June 30, 2023, the City recognized pension expense of \$7,808,047. The City's two pension plans recognized a combined pension expense of \$10,396,996 in fiscal year 2023.

At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,542,080	\$ (282,922)
Net difference between projected and actual earnings on pension plan investments	7,051,223	-
Changes in actuarial assumptions	5,370,956	-
Total	<u>\$ 18,964,259</u>	<u>\$ (282,922)</u>

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

Year Ended June 30,	Amount
2024	\$ 8,194,958
2025	2,885,877
2026	8,186,767
2027	(586,265)
Total	<u>\$ 18,681,337</u>

*Actuarial assumptions.* The total pension liability in the July 1, 2022, actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Mortality rates for non-disabled retirees were based on RP-2014 Mortality Table, projected to the year 2024, using scale SSA. Rates are set forward 5 years for disabled lives.

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

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**NOTE 7 – BENEFIT PLANS (CONTINUED)**

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, 2023, is as follows:

Asset Class/Style	Target	Return
Equity - U.S.	40.00 %	6.50 %
Equity - Global (Developed)	10.00	6.25
Equity - Global (Emerging)	5.00	8.00
Alternatives - Marketable Alts	5.00	2.15
Alternatives - Private Real Estate	5.00	5.50
Alternatives - Commodities	5.00	3.00
Alternatives - Private Equity	14.00	8.50
Fixed Income - U.S.	16.00	2.05
Fixed Income - Cash	-	0.03
Total	<u>100.00 %</u>	

*Discount Rate.* The discount rate used to measure the total pension liability was 7.25%. 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 available for all future benefit payments.

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2022	\$250,534,366	\$ 185,149,829	\$ 65,384,537
Changes for the year			
Service Cost	4,194,098	-	4,194,098
Interest	17,943,298	-	17,943,298
Changes in benefit terms	-	-	-
Difference between expected and actual experience	7,363,776	-	7,363,776
Contributions - City	-	8,299,373	(8,299,373)
Contributions - Employee	-	1,827,551	(1,827,551)
Net investment income	-	16,184,863	(16,184,863)
Benefit payments	(14,727,051)	(14,727,051)	-
Administrative expenses	-	(140,273)	140,273
Net changes	<u>14,774,121</u>	<u>11,444,463</u>	<u>3,329,658</u>
Balance at June 30, 2023	<u>\$265,308,487</u>	<u>\$ 196,594,292</u>	<u>\$ 68,714,195</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 7.25%, 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 (6.25%), or one percentage point higher (8.25%) than the current rate:

	Discount Rate		
	1% Decrease (6.25%)	Current (7.25%)	1 % Increase (8.25%)
Net Pension Liability	<u>\$ 94,757,375</u>	<u>\$ 68,714,195</u>	<u>\$ 44,913,559</u>
Percentage of the Total Pension Liability	<u>67.5%</u>	<u>74.1%</u>	<u>81.4%</u>

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**NOTE 7 – BENEFIT PLANS (CONTINUED)**

**Rate of Return on Investments:**

The annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, for the year ended June 30, 2023 was 8.9%. The money-weighted rate of return expresses investment performance, net of expenses, adjusted for the changing amounts actually invested.

**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. The plan is a single-employer defined benefit plan. 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 2.5% of the premium for each year of service up to a maximum of 70%. 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.

In fiscal year 2015, the City Council approved joining the Maryland Association of Counties Pool OPEB Investment Trust Fund. The City maintains most of the OPEB plan assets in this fund and receives a proportional amount of its investment earnings and expenses.

The OPEB liability was based on an actuarial valuation as of June 30, 2022, rolled forward to June 30, 2023.

The components of the net OPEB liability of the City at June 30, 2023, were as follows:

Total OPEB Liability	\$ 35,238,356
Plan fiduciary net position	<u>(11,120,506)</u>
City's net OPEB liability	<u>\$ 24,117,850</u>
Plan fiduciary net position as a percentage of the total OPEB liability	31.6%

*Employees covered by benefit terms.* At June 30, 2023, the following employees were covered by the benefit terms:

	Police and Fire	General	Total
Active	196	124	320
Retired/Beneficiaries	80	13	93
Spouses	44	2	46
Total	<u>320</u>	<u>139</u>	<u>459</u>

*Contributions.* The City currently funds retiree costs on paygo basis. In order to reduce future liability, the City funds trust assets using employer and employee payroll contributions and a lump sum General Fund contribution. Payroll contributions for employees range from 0%-1% and for employer, range from 2%-3%. The General Fund contribution covers the remaining balance of retiree health insurance coverage and an

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**NOTE 7 – BENEFIT PLANS (CONTINUED)**

amount budgeted each year to reduce unfunded OPEB contributions. Total employer contributions for fiscal year 2023 were \$2,061,346.

**Net OPEB Liability:**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

The City's net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2022 rolled forward to June 30, 2023. The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Investment rate of return	7.00%
Healthcare trend rates	Medical & Pharmacy - 5.0-6.0% and Dental/Vision 3.50%,
Mortality rates	
General Employees	RP2014 Combined Healthy Mortality Table projected to 2024 with Scale SSA for males and females.
Police/Fire Employees	RP2014, Blue Collar Combined Healthy Mortality Table projected to 2024 with Scale SSA for males and females.
	For pre-retirement deaths, 50% of these rates apply. For disabled lives, the tables are set forward by 5 years.

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, 2023, are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Weight</u>
Domestic Equity	6.25 %	36.00 %
Non-US Equity	6.50	24.00
Fixed Income - U.S.	2.05	35.00
Real Estate	4.85	5.00
Total Weighted Average Real Return	4.77	<u>100.00 %</u>
Plus Inflation	2.50	
Total Return Without Adjustment	<u>7.27</u>	
Risk Adjustment	<u>(0.27)%</u>	
Total Expected Return	<u>7.00 %</u>	

**Discount rate:**

The discount rate used to measure the total OPEB liability was 5.68%. 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 60% funding level is reached. Based on this information, the City projects that benefits will be paid from the trust from 2028 until depletion in 2046.

**CITY OF ANNAPOLIS, MARYLAND  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 7 – BENEFIT PLANS (CONTINUED)**

Therefore, the expected trust return of 7.00% is blended with the 20-year Aaa bond rate of 3.87% resulting in a blended rate of 5.68%. The prior rate was 5.68%.

	Total OPEB Liability (a)	Plan fiduciary net position (b)	Net OPEB Liability (a)-(b)
Balances as of June 30, 2022	\$ 35,832,291	\$ 9,054,024	\$ 26,778,267
Change for the year:			
Service cost	891,357	-	891,357
Interest	2,060,647	-	2,060,647
Net investment income	-	974,592	(974,592)
Differences between expected and actual experience	(2,644,179)	-	(2,644,179)
Contributions	-	2,126,460	(2,126,460)
Changes in assumptions	-	-	-
Benefit payments, including implicit subsidy	(901,760)	(901,760)	-
Administrative expense	-	(132,810)	132,810
Net Changes	(593,935)	2,066,482	(2,660,417)
Balances as of June 30, 2023	<u>\$ 35,238,356</u>	<u>\$ 11,120,506</u>	<u>\$ 24,117,850</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 (4.68%) or one percentage point higher (6.68%) than the current discount rate:

	Discount Rate		
	1% Decrease (4.68%)	Current (5.68%)	1% Increase (6.68%)
Total OPEB Liability	\$ 38,795,037	\$ 35,238,356	\$ 32,114,642
Plan Net Position	11,120,505	11,120,506	11,120,505
Net OPEB Liability	<u>\$ 27,674,532</u>	<u>\$ 24,117,850</u>	<u>\$ 20,994,137</u>
Ratio of Plan Net Position to Total OPEB Liability	<u>28.7%</u>	<u>31.6%</u>	<u>34.6%</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 or one percentage point higher than the current healthcare cost trend rates:

	Health Care Cost Trend Rate		
	1% Decrease 3.00%/3.50%	Current 4.00%/4.50%	1% Increase 5.00%/5.50%
Total OPEB Liability	\$ 31,671,551	\$ 35,238,356	\$ 39,376,241
Plan Net Position	11,120,505	11,120,506	11,120,505
Net OPEB Liability	<u>\$ 20,551,046</u>	<u>\$ 24,117,850</u>	<u>\$ 28,255,736</u>
Ratio of Plan Net Position to Total OPEB Liability	<u>35.1%</u>	<u>31.6%</u>	<u>28.2%</u>



**CITY OF ANNAPOLIS, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 7 – BENEFIT PLANS (CONTINUED)**

**Deferred Outflows/Inflows of Resources Related to OPEB:**

For the year ended June 30, 2023, the City recognized OPEB expense of (\$1,310,618). At June 30, 2023, 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 earnings	\$ 561,335	\$ -
Net difference between expected and actual experience	31,409	(16,146,948)
Changes in actuarial assumptions	2,012,565	(5,009,688)
Total	<u>\$ 2,605,309</u>	<u>\$ (21,156,636)</u>

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

For Year Ending	Amount
<u>June 30,</u>	
2024	\$ (3,676,651)
2025	(3,742,808)
2026	(3,493,859)
2027	(3,614,183)
2028	(2,781,244)
After 2028	(1,242,582)
	<u>\$ (18,551,327)</u>

**D) Summarized Financial Information for Benefit Plans**

**Condensed Statements of Fiduciary Net Position**

	Pension Trust Fund	OPEB Trust Fund	Total Benefit Trust Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 255,534	\$ 303,664	\$ 559,198
Investments, at fair value	196,338,758	10,832,728	207,171,486
Total assets	<u>196,594,292</u>	<u>11,136,392</u>	<u>207,730,684</u>
<b>Liabilities</b>			
Current liabilities	-	15,887	15,887
Total liabilities	<u>-</u>	<u>15,887</u>	<u>15,887</u>
Net Position	<u>\$ 196,594,292</u>	<u>\$ 11,120,505</u>	<u>\$ 207,714,797</u>

**CITY OF ANNAPOLIS, MARYLAND  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 7 – BENEFIT PLANS (CONTINUED)**

**Condensed Statements of Changes in Fiduciary Net Position**

	Pension Trust Fund	OPEB Trust Fund	Total Benefit Trust Funds
<b>Additions:</b>			
Contributions	\$ 10,126,924	\$ 2,126,460	\$ 12,253,384
Investment income	16,184,883	974,592	17,159,475
Total Additions	<u>26,311,807</u>	<u>3,101,052</u>	<u>29,412,859</u>
<b>Deductions:</b>			
Benefits	14,727,071	782,600	15,509,671
Administrative expenses	140,273	132,811	273,084
Surplus to health insurance	-	119,160	119,160
Total Deductions	<u>14,867,344</u>	<u>1,034,571</u>	<u>15,901,915</u>
Change in Net Position	<u>\$ 11,444,463</u>	<u>\$ 2,066,481</u>	<u>\$ 13,510,944</u>

**NOTE 8 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Interfund receivables and payables, represent temporary balances between other funds and the General Fund where cash is pooled, comprise the following at June 30, 2023:

Receivable Fund	Payable Fund			
	Grants	Capital Projects	Transportation	Total
General Fund	<u>\$ 1,275,078</u>	<u>\$ 4,338,217</u>	<u>\$ 1,585,252</u>	<u>\$ 7,198,547</u>

Transfers between other funds and the general fund consist of the following as of June 30, 2023:

Transfers In	Transfers To									Transfers In
	General Fund	Capital Projects	Refuse	Sewer	Water	Stormwater	Off-street Parking	Fleet Replacement	Fleet Operations	
Governmental										
General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,195	\$ -	\$ 7,195
Grants Fund	239,800	-	-	-	-	-	-	-	-	239,800
Capital Projects	15,602,950	-	491,500	73,500	1,232,887	282,500	-	-	-	17,683,337
Sprinkler Assistance	52,000	-	-	-	-	-	-	-	-	52,000
Fleet Replacement	5,759	-	-	-	-	-	-	-	34,958	40,717
Enterprise:										
Off-street Parking	-	850,000	-	-	-	-	-	-	-	850,000
Transportation	20,000	-	-	-	-	-	1,987,300	-	-	2,007,300
Sewer	-	-	-	-	-	-	-	24,697	-	24,697
Transfers Out	<u>\$ 15,920,509</u>	<u>\$ 850,000</u>	<u>\$ 491,500</u>	<u>\$ 73,500</u>	<u>\$ 1,232,887</u>	<u>\$ 282,500</u>	<u>\$ 1,987,300</u>	<u>\$ 31,892</u>	<u>\$ 34,958</u>	<u>\$ 20,905,046</u>

The General Fund sent \$239,800 to the Grants Fund as the City's contribution to the Choice Neighborhood Initiative grant, \$15,602,950 of bond and capital reserve funding to the Capital Projects Fund to support ongoing capital construction, \$52,000 to Sprinkler Loan Assistance Fund to support new loans issued in fiscal year 2023, and \$20,000 to the Transportation Fund for a micro-transit pilot program. Additionally, a transfer was completed between the General Fund and Fleet Replacement Fund in the amount of \$5,759 to support the improvements to fixed assets held by the Fleet Replacement Fund.

The City transferred \$850,000 from the City Dock Resilience and Revitalization project in the Capital Projects Fund to the Parking Fund to cover the costs associated with transportation needs as a result of the on-going construction of the Noah Hillman Garage.

**CITY OF ANNAPOLIS, MARYLAND  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

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

The Refuse, Sewer, Water and Stormwater Funds provide bond proceeds of \$2,080,387, to the Capital Projects Fund for construction of the City Maintenance Facility.

The Fleet Operations Fund transferred \$7,195 and \$24,697 to the General Fund and Sewer Fund respectively for improvements to capital assets.

Off Street Parking provided a \$1,987,300 subsidy to the Transportation Fund.

**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 - 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 11 – RISK MANAGEMENT**

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

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

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 2023 and 2022 were as follows:

	<u>FY2023</u>	<u>FY2022</u>
Beginning accrued payables and other liabilities	\$ 5,453,822	\$ 4,580,893
Incurred claims and changes in estimates	7,701,123	3,067,972
Claim payments	<u>(2,618,271)</u>	<u>(2,195,043)</u>
Ending accrued payables and other liabilities	<u>\$ 10,536,674</u>	<u>\$ 5,453,822</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, 2023**

**NOTE 12 – 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 13 – HILLMAN GARAGE AND CITY DOCK PUBLIC/PRIVATE PARTNERSHIP**

The City has established a Public/Private Partnership with MEDCO and AMRP/AIR. Medco has hired AIR, the private partner, to operate the Hillman Garage and collect revenues from the downtown parking district. AIR subcontracted the garage operations to Premium Parking.

In May 2022, the City closed the Hillman Garage in order to demolish the structure. The construction of the replacement garage began in July 2022 and was completed in September 2023. In order to finance the demolition and replacement of the Hillman Garage, on September 8, 2022, MEDCO issued Senior Economic Development Revenue Bonds (Annapolis Mobility and Resilience Project) Series 2022A (Senior Bonds) in the aggregate principal amount of \$45,630,000 and its Subordinated Economic Development Revenue Bonds (Annapolis Mobility and Resilience Project) Series 2022B, Series 2022C, and Series 2022D (Subordinate Bonds), in the aggregate principal amount of \$25,125,000, each for the benefit of the City.

The proceeds of the Senior Bonds were used to finance the costs of the demolition and replacement of the Hillman Garage, temporary mobility service during the construction of the new garage, funding of certain pre-development costs of the redevelopment of the City Dock area, and the provision of a concession payment to the City. The Senior Bonds are tax-exempt and bear interest at fixed rates until the final maturity date of June 30, 2053. The Senior Bonds are payable solely from, and secured by, the trust estate pledged to such the Senior Bonds under a senior indenture of trust. The trust is funded by the future revenues from the City's replacement garage and paid parking within the designated downtown parking area.

The proceeds of the Subordinate Bonds were used to finance the funding of the concession payment for the City, a debt service reserve fund for the Senior Bonds, an escrow account for the Senior Bonds, and other permitted uses. The Subordinate Bonds were taxable with a final maturity date of December 31, 2053. The Subordinate Bonds were limited obligations of MEDCO payable solely from, and secured by, the trust estate pledged to the Subordinate Bonds under a subordinated indenture of trust. The trust was funded by revenues from the garage and parking area noted above. Parking revenues remaining in the trust after service of the Senior Bonds, the garage operations, and the subordinate bonds will be remitted to the City semiannually as a "waterfall" payment in accordance with the terms of the concession agreement.

On December 7, 2022, the City sold \$36,770,000 of tax exempt (2022 Series A) bonds and \$8,485,000 of taxable (2022 Series B) bonds. The City is using Series A to fund various construction projects, primarily the City Dock Resiliency project. In order to realize overall savings on the 2022 Series B MEDCO/AMRP subordinate debt related to the Hillman Garage project, the City used the proceeds of its 2022 Series B bonds together with the concession payment provided by the subordinate bonds, to refinance the subordinate bonds in February 2023. The refinancing of the subordinate debt resulted in present value savings to the City of approximately \$15.2 million. The 2022 Series A and Series B bonds are being repaid using the revenue in the Parking Fund, including receipts from the City's self-managed parking assets and the waterfall payments received by the City from the Medco trust.

The Public/Private Partnership transactions resulted in an increase to Parking Fund fixed assets of \$30.1 million, increase to long term liabilities of \$12.4 million, and an increase to deferred inflows of \$21.9 million.

**CITY OF ANNAPOLIS, MARYLAND  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 14 – SUBSCRIPTION BASED INFORMATION-TECHNOLOGY AGREEMENTS**

The City implemented the Governmental Accounting Standards Board Statement 96, Subscription Based Information-Technology Agreements (SBITAs), at July 1, 2023 for accounting and reporting of subscription agreements using the modified retrospective method. Details of the City's software subscription liabilities at June 30, 2023 are as follows:

The City entered into a 28-month subscription for the use of debt, lease and SBITA tracking software from Fifth Asset Incorporated. An initial subscription liability was recorded in the amount of \$24,552. As of June 30, 2023, the value of the subscription liability is \$12,232. The City is required to make annual fixed payments of \$12,500. The subscription has an interest rate of 2.19%. The value of the right to use asset as of June 30, 2023 of \$24,552 with accumulated amortization of \$10,522.

The City entered into a 26-month subscription for the use of the Google Suite of Software from SADA, Inc. An initial subscription liability was recorded in the amount of \$103,158. As of June 30, 2023, the value of the subscription liability is \$53,481. The City is required to make annual fixed payments of \$50,054. The subscription has an interest rate of 2.19%. The value of the right to use asset as of June 30, 2023 of \$103,158 with accumulated amortization of \$47,611.

The City entered into a 77-month subscription for the use of cloud based budgeting software with OpenGOV. An initial subscription liability was recorded in the amount of \$365,964. As of June 30, 2023, the value of the subscription liability is \$310,325. The City is required to make annual fixed payments of \$59,750. The subscription has an interest rate of 2.70%. The value of the right to use asset as of June 30, 2023 of \$365,964 with accumulated amortization of \$57,033. The City has one extension option for 60 months.

The City entered into a 66-month subscription for the use of CIVICPLUS website hosting software. An initial subscription liability was recorded in the amount of \$45,420. As of June 30, 2023, the value of the subscription liability is \$37,705. The City is required to make annual fixed payments of \$8,915. The subscription has an interest rate of 2.70%. The value of the right to use asset as of June 30, 2023 of \$45,420 with accumulated amortization of \$8,163. The City has one extension option for 66 months.

The City entered into a 66-month subscription for the use of CIVICREC recreational management software from CIVICPLUS. An initial subscription liability was recorded in the amount of \$95,321. As of June 30, 2023, the value of the subscription liability is \$78,535. The City is required to make annual fixed payments of \$17,000.00. The subscription has an interest rate of 2.70%. The value of the right to use asset as of June 30, 2023 of \$95,321 with accumulated amortization of \$17,331. The City has one extension option for 66 months.

The City entered into a 66-month subscription for the use of CIVICReady Mass Notification software from CIVICPLUS. An initial subscription liability was recorded in the amount of \$118,571. As of June 30, 2023, the value of the subscription liability is \$100,141. The City is required to make annual fixed payments of \$19,851. The subscription has an interest rate of 2.70%. The value of the right to use asset as of June 30, 2023 of \$118,571 with accumulated amortization of \$21,450. The City has one extension option for 66 months.

The City entered into a 35-month subscription for the use of telecommunications software with Networking Concepts, Inc. An initial subscription liability was recorded in the amount of \$50,532. As of June 30, 2023, the value of the subscription liability is \$25,558. The City is required to make annual fixed payments of \$26,160. The subscription has an interest rate of 2.35%. The value of the right to use asset as of June 30, 2023 of \$50,532 with accumulated amortization of \$17,325.

The City entered into a 77-month subscription for the use endpoint security software purchased from ZOHOO Corporation. An initial subscription liability was recorded in the amount of \$51,105. As of June 30, 2023, the value of the subscription liability is \$42,492. The City is required to make annual fixed payments of

**CITY OF ANNAPOLIS, MARYLAND  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 14 – SUBSCRIPTION BASED INFORMATION-TECHNOLOGY AGREEMENTS (CONTINUED)**

\$9,198. The subscription has an interest rate of 2.70%. The value of the right to use asset as of June 30, 2023 of \$51,105 with accumulated amortization of \$7,954. The City has six 12 month extension options.

The City entered into a 38-month subscription for the use of endpoint detection and response cloud-based software from Malwarebytes, Inc. An initial subscription liability was recorded in the amount of \$40,264. As of June 30, 2023, the value of the subscription liability is \$26,638. The City is required to make annual fixed payments of \$13,890. The subscription has an interest rate of 2.85%. The value of the right to use asset as of June 30, 2023 of \$40,264 with accumulated amortization of \$12,463. The City has three 12 months extension options.

The City entered into a 110-month subscription for the use of equipment software from Axon Enterprises. An initial subscription liability was recorded in the amount of \$921,872. As of June 30, 2023, the value of the subscription liability is \$820,925. Annapolis, MD is required to make annual fixed payments of \$105,612. The subscription has an interest rate of 3.04%. The value of the right to use asset as of June 30, 2023 of \$921,872 with accumulated amortization of \$100,568. The City has one extension option for 60 months.

Annual requirements to amortize all long-term obligations and related interest are as follows:

<b>Governmental Activities</b>			<b>Business Type Activities</b>		
For Year Ending June 30,	Principal	Interest	For Year Ending June 30,	Principal	Interest
2024	\$ 285,807	\$ 43,022	2024	\$ 2,085	\$ 48
2025	205,782	35,432		<u>\$ 2,085</u>	<u>\$ 48</u>
2026	201,451	29,581			
2027	211,029	23,859			
2028	209,648	17,870			
2029 - 2032	392,244	30,215			
	<u>\$ 1,505,961</u>	<u>\$ 179,979</u>			



**REQUIRED SUPPLEMENTARY INFORMATION**



***CITY OF  
ANNAPOLIS,  
MARYLAND***



**CITY OF ANNAPOLIS, MARYLAND  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE CITY'S PROPORTIONATE  
SHARE OF THE COLLECTIVE NET PENSION LIABILITY RELATED RATIOS  
MARYLAND STATE RETIREMENT AND PENSION SYSTEM  
YEAR ENDED JUNE 30, 2023**

	Measurement Date								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
City's proportion of the collective net pension liability	0.09575120%	0.09052240%	0.07756600%	0.07582970%	0.07427040%	0.07101440%	0.07505470%	0.07855730%	0.07421533%
City's proportionate share of the collective net pension liability	\$ 19,158,415	\$ 13,580,441	\$ 17,530,964	\$ 15,640,337	\$ 15,583,128	\$ 15,355,940	\$ 17,708,426	\$ 16,325,552	\$ 13,170,794
City's covered payroll	\$ 20,674,865	\$ 20,398,825	\$ 19,180,210	\$ 18,324,152	\$ 17,316,068	\$ 16,582,319	\$ 17,477,390	\$ 10,803,631	\$ 16,994,559
City's proportionate share of the collective net pension liability as a percentage of its covered payroll	92.67%	66.57%	91.40%	85.35%	89.99%	92.60%	101.32%	151.11%	77.50%
Plan fiduciary net position as a percentage of the total pension liability	76.27%	81.84%	70.72%	72.34%	68.36%	66.71%	62.97%	68.78%	71.87%

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

**CITY OF ANNAPOLIS, MARYLAND  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CITY CONTRIBUTIONS  
MARYLAND STATE RETIREMENT AND PENSION SYSTEM  
YEAR ENDED JUNE 30, 2023**

	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 2,415,768	\$ 2,185,333	\$ 1,994,681	\$ 1,663,063	\$ 1,557,162	\$ 1,889,096	\$ 1,813,039	\$ 1,462,128
Contributions in relation to the contractually required contribution	<u>(2,415,768)</u>	<u>(2,185,333)</u>	<u>(1,994,681)</u>	<u>(1,663,063)</u>	<u>(1,557,162)</u>	<u>(1,889,096)</u>	<u>(1,813,039)</u>	<u>(1,462,128)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	<u>\$22,102,177</u>	<u>\$20,674,865</u>	<u>\$20,398,825</u>	<u>\$19,180,210</u>	<u>\$18,324,152</u>	<u>\$17,316,068</u>	<u>\$16,582,319</u>	<u>\$17,477,390</u>
Contributions as a percentage of covered payroll	10.93%	10.57%	9.78%	8.67%	8.50%	10.91%	10.93%	8.37%

*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, 2023**

<b>Total Pension Liability</b>	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Service cost	\$ 4,194,098	\$ 4,392,133	\$ 4,163,490	\$ 3,975,853	\$ 3,795,564	\$ 3,590,260	\$ 3,751,539	\$ 3,651,655	\$ 3,673,745	\$ 3,821,288
Interest (includes interest on service cost)	17,943,298	17,338,788	16,532,767	15,319,585	14,628,780	14,206,287	13,652,377	13,302,868	12,768,894	12,349,153
Changes of benefit terms	-	-	-	-	852,740	-	-	-	(5,211,445)	-
Differences between expected and actual experience	7,363,776	1,015,716	(629,243)	(156,122)	3,068,330	1,433,627	(3,733,644)	(66,901)	3,568,771	-
Changes in assumptions	-	-	7,323,887	11,809,610	476,398	-	1,902,569	-	-	-
Benefit payments, including refunds of member contributions	(14,727,071)	(13,711,760)	(13,095,676)	(13,342,366)	(12,932,435)	(11,705,270)	(11,222,586)	(9,327,917)	(9,070,882)	(8,654,196)
Net change in total pension liability	14,774,101	9,034,877	14,295,225	17,606,560	9,889,377	7,524,904	4,350,255	7,559,705	5,729,083	7,516,245
Total pension liability - beginning	250,534,366	241,499,489	227,204,264	209,597,704	199,708,327	192,183,423	187,833,168	180,273,463	174,544,380	167,028,135
Total pension liability - ending	<u>\$ 265,308,467</u>	<u>\$ 250,534,366</u>	<u>\$ 241,499,489</u>	<u>\$ 227,204,264</u>	<u>\$ 209,597,704</u>	<u>\$ 199,708,327</u>	<u>\$ 192,183,423</u>	<u>\$ 187,833,168</u>	<u>\$ 180,273,463</u>	<u>\$ 174,544,380</u>
<b>Plan Fiduciary Net Position</b>										
Contributions - employer	\$ 8,299,373	\$ 7,109,736	\$ 6,352,698	\$ 4,638,021	\$ 3,953,630	\$ 3,389,348	\$ 3,430,988	\$ 2,877,922	\$ 2,451,163	\$ 1,535,001
Contributions - member	1,827,551	1,521,149	1,405,344	1,524,040	1,536,440	1,458,763	1,445,592	1,324,069	1,220,879	1,138,427
Net investment income	16,184,863	(19,621,994)	46,523,965	948,771	9,185,462	12,181,913	17,937,648	1,649,833	5,896,989	22,156,263
Benefit payments, including refunds of member contributions	(14,727,071)	(13,711,760)	(13,095,676)	(13,342,366)	(12,932,435)	(11,705,270)	(11,222,586)	(9,327,917)	(9,070,882)	(8,654,196)
Administrative expense	(140,273)	(167,760)	(151,958)	(312,221)	(172,665)	(128,075)	(67,677)	(1,606,930)	(961,324)	-
Net change in plan fiduciary net position	\$ 11,444,443	\$ (24,870,629)	\$ 41,034,373	\$ (6,543,755)	\$ 1,570,432	\$ 5,196,679	\$ 11,523,965	\$ (5,083,023)	\$ (463,175)	\$ 16,175,495
Plan fiduciary net position - beginning	185,149,829	210,020,458	168,986,085	175,529,840	173,959,408	168,762,729	157,238,764	162,321,787	162,784,962	146,609,467
Plan fiduciary net position - ending	<u>\$ 196,594,272</u>	<u>\$ 185,149,829</u>	<u>\$ 210,020,458</u>	<u>\$ 168,986,085</u>	<u>\$ 175,529,840</u>	<u>\$ 173,959,408</u>	<u>\$ 168,762,729</u>	<u>\$ 157,238,764</u>	<u>\$ 162,321,787</u>	<u>\$ 162,784,962</u>
Net pension liability - ending	<u>\$ 68,714,195</u>	<u>\$ 65,384,537</u>	<u>\$ 31,479,031</u>	<u>\$ 58,218,179</u>	<u>\$ 34,067,864</u>	<u>\$ 25,748,919</u>	<u>\$ 23,420,694</u>	<u>\$ 30,594,404</u>	<u>\$ 17,951,676</u>	<u>\$ 11,759,418</u>
Plan fiduciary net position as a percentage of the total pension liability	74.1 %	73.9 %	87.0 %	74.4 %	83.7 %	87.1 %	87.8 %	83.7 %	90.0 %	93.3 %
Covered payroll	\$ 21,686,122	\$ 19,201,205	\$ 20,747,561	\$ 20,029,461	\$ 19,233,068	\$ 18,821,279	\$ 18,256,495	\$ 16,430,407	\$ 16,529,127	\$ 16,269,256
Net pension liability as a percentage of covered employee payroll	316.9%	340.5%	151.7%	290.7%	177.1%	136.8%	128.3%	186.2%	108.6%	72.3%

**CITY OF ANNAPOLIS, MARYLAND  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS (CONTINUED)  
 POLICE AND FIRE RETIREMENT PENSION FUND  
 YEAR ENDED JUNE 30, 2023**

**Notes to Schedule**

Valuation Date July 1, 2023

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	5-Year Smoothing
Amortization method	The UAL is amortized as a level percentage over a 30-year period (23 years remaining as of July 1, 2021).
Discount rate	7.25%
Amortization growth rate	0.00%
Price inflation	2.50%
Salary increases	4.75% to 11.75%, based on service
Mortality	RP-2014 Mortality Table, projected to 2024 using Scale SSA. 50% of these rates applied for pre-retirement deaths. For disabled retirees: these rates are set forward five years.

**CITY OF ANNAPOLIS, MARYLAND  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULES OF EMPLOYER CONTRIBUTIONS AND INVESTMENT RETURNS  
POLICE AND FIRE RETIREMENT PENSION FUND  
YEAR ENDED JUNE 30, 2023**

**Schedule of Employer Contributions**

Fiscal Year Ended June 30,	Actuarially Determined Employer Contribution	Actual Employer Contribution	Contribution Deficiency/ (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2023	\$ 7,397,136	\$ 8,299,373	\$ (902,237)	\$ 21,686,122	38.30 %
2022	7,078,192	7,109,736	(31,544)	19,201,205	37.03
2021	5,857,036	6,352,698	(495,662)	20,747,561	30.62
2020	4,432,520	4,638,021	(205,501)	20,029,461	23.16
2019	3,898,543	3,953,630	(55,087)	19,233,068	20.56
2018	3,935,529	3,389,348	546,181	18,821,279	18.01
2017	3,817,433	3,430,988	386,445	18,256,495	18.79
2016	3,740,905	2,877,922	862,983	16,430,407	17.52
2015	3,234,493	2,451,163	783,330	16,529,127	14.83
2014	3,989,791	1,535,001	2,454,790	16,269,356	09.43

**Schedule of Investment Returns\***

Year Ended June 30,	Investment Return
2023	8.9%
2022	(9.5)
2021	28.0
2020	0.6
2019	5.4
2018	7.4
2017	11.6
2016	0.6
2015	5.0
2014	17.9

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

**CITY OF ANNAPOLIS, MARYLAND  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS  
YEAR ENDED JUNE 30, 2023**

<b><u>Total Net OPEB Liability</u></b>	<b><u>2023</u></b>	<b><u>2022</u></b>	<b><u>2021</u></b>	<b><u>2020</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Service cost	\$ 891,357	\$ 1,345,103	\$ 1,487,863	\$ 1,683,092	\$ 1,768,122	\$ 1,535,462	\$ 1,495,451
Interest	2,060,647	1,867,971	2,317,584	2,602,613	2,423,459	2,167,486	2,100,266
Differences between expected and actual experience	(2,644,179)	(4,477,491)	(10,164,803)	(7,201,249)	(1,421,369)	94,223	-
Changes in assumptions	-	(5,463,151)	1,381,078	1,328,654	1,091,394	(2,736,973)	-
Benefit payments, including implicit subsidy	(901,760)	(1,762,988)	(1,184,315)	(1,369,136)	(1,743,697)	(2,112,144)	(1,882,596)
Net change in total OPEB liability	(593,935)	(8,490,556)	(6,162,593)	(2,956,026)	2,117,909	(1,051,946)	1,713,121
Total OPEB liability - beginning of year	35,832,291	44,322,847	50,485,440	53,441,466	51,323,557	52,375,503	50,662,382
Total OPEB liability - end of year	<u>\$ 35,238,356</u>	<u>\$ 35,832,291</u>	<u>\$ 44,322,847</u>	<u>\$ 50,485,440</u>	<u>\$ 53,441,466</u>	<u>\$ 51,323,557</u>	<u>\$ 52,375,503</u>
<b><u>Plan Fiduciary Net Position</u></b>							
Contributions - employer	\$ 2,061,346	\$ 2,838,321	\$ 2,320,300	\$ 2,648,995	\$ 2,962,725	\$ 3,053,624	\$ 2,552,284
Contributions - member	65,114	49,432	44,980	37,670	31,119	21,162	-
Net investment income	974,592	(1,385,488)	1,739,269	88,672	289,523	216,547	175,799
Benefit payments, including refunds of member contributions	(901,760)	(1,762,988)	(1,184,315)	(1,369,136)	(1,743,697)	(2,112,144)	(1,882,596)
Administrative expense	(132,811)	(103,098)	(210,425)	(349,507)	(342,827)	(305,948)	(10,480)
Net change in plan fiduciary net position	2,066,481	(363,821)	2,709,809	1,056,694	1,196,843	873,241	835,007
Plan fiduciary net position - beginning	9,054,024	9,417,845	6,708,036	5,651,342	4,454,499	3,581,258	2,746,251
Plan fiduciary net position - ending	<u>11,120,505</u>	<u>9,054,024</u>	<u>9,417,845</u>	<u>6,708,036</u>	<u>5,651,342</u>	<u>4,454,499</u>	<u>3,581,258</u>
Net OPEB liability - beginning of year	26,778,267	34,905,002	43,777,404	47,790,124	46,869,058	48,794,245	47,919,758
Net OPEB liability - end of year	<u>\$ 24,117,851</u>	<u>\$ 26,778,267</u>	<u>\$ 34,905,002</u>	<u>\$ 43,777,404</u>	<u>\$ 47,790,124</u>	<u>\$ 46,869,058</u>	<u>\$ 48,794,245</u>
Plan fiduciary net position as a percentage of the total OPEB liability	31.6 %	25.3 %	21.2 %	13.3 %	10.6 %	8.7 %	6.8 %
Covered employee payroll	\$ 30,078,857	\$ 27,826,178	\$ 33,625,100	\$ 41,484,659	\$ 40,233,840	\$ 38,249,323	\$ 32,155,763
Net OPEB liability as a percentage of covered employee payroll	80.2%	96.2%	103.8%	105.5%	118.8%	122.5%	151.7%

*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 EMPLOYER CONTRIBUTIONS – OTHER POST-EMPLOYMENT BENEFITS  
YEAR ENDED JUNE 30, 2023**

**Notes to Schedule**

Valuation Date	July 1, 2022
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 method, with a closed level dollar amortization (27 years remaining)
Amortization method	Level dollar, closed (27 years remaining).
Discount rate	7%
Amortization growth rate	0.00%
Price inflation	2.50%
Salary increases	3.5%
Mortality	RP-2014 Mortality Table, projected to 2024 using Scale SSA. 50% of these rates applied for pre-retirement deaths. For disabled retirees: these rates are set forward five years.

**CITY OF ANNAPOLIS, MARYLAND  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF EMPLOYER CONTRIBUTIONS – OTHER POST-EMPLOYMENT BENEFITS  
YEAR ENDED JUNE 30, 2023**

<b>Schedule of Employer Contributions</b>					
Fiscal Year Ended June 30,	Actuarially Determined Employer Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2023	\$ 2,349,000	\$ 2,061,000	\$ 288,000	\$ 30,079,000	6.90 %
2022	2,980,000	2,838,000	142,000	27,826,000	10.20
2021	3,726,000	2,320,000	1,406,000	33,625,000	6.90
2020	4,034,000	2,649,000	1,385,000	41,485,000	6.41
2019	4,112,000	2,963,000	1,149,000	40,234,000	7.40
2018	3,119,000	3,053,000	66,000	38,249,000	7.98
2017	3,983,000	2,552,000	1,431,000	32,156,000	7.94
2016	3,925,000	1,985,000	1,940,000	33,762,000	5.88
2015	4,060,000	2,084,000	1,976,000	32,262,000	6.46
2014	4,852,000	2,926,000	1,926,000	32,345,000	9.05

<b>Schedule of Investment Returns*</b>	
Year Ended June 30,	Investment Return
2023	10.3%
2022	-14.1%
2021	24.7%
2020	1.5%
2019	6.0%
2018	5.6%
2017	13.0%

\*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 BALANCE**  
**BUDGET TO ACTUAL - GENERAL FUND (NONGAAP - BUDGETARY BASIS)**  
**YEAR ENDED JUNE 30, 2023**

	Adopted Budget	Amended Budget	Actual Revenue/ Expenditures & Encumbrances	Under/ (Over) Budget
<b>Revenues</b>				
Taxes				
Real property	\$ 59,149,000	\$ 59,149,000	\$ 56,765,918	\$ 2,383,082
Personal	3,240,000	3,240,000	3,542,143	(302,143)
Total Taxes	<u>62,389,000</u>	<u>62,389,000</u>	<u>60,308,061</u>	<u>2,080,939</u>
Local Receipts				
Licenses and Permits	3,199,600	3,199,600	3,522,462	(322,862)
Fines and Forfeitures	423,000	423,000	576,721	(153,721)
Money and Property	653,000	653,000	2,936,644	(2,283,644)
Charges for Services	8,084,300	8,086,610	8,359,192	(272,582)
Total Local Receipts	<u>12,359,900</u>	<u>12,362,210</u>	<u>15,395,019</u>	<u>(3,032,809)</u>
Other Revenues				
Intergovernmental	17,696,300	17,696,300	18,648,787	(952,487)
Transfers and other sources	3,906,000	3,842,100	4,261,617	(419,517)
Total Other Revenues	<u>21,602,300</u>	<u>21,538,400</u>	<u>22,910,404</u>	<u>(1,372,004)</u>
Total Revenues	<u>96,351,200</u>	<u>96,289,610</u>	<u>98,613,484</u>	<u>(2,323,874)</u>
<b>Expenditures</b>				
General Government				
City Council	164,000	164,000	155,015	8,985
Mayor	1,576,200	1,730,400	1,589,120	141,280
Office of Law	1,755,200	1,867,100	1,690,394	176,706
City Manager's Office	4,990,300	5,519,300	5,128,162	391,138
Finance and Purchasing	3,496,800	3,567,456	2,793,298	774,158
Total General Government	<u>11,982,500</u>	<u>12,848,256</u>	<u>11,355,989</u>	<u>1,492,267</u>
Land Use and Permits	<u>4,912,500</u>	<u>5,078,700</u>	<u>4,360,140</u>	<u>718,560</u>
Public Safety				
Police	24,664,900	27,358,095	24,108,373	3,249,722
Fire	23,632,100	24,930,110	23,713,404	1,216,706
Emergency Management	516,900	548,701	514,761	33,940
Total Public Safety	<u>48,813,900</u>	<u>52,836,906</u>	<u>48,336,538</u>	<u>4,500,368</u>
Public Works				
Bureau of Administration	841,600	878,400	858,070	20,330
Engineering and Construction	1,379,700	1,492,400	1,353,324	139,076
Roadways	3,816,600	3,980,700	3,879,011	101,689
Traffic Control	324,400	321,600	251,034	70,566
Snow and Ice Removal	200,000	165,000	44,705	120,295
Buildings and Maintenance	2,073,900	2,168,500	1,516,851	651,649
Total Public Works	<u>8,636,200</u>	<u>9,006,600</u>	<u>7,902,995</u>	<u>1,103,605</u>
Community Services				
Recreation and Parks	6,343,200	6,782,500	6,375,428	407,072
Community Assistance Grants	348,000	354,000	354,000	-
Total Community Services	<u>6,691,200</u>	<u>7,136,500</u>	<u>6,729,428</u>	<u>407,072</u>
Other Expenditures				
Non Allocated	9,721,800	4,346,300	4,215,777	130,523
Debt Service	7,973,000	7,973,000	9,315,149	(1,342,149)
Transfers out	4,380,250	6,627,250	6,680,009	(52,759)
Total Other Expenditures	<u>22,075,050</u>	<u>18,946,550</u>	<u>20,210,935</u>	<u>(1,264,385)</u>
Total Expenditures	<u>103,111,350</u>	<u>105,853,512</u>	<u>98,896,025</u>	<u>6,957,487</u>
(Excess) Deficiencies of Revenues over Expenditures	<u>\$ (6,760,150)</u>	<u>\$ (9,563,902)</u>	<u>\$ (282,541)</u>	<u>\$ (9,281,361)</u>

**CITY OF ANNAPOLIS, MARYLAND  
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION  
JUNE 30, 2023**

1) Budgetary Presentation

The General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to 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 this fund’s legally adopted budget differs from GAAP as follows:

- Liquidation of prior year encumbrances are presented as revenue on the budgetary statement.
- 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.
- Encumbrances are considered expenditures in the budgetary statements, however are not expended for GAAP presentation.
- Certain revenues and expenditures related to the issuance and refunding of the City’s general obligation bonds are not budgeted and have an immaterial impact on the City’s General Fund balance.

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

Budget Basis Revenues (non-GAAP budgetary basis)	\$ 98,613,484
Interfund Reimbursements netted against GAAP Expenditures	(3,705,921)
Less: Prior year encumbrances outstanding at beginning of the year and liquidated at year end	(109,559)
GAAP Revenues not budgeted	<u>12,460,682</u>
Revenues and other financing sources (GAAP basis)	<u>\$ 107,258,686</u>
Budget Basis Expenditures at year end (non-GAAP budgetary basis)	\$ 98,896,025
Interfund Reimbursements netted against GAAP Expenditures	(3,705,921)
Add: Current year encumbrances outstanding at year end	(1,074,325)
Less: Prior year encumbrances expended in current year	226,824
GAAP Expenditures not budgeted	<u>12,200,000</u>
Expenditures and other financing sources (GAAP basis)	<u>\$ 106,542,603</u>

# COMBINING AND INDIVIDUAL FUND STATEMENTS



***CITY OF  
ANNAPOLIS,  
MARYLAND***

**CITY OF ANNAPOLIS, MARYLAND  
GENERAL FUND**

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

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

**CITY OF ANNAPOLIS, MARYLAND  
GENERAL FUND  
DETAILED SCHEDULE OF REVENUES COMPARED TO BUDGET (CONTINUED)  
(NON-GAAP BUDGETARY BASIS)  
YEAR ENDED JUNE 30, 2023**

	Adopted Budget	Amended Budget	Actual Revenue	Under (Over) Budget
<b>Taxes</b>				
Real and personal property				
Real property	58,977,000	\$ 58,977,000	\$ 56,618,766	\$ 2,358,234
Personal	3,240,000	3,240,000	3,542,143	(302,143)
Total	<u>62,217,000</u>	<u>62,217,000</u>	<u>60,160,909</u>	<u>2,056,091</u>
Penalties and interest	172,000	172,000	147,152	24,848
<b>Total Taxes</b>	<u>62,389,000</u>	<u>62,389,000</u>	<u>60,308,061</u>	<u>2,080,939</u>
<b>Licenses and Permits</b>				
Street Use				
Street privileges	250,000	250,000	249,036	964
Business				
Alcoholic beverages	480,000.00	480,000	497,606	(17,606)
Traders	64,000	64,000	75,840	(11,840)
Vendors	100,000	100,000	71,700	28,300
Total Business	<u>644,000</u>	<u>644,000</u>	<u>645,146</u>	<u>(1,146)</u>
Other				
Building	1,100,000	1,100,000	1,707,087	(607,087)
Real property transfer fee	100,000	100,000	74,194	25,806
Use permits	50,000	50,000	40,091	9,909
Cable television franchise fees	740,000	740,000	613,418	126,582
Towing	600	600	-	600
Other	315,000	315,000	193,490	121,510
Total Other	<u>2,305,600</u>	<u>2,305,600</u>	<u>2,628,280</u>	<u>(322,680)</u>
<b>Total Licenses and Permits</b>	<u>3,199,600</u>	<u>3,199,600</u>	<u>3,522,462</u>	<u>(322,862)</u>
<b>Fines and Forfeitures</b>				
Municipal infractions	40,000	40,000	43,710	(3,710)
Speed enforcement program	125,000	125,000	276,692	(151,692)
Auto traffic signal	250,000	250,000	237,175	12,825
Other fines	8,000	8,000	19,144	(11,144)
<b>Total Fines and Forfeitures</b>	<u>423,000</u>	<u>423,000</u>	<u>576,721</u>	<u>(153,721)</u>
<b>Money and Property</b>				
Interest and dividends	55,000	55,000	2,584,664	(2,529,664)
Rents and concessions	320,000	320,000	127,978	192,022
Payments in lieu of taxes	278,000	278,000	218,752	59,248
Other revenue	-	-	5,250	(5,250)
<b>Total Money and Property</b>	<u>653,000</u>	<u>653,000</u>	<u>2,936,644</u>	<u>(2,283,644)</u>
<b>Intergovernmental</b>				
American Recovery Plan	2,427,300	2,427,300	-	2,427,300
Utility tax	380,000	380,000	327,094	52,906
Occupancy	3,000,000	3,000,000	3,198,074	(198,074)
Admissions	1,000,000	1,000,000	1,274,164	(274,164)
Income	9,200,000	9,200,000	11,532,670	(2,332,670)
Highway	1,688,000	1,688,000	2,313,926	(625,926)
Fuel	1,000	1,000	1,576	(576)
Other	-	-	1,283	(1,283)
<b>Total Intergovernmental</b>	<u>17,696,300</u>	<u>17,696,300</u>	<u>18,648,787</u>	<u>(952,487)</u>

**CITY OF ANNAPOLIS, MARYLAND  
GENERAL FUND  
DETAILED SCHEDULE OF REVENUES COMPARED TO BUDGET (CONTINUED)  
(NON-GAAP BUDGETARY BASIS)  
YEAR ENDED JUNE 30, 2023**

	Adopted Budget	Amended Budget	Actual Revenue	Under (Over) Budget
<b>Charges for Services</b>				
Ambulance fees	3,000,000	3,000,000	3,044,486	(44,486)
Recreation fees	1,712,500	1,712,500	1,862,386	(149,886)
Filing fees	110,000	110,000	56,385	53,615
Rental fees	840,000	840,000	1,400,956	(560,956)
Dock charges & Boat Show fees	1,495,000	1,495,000	1,071,947	423,053
Other	926,800	929,110	923,032	6,078
<b>Total Charges for Services</b>	<u>8,084,300</u>	<u>8,086,610</u>	<u>8,359,192</u>	<u>(272,582)</u>
<b>Other Revenues</b>				
Transfers and administrative charges	3,469,000	3,469,000	3,713,117	(244,117)
Other miscellaneous	437,000.00	373,100	548,500	(175,400)
<b>Total Other Revenues</b>	<u>3,906,000</u>	<u>3,842,100</u>	<u>4,261,617</u>	<u>(419,517)</u>
<b>Total Revenues</b>	<u>\$ 96,351,200</u>	<u>\$ 96,289,610</u>	<u>\$ 98,613,484</u>	<u>\$ (2,323,874)</u>
Fiscal Year 2023 Revenues (GAAP Basis)				\$ 107,258,686
Non-Budgeted Revenue items - Debt Proceeds				(12,460,682)
Prior Year Encumbrances Liquidated in Fiscal Year 2022				109,559
Interfund Reimbursements Reducing Expenditures in GAAP				3,705,921
				<u>\$ 98,613,484</u>

**CITY OF ANNAPOLIS, MARYLAND  
GENERAL FUND  
DETAILED SCHEDULE OF EXPENDITURES COMPARED TO BUDGET  
(NONGAAP BUDGETARY BASIS)  
YEAR ENDED JUNE 30, 2023**

	Adopted Budget	Amended Budget	Actual Expenditures & Encumbrances	Under (Over) Budget
<b>General Government</b>				
City Council				
Salaries	\$ 129,000	\$ 129,000	\$ 131,338	\$ (2,338)
Employee benefits	18,000	18,000	13,262	4,738
Other	17,000	17,000	10,415	6,585
Total City Council	<u>164,000</u>	<u>164,000</u>	<u>155,015</u>	<u>8,985</u>
Mayor's Office				
Salaries	632,000	706,100	675,522	30,578
Employee benefits	239,000	239,000	233,732	5,268
Utilities	5,000	5,000	6,784	(1,784)
Contractual services	311,700	305,700	232,972	72,728
Materials and supplies	45,200	45,200	41,112	4,088
Other	335,000	421,100	391,155	29,945
Capital outlay	8,300	8,300	7,843	457
Total Mayor's Office	<u>1,576,200</u>	<u>1,730,400</u>	<u>1,589,120</u>	<u>141,280</u>
Office of Law				
Legal Office				
Salaries	1,159,000	1,122,300	1,035,614	86,686
Employee benefits	402,000	402,000	344,035	57,965
Utilities	4,800	4,800	4,618	182
Contractual services	132,100	232,100	199,766	32,334
Materials and supplies	26,000	75,600	76,524	(924)
Other	31,300	30,300	29,837	463
Total Legal Office	<u>1,755,200</u>	<u>1,867,100</u>	<u>1,690,394</u>	<u>176,706</u>
City Manager's Office				
City Manager				
Salaries	617,000	669,600	587,188	82,412
Employee benefits	178,000	178,000	210,801	(32,801)
Utilities	2,900	4,200	2,432	1,768
Contractual services	85,000	77,700	65,000	12,700
Materials and supplies	4,000	5,000	7,659	(2,659)
Other	200,000	200,000	149,762	50,238
Total City Manager	<u>1,086,900</u>	<u>1,134,500</u>	<u>1,022,842</u>	<u>111,658</u>
Community Services				
Salaries	183,000	193,500	199,024	(5,524)
Employee benefits	61,000	61,000	55,359	5,641
Utilities	1,700	1,700	-	1,700
Contractual services	25,000	25,000	450	24,550
Repair and maintenance	7,000	7,000	7,000	-
Materials and supplies	4,500	4,500	3,676	824
Other	452,000	452,000	441,838	10,162
Total Community Services	<u>734,200</u>	<u>744,700</u>	<u>707,347</u>	<u>37,353</u>
Human Resources				
Salaries	715,000	757,800	774,649	(16,849)
Employee benefits	292,000	292,000	273,169	18,831
Utilities	700	700	853	(153)
Contractual services	39,700	377,700	274,987	102,713
Repair and maintenance	200	200	-	200
Materials and supplies	15,900	15,900	7,858	8,042
Other	5,200	5,200	4,968	232
Total Human Resources	<u>1,068,700</u>	<u>1,449,500</u>	<u>1,336,484</u>	<u>113,016</u>

**CITY OF ANNAPOLIS, MARYLAND  
GENERAL FUND  
DETAILED SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (CONTINUED)  
(NONGAAP BUDGETARY BASIS)  
YEAR ENDED JUNE 30, 2023**

	Adopted Budget	Amended Budget	Actual Expenditures & Encumbrances	Under (Over) Budget
<b>MIT</b>				
Salaries	958,000	1,040,580	1,023,794	16,786
Employee benefits	317,000	317,000	320,384	(3,384)
Utilities	1,600	1,600	1,609	(9)
Contractual services	497,700	505,700	461,375	44,325
Repair and maintenance	57,800	57,800	32,402	25,398
Materials and supplies	26,400	26,400	13,356	13,044
Capital outlay	242,000	241,520	208,569	32,951
Total MIT	<u>2,100,500</u>	<u>2,190,600</u>	<u>2,061,489</u>	<u>129,111</u>
Total City Manager's Office	<u>4,990,300</u>	<u>5,519,300</u>	<u>5,128,162</u>	<u>391,138</u>
<b>Finance &amp; Purchasing</b>				
Salaries	2,100,000	2,054,600	1,762,274	292,326
Employee benefits	739,000	739,000	519,143	219,857
Utilities	4,200	4,200	5,028	(828)
Contractual services	562,800	653,856	436,007	217,849
Repair and maintenance	5,500	5,500	2,176	3,324
Materials and supplies	80,300	80,300	68,540	11,760
Capital outlay	5,000	30,000	130	29,870
Total Finance & Purchasing	<u>3,496,800</u>	<u>3,567,456</u>	<u>2,793,298</u>	<u>774,158</u>
<b>Total General Government</b>	<u>11,982,500</u>	<u>12,848,256</u>	<u>11,355,989</u>	<u>1,492,267</u>
<b>Land Use and Permits</b>				
Planning and Zoning				
Salaries	3,202,000	3,333,200	3,074,805	258,395
Employee benefits	1,122,000	1,122,000	917,925	204,075
Utilities	30,000	30,000	29,119	881
Contractual services	144,500	144,500	128,560	15,940
Repair and maintenance	30,300	30,300	30,300	-
Materials and supplies	274,200	274,200	167,509	106,691
Other	83,500	118,500	4,200	114,300
Capital outlay	26,000	26,000	7,722	18,278
Total Planning and Zoning	<u>4,912,500</u>	<u>5,078,700</u>	<u>4,360,140</u>	<u>718,560</u>
<b>Total Land Use and Permits</b>	<u>4,912,500</u>	<u>5,078,700</u>	<u>4,360,140</u>	<u>718,560</u>
<b>Public Safety</b>				
Police				
Salaries	13,769,000	16,462,200	13,931,378	2,530,822
Employee benefits	7,296,000	7,296,000	6,924,579	371,421
Utilities	284,200	314,200	314,748	(548)
Contractual services	814,000	848,500	891,500	(43,000)
Rents and leases	33,000	33,000	29,250	3,750
Repair and maintenance	987,900	996,400	996,550	(150)
Materials and supplies	968,900	993,895	593,103	400,792
Other	98,300	300	-	300
Capital outlay	413,600	413,600	427,265	(13,665)
Total Police	<u>24,664,900</u>	<u>27,358,095</u>	<u>24,108,373</u>	<u>3,249,722</u>
Fire				
Salaries	13,690,000	14,887,410	14,226,594	660,816
Employee benefits	7,645,700	7,620,700	7,213,243	407,457
Utilities	142,350	199,350	174,454	24,896
Contractual services	175,950	217,950	192,797	25,153
Rents and leases	15,000	15,000	15,000	-
Repair and maintenance	742,600	742,600	733,438	9,162
Materials and supplies	789,500	816,100	746,758	69,342
Capital outlay	431,000	431,000	411,120	19,880
Total Fire	<u>23,632,100</u>	<u>24,930,110</u>	<u>23,713,404</u>	<u>1,216,706</u>



**CITY OF ANNAPOLIS, MARYLAND  
GENERAL FUND  
DETAILED SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (CONTINUED)  
(NONGAAP BUDGETARY BASIS)  
YEAR ENDED JUNE 30, 2023**

	Adopted Budget	Amended Budget	Actual Expenditures & Encumbrances	Under (Over) Budget
Emergency Management				
Salaries	322,000	341,800	339,251	2,549
Employee benefits	136,000	136,000	128,863	7,137
Utilities	3,300	2,720	(28)	2,748
Contractual services	19,800	19,298	(1,225)	20,523
Repair and maintenance	28,700	28,700	28,700	-
Materials and supplies	7,100	8,183	7,504	679
Other	-	12,000	11,696	304
Total Emergency Management	<u>516,900</u>	<u>548,701</u>	<u>514,761</u>	<u>33,940</u>
<b>Total Public Safety</b>	<u>48,813,900</u>	<u>52,836,906</u>	<u>48,336,538</u>	<u>4,500,368</u>
<b>Public Works</b>				
Bureau of Administration				
Salaries	594,000	630,800	626,444	4,356
Employee benefits	197,000	197,000	187,246	9,754
Utilities	2,200	2,200	1,544	656
Contractual services	39,600	39,600	38,099	1,501
Repair and maintenance	200	200	-	200
Materials and supplies	8,600	8,600	4,737	3,863
Total Bureau of Administration	<u>841,600</u>	<u>878,400</u>	<u>858,070</u>	<u>20,330</u>
Engineering and Construction				
Salaries	905,000	915,700	898,278	17,422
Employee benefits	291,000	291,000	238,640	52,360
Utilities	6,400	6,400	6,340	60
Contractual services	80,100	175,100	171,342	3,758
Repair and maintenance	27,000	27,000	25,800	1,200
Materials and supplies	18,200	25,200	12,924	12,276
Other	52,000	52,000	-	52,000
Total Engineering and Construction	<u>1,379,700</u>	<u>1,492,400</u>	<u>1,353,324</u>	<u>139,076</u>
Roadways				
Salaries	2,028,000	2,192,100	2,191,548	552
Employee benefits	863,000	863,000	756,439	106,561
Utilities	491,100	491,100	535,837	(44,737)
Contractual services	13,800	13,800	14,620	(820)
Repair and maintenance	342,900	342,900	303,210	39,690
Materials and supplies	77,800	77,800	77,357	443
Total Roadways	<u>3,816,600</u>	<u>3,980,700</u>	<u>3,879,011</u>	<u>101,689</u>
Traffic Control				
Salaries	180,200	167,400	130,216	37,184
Employee benefits	71,000	71,000	47,533	23,467
Contractual services	8,000	8,000	2,600	5,400
Repair and maintenance	47,300	47,300	44,198	3,102
Materials and supplies	17,900	27,900	26,487	1,413
Total Traffic Control	<u>324,400</u>	<u>321,600</u>	<u>251,034</u>	<u>70,566</u>
Snow and Ice Removal				
Salaries	35,000	35,000	439	34,561
Employee benefits	6,500	6,500	106	6,394
Contractual services	100,000	100,000	37,000	63,000
Repair and maintenance	5,500	5,500	5,160	340
Materials and supplies	53,000	18,000	2,000	16,000
Total Snow and Ice Removal	<u>200,000</u>	<u>165,000</u>	<u>44,705</u>	<u>120,295</u>

**CITY OF ANNAPOLIS, MARYLAND  
GENERAL FUND  
DETAILED SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (CONTINUED)  
(NONGAAP BUDGETARY BASIS)  
YEAR ENDED JUNE 30, 2023**

	Adopted Budget	Amended Budget	Actual Expenditures & Encumbrances	Under (Over) Budget
<b>Buildings and Maintenance</b>				
Salaries	473,600	402,504	300,048	102,456
Employee benefits	184,000	184,000	96,700	87,300
Utilities	202,500	202,500	224,951	(22,451)
Contractual services	409,500	547,196	534,000	13,196
Rents and leases	545,000	545,000	76,670	468,330
Repair and maintenance	252,300	277,300	275,853	1,447
Materials and supplies	7,000	10,000	8,629	1,371
<b>Total Buildings and Maintenance</b>	<u>2,073,900</u>	<u>2,168,500</u>	<u>1,516,851</u>	<u>651,649</u>
<b>Total Public Works</b>	<u>8,636,200</u>	<u>9,006,600</u>	<u>7,902,995</u>	<u>1,103,605</u>
<b>Community Services</b>				
Recreation and Parks				
Salaries	3,837,900	4,240,615	3,982,017	258,598
Employee benefits	868,500	867,000	837,450	29,550
Utilities	269,200	295,200	332,685	(37,485)
Contractual services	512,100	535,545	503,641	31,904
Rents and leases	53,900	67,000	54,896	12,104
Repair and maintenance	299,600	278,776	261,290	17,486
Materials and supplies	249,100	247,779	217,827	29,952
Other	223,900	221,585	184,900	36,685
Capital outlay	29,000	29,000	722	28,278
<b>Total Recreation and Parks</b>	<u>6,343,200</u>	<u>6,782,500</u>	<u>6,375,428</u>	<u>407,072</u>
Community Assistance Grants	348,000	354,000	354,000	-
<b>Total Community Services</b>	<u>6,691,200</u>	<u>7,136,500</u>	<u>6,729,428</u>	<u>407,072</u>
<b>Nonallocated</b>	9,721,800	4,346,300	4,215,777	130,523
<b>Debt Service</b>				
Bond principal	6,121,000	6,121,000	6,120,234	766
Lease principal	-	-	644,039	(644,039)
Subscription principal	-	-	344,393	(344,393)
<b>Total Principal Debt Service</b>	<u>6,121,000</u>	<u>6,121,000</u>	<u>7,108,666</u>	<u>(987,666)</u>
Bond interest	1,852,000	1,852,000	1,851,242	758
Lease interest	-	-	72,193	(72,193)
Subscription interest	-	-	14,952	(14,952)
Bond issuance	-	-	268,096	(268,096)
<b>Total Interest on Debt Service</b>	<u>1,852,000</u>	<u>1,852,000</u>	<u>2,206,483</u>	<u>(354,483)</u>
<b>Total Debt Service</b>	<u>7,973,000</u>	<u>7,973,000</u>	<u>9,315,149</u>	<u>(1,342,149)</u>
<b>Transfers out</b>	4,380,250	6,627,250	6,680,009	(52,759)
<b>Total Expenditures &amp; Encumbrances</b>	<u>\$ 103,111,350</u>	<u>\$ 105,853,512</u>	<u>\$ 98,896,025</u>	<u>\$ 6,957,487</u>

Fiscal Year 2023 Expenditures (GAAP Basis)	\$ 106,542,603
Interfund Reimbursements Reducing Expenditures in GAAP	3,705,921
Non budgeted items - Disbursement of Debt Proceeds	(12,200,000)
Fiscal Year 2023 Encumbrances Open at Year End	1,074,325
Less: Prior Year Encumbrances Expended in Fiscal Year 2022	(226,824)
	<u>\$ 98,896,025</u>

**CITY OF ANNAPOLIS, MARYLAND  
GOVERNMENTAL FUNDS**

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

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

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

**CITY OF ANNAPOLIS, MARYLAND  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2023**

	Special Revenue Funds					Capital Projects Funds				Total
	Community Development Block Grant	Grants	Community Legacy	Arts in Public Places	Police Forfeiture & Asset Seizure	Sprinkler Loan Assistance	Reforestation	PEG	Affordable Housing Trust	
<b>ASSETS</b>										
Cash and cash equivalents	\$ 128,058	\$ 1,086,785	\$ 116,842	\$ 125,807	\$ 553,022	\$ 375,099	\$ 46,763	\$ 163,023	\$ 1,040,263	\$ 3,635,662
Cash and cash equivalents - Restricted	-	6,661,440	-	-	-	-	-	-	-	6,661,440
Receivables, net of allowances	54,856	1,647,078	-	-	3,602	1,602	-	6,252	-	1,713,390
Total assets	<u>\$ 182,914</u>	<u>\$ 9,395,303</u>	<u>\$ 116,842</u>	<u>\$ 125,807</u>	<u>\$ 556,624</u>	<u>\$ 376,701</u>	<u>\$ 46,763</u>	<u>\$ 169,275</u>	<u>\$ 1,040,263</u>	<u>\$ 12,010,492</u>
<b>LIABILITIES</b>										
Accounts payable	\$ 85,793	\$ 127,559	\$ -	\$ 3,550	\$ 12,098	\$ 18,000	\$ 1,600	\$ 878	\$ 31,155	\$ 280,633
Accrued payables and other liabilities	-	226,658	-	-	-	-	-	-	-	226,658
Due to General Fund	-	1,275,078	-	-	-	-	-	-	-	1,275,078
Unearned revenue	-	6,718,291	-	-	-	-	-	-	-	6,718,291
Total liabilities	<u>85,793</u>	<u>8,347,586</u>	<u>-</u>	<u>3,550</u>	<u>12,098</u>	<u>18,000</u>	<u>1,600</u>	<u>878</u>	<u>31,155</u>	<u>8,500,660</u>
<b>FUND BALANCE</b>										
Restricted for:										
Public Safety	-	1,499,116	-	-	544,526	-	-	-	-	2,043,642
Community Services	97,121	-	116,842	122,257	-	358,701	-	-	1,009,108	1,704,029
Land Use	-	-	-	-	-	-	45,163	-	-	45,163
Capital Projects	-	-	-	-	-	-	-	168,397	-	168,397
Unrestricted	-	(451,399)	-	-	-	-	-	-	-	(451,399)
Total fund balances	<u>97,121</u>	<u>1,047,717</u>	<u>116,842</u>	<u>122,257</u>	<u>544,526</u>	<u>358,701</u>	<u>45,163</u>	<u>168,397</u>	<u>1,009,108</u>	<u>3,509,832</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 182,914</u>	<u>\$ 9,395,303</u>	<u>\$ 116,842</u>	<u>\$ 125,807</u>	<u>\$ 556,624</u>	<u>\$ 376,701</u>	<u>\$ 46,763</u>	<u>\$ 169,275</u>	<u>\$ 1,040,263</u>	<u>\$ 12,010,492</u>

**CITY OF ANNAPOLIS, MARYLAND  
CAPITAL PROJECTS FUND  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
YEAR ENDED JUNE 30, 2023**

	Special Revenue Funds					Capital Projects Funds			Total	
	Community Development Block Grant	Grants	Community Legacy	Arts in Public Places	Police Forfeiture & Asset Seizure	Sprinkler Loan Assistance	Reforestation	PEG		Affordable Housing Trust
<b>Revenues</b>										
Intergovernmental	\$ 287,837	\$ 4,293,697	\$ -	\$ 129,936	\$ -	\$ -	\$ -	\$ -	\$ 129,936	\$ 4,841,406
Charges for services	-	-	-	-	-	21,360	5,200	47,927	-	74,487
Other revenue	21,450	-	-	-	484,675	-	-	-	-	506,125
Total revenues	<u>309,287</u>	<u>4,293,697</u>	<u>-</u>	<u>129,936</u>	<u>484,675</u>	<u>21,360</u>	<u>5,200</u>	<u>47,927</u>	<u>129,936</u>	<u>5,422,018</u>
<b>Expenditures</b>										
Current:										
Land Use	-	253,149	-	-	-	-	41,050	-	-	294,199
Public Safety	-	3,551,916	-	-	94,380	-	-	-	-	3,646,296
Community Development	567,355	-	-	-	-	-	-	-	-	567,355
Community Services	-	437,002	183,874	114,291	-	18,000	-	-	274,064	1,027,231
Capital Outlay	-	-	-	-	-	-	54,107	-	-	54,107
Debt Service:										
Principal	-	-	-	-	29,693	-	-	-	-	29,693
Interest and other charges	-	-	-	-	2,603	-	-	-	-	2,603
Total expenditures	<u>567,355</u>	<u>4,242,067</u>	<u>183,874</u>	<u>114,291</u>	<u>126,676</u>	<u>18,000</u>	<u>41,050</u>	<u>54,107</u>	<u>274,064</u>	<u>5,621,484</u>
Excess (deficiency) of revenues over expenditures	<u>(258,068)</u>	<u>51,630</u>	<u>(183,874)</u>	<u>15,645</u>	<u>357,999</u>	<u>3,360</u>	<u>(35,850)</u>	<u>(6,180)</u>	<u>(144,128)</u>	<u>(199,466)</u>
<b>Other financing sources (uses)</b>										
Transfers in	-	239,800	-	-	-	52,000	-	-	-	291,800
Total other financing sources (uses)	<u>-</u>	<u>239,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>291,800</u>
Net change in fund balance	<u>(258,068)</u>	<u>291,430</u>	<u>(183,874)</u>	<u>15,645</u>	<u>357,999</u>	<u>55,360</u>	<u>(35,850)</u>	<u>(6,180)</u>	<u>(144,128)</u>	<u>92,334</u>
Fund balance at beginning of year	<u>355,189</u>	<u>756,287</u>	<u>300,716</u>	<u>106,612</u>	<u>186,527</u>	<u>303,341</u>	<u>81,013</u>	<u>174,577</u>	<u>1,153,236</u>	<u>3,417,498</u>
Fund balance at end of year	<u>\$ 97,121</u>	<u>\$ 1,047,717</u>	<u>\$ 116,842</u>	<u>\$ 122,257</u>	<u>\$ 544,526</u>	<u>\$ 358,701</u>	<u>\$ 45,163</u>	<u>\$ 168,397</u>	<u>\$ 1,009,108</u>	<u>\$ 3,509,832</u>

**CITY OF ANNAPOLIS, MARYLAND  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND ENCUMBRANCES  
COMPARED TO BUDGET (BUDGETARY BASIS) (CONTINUED)  
YEAR ENDED JUNE 30, 2023**

	Adopted Budget	Amended Budget	Cumulative Expenditures from Prior Years	Fiscal Year 2023 Expenditures	Fiscal Year 2023 Encumbrances	Cumulative Expenditures and Encumbrances	Available Balance
<b>General City Projects</b>							
Annapolis Gateway Park	\$ 63,000	\$ 73,700	\$ -	\$ -	\$ 11,500	\$ 11,500	\$ 62,200
Annapolis Walk Park Improvements	56,300	56,300	-	488	3,331	3,819	52,481
Barbud Lane	1,493,700	1,493,700	162,758	35,449	16,857	215,064	1,278,636
Bay Ridge Aveune Sidewalk	73,815	73,815	-	-	-	-	73,815
Burtis House	330,173	330,173	-	-	-	-	330,173
Carr's Beach Park	8,498,250	9,208,250	-	6,703,006	-	6,703,006	2,505,244
Cedar Park Sidewalks	380,950	380,950	11,869	43,565	44,366	99,800	281,150
City Dock Bulkhead	6,011,734	6,011,734	6,017,304	-	1,810	6,019,114	(7,380)
City Dock Resilience and Revitalization	41,625,000	41,625,000	-	1,326,726	2,655,822	3,982,548	37,642,451
City Facility Improvements	3,430,305	3,430,305	2,456,830	487,832	28,299	2,972,961	457,344
City Facility Security Upgrades	1,328,250	1,828,250	750,816	830,404	67,754	1,648,974	179,275
City Harbor Flood Mitigation	12,550,815	12,550,815	2,093,979	409,523	270,019	2,773,521	9,777,294
CRAB Boating Facility	2,270,475	2,270,475	2,270,475	-	-	2,270,475	-
Electric Annapolis Mobility Plan	1,050,000	1,050,000	-	91,729	252,217	343,946	706,054
Fitness Equipment Replacement	155,000	155,000	100,997	49,602	-	150,599	4,401
Forest Drive Fire Station Renovations	447,050	447,050	-	-	-	-	447,050
General Roadways	12,324,830	12,324,830	6,965,872	2,076,949	1,971,958	11,014,779	1,310,051
General Sidewalks	2,650,000	2,650,000	2,031,781	280,194	321,425	2,633,400	16,600
Hawkins Cove	537,500	537,500	1,017	5,838	77,245	84,100	453,400
Hiker/Biker Path – Rte. 450 to the Navy Memorial	15,750	15,750	-	-	-	-	15,750
Maintenance Facilities	16,996,857	16,996,857	10,181,586	6,013,212	506,424	16,701,222	295,634
Maynard Burgess House	1,374,309	1,374,309	603,369	660,229	62,260	1,325,858	48,451
Melvin Avenue Traffic Calming	58,800	58,800	-	58,800	-	58,800	-
Moyer Park Sidewalk Enhancements	131,250	131,250	-	-	-	-	131,250
Pickleball Court Lights	105,000	105,000	-	-	-	-	105,000
Robert Eades Park	605,300	605,300	28,886	41,891	6,113	76,890	528,410
Russell Street	781,000	781,000	-	-	-	-	781,000
S. Southwood Sidewalk and Stormwater Manager	52,500	52,500	-	-	-	-	52,500
Standard Specifications and Construction Details	320,250	320,250	133,954	9,793	40,652	184,399	135,851
Stanton Center Renovations	1,253,000	1,253,000	1,836	38,939	13,961	54,736	1,198,264
Taylor Avenue Traffic Improvements	310,000	310,000	-	-	-	-	310,000
Traffic Signal Rehabilitation	1,738,500	2,188,500	283,939	1,314,062	535,976	2,133,977	54,524
Trail Connections	619,766	619,766	122,917	106,506	154,100	383,523	236,243
Truxtun Heights Storm Drainage Improvements	345,000	345,000	57,654	63,466	196,282	317,402	27,598
Truxtun Park Improvements	828,000	828,000	-	2,454	2,178	4,632	823,368
Truxtun Park Swimming Pool	4,885,000	4,885,000	4,865,338	-	6,450	4,871,788	13,212
Truxtun Park Tennis Courts and Fence	1,116,603	1,116,603	1,089,661	-	-	1,089,661	26,942
Tucker Street Boat Ramp	318,000	318,000	-	27,800	59,454	87,254	230,746
Underground Service Historic District	500,000	500,000	-	44,548	186,784	231,332	268,669
Upgrade City Coordinate System	460,100	460,100	8,938	-	2,988	11,926	448,174
Waterway Improvement Project - 6th Street	366,450	366,450	-	8,421	45,234	53,655	312,794
Waterway Improvement Project - Cheston Ave	478,250	478,250	-	5,170	284,830	290,000	188,250
Weems-Whelan Field	682,500	682,500	12,128	16,698	-	28,826	653,674
West East Express Bikeway	865,000	865,000	-	47,304	212,114	259,418	605,582
	<u>\$ 130,484,332</u>	<u>\$ 132,155,032</u>	<u>\$ 45,809,904</u>	<u>\$ 20,800,600</u>	<u>\$ 8,038,401</u>	<u>\$ 74,648,905</u>	<u>\$ 57,506,127</u>

**CITY OF ANNAPOLIS, MARYLAND  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND ENCUMBRANCES  
COMPARED TO BUDGET (BUDGETARY BASIS) (CONTINUED)  
YEAR ENDED JUNE 30, 2023**

**Community Development Block Grant**

	Adopted Budget	Amended Budget & Prior Year Roll Forward	Actual Revenues	Under (Over) Budget
<b>Revenue</b>				
ARC of the Chesapeake	\$ 50,000	\$ 60,000	\$ -	\$ 60,000
Arundel Lodge	20,000	20,000	32,081	(12,081)
Arundel Lodge - CB-3	-	-	20,407	(20,407)
Baltimore Neighborhoods, Inc. Fair Housing	59,792	61,261	61,261	-
Blessed In Tech	7,500	7,500	7,500	-
Blessed in Tech - CV-3	-	-	17,167	(17,167)
Bowman Security Gate	52,000	52,000	-	52,000
CDBG Program Income	-	-	21,450	(21,450)
Center Of Help	20,000	20,400	20,400	-
Center Of Help - CV	-	-	2,602	(2,602)
Community Action Agency	4,000	4,000	2,970	1,030
HA Robinwood Electrical	127,534	150,000	150,000	-
Housing Rehab - Construction	-	-	128,463	(128,463)
Light House Shelter	8,911	10,000	1,735	8,265
Light House, Inc.	-	-	8,459	(8,459)
Newtowne CDC	-	-	920	(920)
OHLA	3,000	3,000	3,000	-
Rebuilding Together Homes at the Glen	50,000	59,741	-	59,741
Restoration Community Development Corporation	15,000	15,000	16,126	(1,126)
Roof Replacement - Homes at the Glen	85,000	100,000	82,133	17,867
Superior Future	-	-	16,418	(16,418)
	<u>\$ 522,737</u>	<u>\$ 582,902</u>	<u>\$ 615,491</u>	<u>\$ (32,589)</u>

	Adopted Budget	Amended Budget (incl. Prior Year Roll Forward)	Actual Expenditures & Encumbrances	Under (Over) Budget
<b>Expenditures</b>				
ARC of the Chesapeake	\$ 50,000	\$ 60,000	\$ 60,000	\$ -
Arundel Lodge	20,000	20,000	20,000	-
Arundel Lodge - CB-3	-	-	-	-
Baltimore Neighborhoods, Inc. Fair Housing	59,792	61,261	61,261	-
Blessed In Tech	7,500	7,500	7,500	-
Blessed in Tech - CV-3	-	-	-	-
Bowman Security Gate	52,000	52,000	52,000	-
CDBG Program Income	-	-	302,008	(302,008)
Center Of Help	20,000	20,400	20,400	-
Center Of Help - CV	-	-	(60)	60
Community Action Agency	4,000	4,000	4,000	-
HA Robinwood Electrical	127,534	150,000	150,000	-
Housing Rehab - Construction	-	-	-	-
Light House Shelter	8,911	10,000	10,000	-
Light House Inc	-	-	-	-
Newtowne CDC	-	-	-	-
OHLA	3,000	3,000	3,000	-
OIC	20,000	20,000	20,000	-
Rebuilding Together Homes at the Glen	50,000	59,741	59,741	-
Restoration Community Development Corporation	15,000	15,000	15,000	-
Roof Replacement - Homes at the Glen	85,000	100,000	100,000	-
Superior Future	-	-	-	-
	<u>\$ 522,737</u>	<u>\$ 582,902</u>	<u>\$ 884,850</u>	<u>\$ (301,948)</u>

**CITY OF ANNAPOLIS, MARYLAND  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND ENCUMBRANCES  
COMPARED TO BUDGET (BUDGETARY BASIS) (CONTINUED)  
YEAR ENDED JUNE 30, 2023**

<b>Federal Grants</b>				
	Adopted Budget	Amended Budget	Actual Revenues	Under (Over) Budget
<b>Revenue</b>				
Assistance to Firefighters	\$ 495,000	\$ -	\$ 77,273	\$ (77,273)
Cops De-Escalation	-	69,117	18,750	50,367
BRIC	37,500	37,500	33,925	3,575
Emergency Management Performance Grant	178,404	178,404	94,100	84,304
Flood Mitigation Assistance	23,438	23,438	20,520	2,918
Hazardous Materials Emergency Preparedness	48,596	28,046	18,829	9,217
Pumpout Boat	-	-	53,137	(53,137)
State Homeland Security Program	857,552	756,093	210,618	545,475
Urban Areas Security Initiative	2,609,782	2,171,561	836,893	1,334,668
Urban Areas Security Initiative - Law Enforcement	-	-	39	(39)
Military Installation Resiliency	487,400	487,400	253,149	234,251
	<u>\$ 4,737,672</u>	<u>\$ 3,751,559</u>	<u>\$ 1,617,233</u>	<u>\$ 2,134,326</u>
	Adopted Budget	Amended Budget	Actual Expenditures & Encumbrances	Under (Over) Budget
<b>Expenditures</b>				
Assistance to Firefighters	\$ 495,000	\$ -	\$ 85,000	\$ (85,000)
Cops De-Escalation	-	69,117	18,750	50,367
BRIC	37,500	37,500	3,575	33,925
Emergency Management Performance Grant	176,404	176,404	60,330	116,074
Flood Mitigation Assistance	23,438	23,438	-	23,438
Hazardous Materials Emergency Preparedness	45,825	25,275	3,802	21,473
Pumpout Boat	-	-	42,384	(42,384)
State Homeland Security Program	788,757	687,298	144,100	543,198
Urban Areas Security Initiative	2,371,458	1,933,237	792,516	1,140,721
Urban Areas Security Initiative - Law Enforcement	-	-	-	-
Military Installation	53,320	53,320	72,368	(19,048)
	<u>\$ 3,991,702</u>	<u>\$ 3,005,589</u>	<u>\$ 1,222,825</u>	<u>\$ 1,782,764</u>



**CITY OF ANNAPOLIS, MARYLAND  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND ENCUMBRANCES  
COMPARED TO BUDGET (BUDGETARY BASIS) (CONTINUED)  
YEAR ENDED JUNE 30, 2023**

<b>State Grants</b>				
	Adopted Budget	Amended Budget	Actual Revenues	Under (Over) Budget
<b>Revenue</b>				
Advance Life Support Training	\$ 13,000	\$ 13,000	\$ 9,076	\$ 3,924
Auto Larceny Education Reduces Theft	22,000	22,000	21,657	343
BJAG Crisis Intervention Program	-	28,411	27,007	1,404
Debris & Derelict Removal	50,000	50,000	4,217	45,783
Gun Violence Reduction	-	25,000	25,000	-
Health Outreach/MD Latinos Unidos	125,000	125,000	48,667	76,333
Lead Annapolis	526,617	-	-	-
MCIN - MD Criminal Intel Network	-	-	-	-
Monitor Defib	60,000	60,000	14,259	45,741
Opioid	-	189,060	118,422	70,638
Other Side of the Curb	-	28,600	24,237	4,363
PACT	-	260,889	204,222	56,667
Police Recruitment & Retention	-	48,200	47,442	758
Pumpout Boat - State	80,000	80,000	17,546	62,454
R&P Open Space Master Plan	270,000	270,000	-	270,000
State Aid for Police Protection	1,000,000	1,527,921	1,521,674	6,247
Technical Assistance	30,000	-	14,650	(14,650)
Waterway Improv-Citywide	-	-	11,864	(11,864)
	<u>\$ 2,176,617</u>	<u>\$ 2,728,081</u>	<u>\$ 2,109,940</u>	<u>\$ 618,141</u>
<b>Expenditures</b>				
	Adopted Budget	Amended Budget	Actual Expenditures & Encumbrances	Under (Over) Budget
Advance Life Support Training	\$ 13,000	\$ 13,000	\$ 9,076	\$ 3,924
Auto Larceny Education Reduces Theft	22,000	22,000	15,446	6,554
BJAG Crisis Intervention Program	-	28,411	27,007	1,404
Debris & Derelict Removal	50,000	50,000	4,217	45,783
Gun Violence Reduction	-	25,000	25,000	-
Health Outreach/MD Latinos Unidos	144,000	144,000	43,059	100,941
Lead Annapolis	526,617	-	(1,774)	1,774
MCIN - MD Criminal Intel Network	-	-	(2,975)	2,975
Monitor Defib	60,000	60,000	-	60,000
Opioid	-	28,600	123,101	(94,501)
Other Side of the Curb	-	28,600	24,237	4,363
PACT	-	260,889	204,222	56,667
Police Recruitment & Retention	111,000	48,200	46,731	1,469
Pumpout Boat - State	80,000	80,000	26,522	53,478
R&P Open Space Master Plan	270,000	270,000	-	270,000
State Aid for Police Protection	1,000,000	1,527,921	1,521,674	6,247
Technical Assistance	30,000	-	-	-
Waterway Improv-Citywide	-	-	-	-
	<u>\$ 2,306,617</u>	<u>\$ 2,586,621</u>	<u>\$ 2,065,543</u>	<u>\$ 521,078</u>

**CITY OF ANNAPOLIS, MARYLAND  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND ENCUMBRANCES  
COMPARED TO BUDGET (BUDGETARY BASIS) (CONTINUED)  
YEAR ENDED JUNE 30, 2023**

<b>County Grants</b>				
<b>Revenue</b>	Adopted Budget	Amended Budget	Actual Revenues	Under (Over) Budget
911 Funds	\$ 300,000	\$ 300,000	\$ 371,226	\$ (71,226)
Alcohol Sales Compliance Check	10,000	10,000	4,875	5,125
Tobacco Sales Compliance Check	10,000	10,000	6,859	3,141
Senator Amoss	131,895	129,716	82,830	46,886
Substance Abuse	35,000	-	-	-
OIT - Mayor	15,000	-	-	-
Overdose Free Annapolis	25,000	-	-	-
Your Life Matters	30,000	-	-	-
No Harm VIP	640,000	-	26,175	(26,175)
	<u>\$ 1,196,895</u>	<u>\$ 449,716</u>	<u>\$ 491,965</u>	<u>\$ (42,249)</u>
	-			
<b>Expenditures</b>	Adopted Budget	Amended Budget	Actual Expenditures & Encumbrances	Under (Over) Budget
911 Funds	\$ 300,000	\$ 300,000	\$ 376,348	\$ (76,348)
Alcohol Sales Compliance Check	10,000	10,000	4,875	5,125
Tobacco Sales Compliance Check	10,000	10,000	6,859	3,141
Senator Amoss	131,895	129,716	124,196	5,520
Substance Abuse	35,000	-	-	-
OIT - Mayor	15,000	-	-	-
Overdose Free Annapolis	25,000	-	-	-
Your Life Matters	30,000	-	-	-
No Harm VIP	640,000	-	26,175	(26,175)
	<u>\$ 1,196,895</u>	<u>\$ 449,716</u>	<u>\$ 538,453</u>	<u>\$ (88,737)</u>

**CITY OF ANNAPOLIS, MARYLAND  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND ENCUMBRANCES  
COMPARED TO BUDGET (BUDGETARY BASIS) (CONTINUED)  
YEAR ENDED JUNE 30, 2023**

**Other Grants**

	Adopted Budget	Amended Budget	Actual Revenues	Under (Over) Budget
<b>Revenue</b>				
American Board of Internal Medicine	-	\$ 30,000	\$ 10,000	\$ 20,000
Choice Neighborhood		339,800	239,800	100,000
	<u>\$ -</u>	<u>\$ 369,800</u>	<u>\$ 249,800</u>	<u>\$ 120,000</u>
	Adopted Budget	Amended Budget	Actual Expenditures & Encumbrances	Under (Over) Budget
<b>Expenditures</b>				
American Board of Internal Medicine	-	\$ 30,000	\$ 19,200	\$ 10,800
Choice Neighborhood	-	339,800	209,749	130,051
	<u>\$ -</u>	<u>\$ 369,800</u>	<u>\$ 228,949</u>	<u>\$ 140,851</u>

**CITY OF ANNAPOLIS, MARYLAND  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND ENCUMBRANCES  
COMPARED TO BUDGET (BUDGETARY BASIS) (CONTINUED)  
YEAR ENDED JUNE 30, 2023**

**Community Legacy Fund**

	Adopted Budget	Amended Budget	Actual Revenues	Under (Over) Budget
<b>Revenues</b>				
Community Legacy	\$ 50,500	\$ 50,500	\$ -	\$ 50,500
	<u>\$ 50,500</u>	<u>\$ 50,500</u>	<u>\$ -</u>	<u>\$ 50,500</u>
<b>Expenditures</b>				
Community Legacy	\$ 50,500	\$ 50,500	\$ -	\$ 50,500
	<u>\$ 50,500</u>	<u>\$ 50,500</u>	<u>\$ -</u>	<u>\$ 50,500</u>

**Arts in Public Places (AIPPC) Fund**

	Adopted Budget	Amended Budget	Actual Revenue	Under (Over) Budget
<b>Revenues</b>				
Occupancy tax	\$ 120,000	\$ 120,000	\$ 129,936	\$ (9,936)
Other	-	-	2,250	(2,250)
	<u>\$ 120,000</u>	<u>\$ 120,000</u>	<u>\$ 132,186</u>	<u>\$ (12,186)</u>
<b>Expenditures</b>				
Community services	\$ 223,900	\$ 223,900	\$ 113,741	\$ 110,159
	<u>\$ 223,900</u>	<u>\$ 223,900</u>	<u>\$ 113,741</u>	<u>\$ 110,159</u>

**Police Forfeiture and Asset Seizure Fund**

	Adopted Budget	Amended Budget	Actual Revenues	Under (Over) Budget
<b>Revenues</b>				
Fines and forfeitures	\$ 20,000	\$ 20,000	\$ 484,675	\$ (464,675)
	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 484,675</u>	<u>\$ (464,675)</u>
<b>Expenditures</b>				
Public safety	\$ 154,000	\$ 154,000	\$ 137,281	\$ 16,719
	<u>\$ 154,000</u>	<u>\$ 154,000</u>	<u>\$ 137,281</u>	<u>\$ 16,719</u>

**CITY OF ANNAPOLIS, MARYLAND  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND ENCUMBRANCES  
COMPARED TO BUDGET (BUDGETARY BASIS) (CONTINUED)  
YEAR ENDED JUNE 30, 2023**

**Sprinkler Loan Assistance Fund**

	Adopted Budget	Amended Budget	Actual Revenues	Under (Over) Budget
<b>Revenues</b>				
Loan payments	\$ 8,000	\$ 8,000	\$ 21,360	\$ (13,360)
	<u>\$ 8,000</u>	<u>\$ 8,000</u>	<u>\$ 21,360</u>	<u>\$ (13,360)</u>
<b>Expenditures</b>				
Programs and activities	\$ 294,100	\$ 294,100	\$ 18,000	\$ 276,100
	<u>\$ 294,100</u>	<u>\$ 294,100</u>	<u>\$ 18,000</u>	<u>\$ 276,100</u>

**Reforestation Fund**

	Adopted Budget	Amended Budget	Actual Revenue	Under (Over) Budget
<b>Revenues</b>				
Charges for services	\$ 20,000	\$ 20,000	\$ 5,200	\$ 14,800
	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 5,200</u>	<u>\$ 14,800</u>
<b>Expenditures</b>				
Contract services	\$ 83,000	\$ 83,000	\$ 45,300	\$ 37,700
	<u>\$ 83,000</u>	<u>\$ 83,000</u>	<u>\$ 45,300</u>	<u>\$ 37,700</u>

**PEG Fund**

	Adopted Budget	Amended Budget	Actual Revenues	Under (Over) Budget
<b>Revenues</b>				
Licenses and permits	\$ 60,000	\$ 60,000	\$ 47,927	\$ 12,073
Other	-	-	2,320	(2,320)
	<u>\$ 60,000</u>	<u>\$ 60,000</u>	<u>\$ 50,247</u>	<u>\$ 9,753</u>
<b>Expenditures</b>				
Other	\$ 145,000	\$ 145,000	\$ 27,291	\$ 117,709
	<u>\$ 145,000</u>	<u>\$ 145,000</u>	<u>\$ 27,291</u>	<u>\$ 117,709</u>

**CITY OF ANNAPOLIS, MARYLAND  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND ENCUMBRANCES  
COMPARED TO BUDGET (BUDGETARY BASIS) (CONTINUED)  
YEAR ENDED JUNE 30, 2023**

<b>Affordable Housing Trust</b>				
	Adopted Budget	Amended Budget	Actual Revenue	Under (Over) Budget
<b>Revenue</b>				
Grants	\$ -	\$ -	\$ -	\$ -
Occupancy tax	120,000	120,000	129,936	(9,936)
	\$ 120,000	\$ 120,000	\$ 129,936	\$ (9,936)
 <b>Expenditures</b>				
Homeowner assistance	\$ 442,000	\$ 442,000	\$ 203,100	\$ 238,900
Rental assistance	240,000	240,000	224,828	15,172
	\$ 682,000	\$ 682,000	\$ 427,928	\$ 254,072

**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 changes in net position are important determinations for public policy, management control, and accountability.

The Enterprise funds used by the City account for the operation and other activities of the City's sanitary sewage collection and treatment system, water system, off-street parking facilities, transportation system, watershed restoration, and refuse collection operations. The nonmajor funds consist of the Watershed Restoration and Refuse funds.

**CITY OF ANNAPOLIS, MARYLAND  
NONMAJOR ENTERPRISE FUNDS  
COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2023**

	<u>Watershed Restoration Fund</u>	<u>Refuse Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 1,764,027	\$ 1,860,195	\$ 3,624,222
Restricted cash	500,000	-	500,000
Lease receivable	-	411,372	411,372
Accounts receivable			
Service charges and penalties	<u>356,182</u>	<u>627,814</u>	<u>983,996</u>
Total accounts receivable, net	<u>356,182</u>	<u>627,814</u>	<u>983,996</u>
Total current assets	<u>2,620,209</u>	<u>2,899,381</u>	<u>5,519,590</u>
Noncurrent assets:			
Net capital assets	<u>4,278,716</u>	<u>1,041,788</u>	<u>5,320,504</u>
Total noncurrent assets	<u>4,278,716</u>	<u>1,041,788</u>	<u>5,320,504</u>
Total assets	<u>6,898,925</u>	<u>3,941,169</u>	<u>10,840,094</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	210,402	94,356	304,758
Deferred outflows related to OPEB	20,931	9,386	30,317
Deferred loss on refunding	<u>1,322</u>	<u>-</u>	<u>1,322</u>
Total deferred outflows of resources	<u>232,655</u>	<u>103,742</u>	<u>336,397</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	301,784	239,089	540,873
Accrued expenses and other liabilities	331,179	12,360	343,539
Accrued interest	15,501	7,643	23,144
Compensated absences	36,263	34,703	70,966
Unearned revenue	-	415	415
Escrowed funds	4,398	-	4,398
Current portion of long-term debt	<u>47,127</u>	<u>28,954</u>	<u>76,081</u>
Total current liabilities	<u>736,252</u>	<u>323,164</u>	<u>1,059,416</u>
Noncurrent liabilities:			
Net OPEB liability	193,767	86,896	280,663
Net pension liability	508,276	227,940	736,216
Long-term debt, net of current portion	<u>809,813</u>	<u>542,994</u>	<u>1,352,807</u>
Total noncurrent liabilities	<u>1,511,856</u>	<u>857,830</u>	<u>2,369,686</u>
Total liabilities	<u>2,248,108</u>	<u>1,180,994</u>	<u>3,429,102</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	57,521	25,796	83,317
Deferred inflows related to OPEB	169,977	76,227	246,204
Deferred inflows related to leases	-	<u>383,371</u>	<u>383,371</u>
Total deferred outflows of resources	<u>227,498</u>	<u>485,394</u>	<u>712,892</u>
<b>NET POSITION</b>			
Net investment in capital assets	3,923,098	469,840	4,392,938
Restricted for capital projects	500,000	-	500,000
Unrestricted	<u>232,876</u>	<u>1,908,683</u>	<u>2,141,559</u>
Total net position	<u>\$ 4,655,974</u>	<u>\$ 2,378,523</u>	<u>\$ 7,034,497</u>



**CITY OF ANNAPOLIS, MARYLAND  
NONMAJOR ENTERPRISE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION  
YEAR ENDED JUNE 30, 2023**

	Watershed Restoration Fund	Refuse Fund	Non-Major Enterprise Total
<b>Operating revenues</b>			
Charges for services	\$ 1,780,875	\$ 3,078,979	\$ 4,859,854
Licenses and permits	-	2,560	2,560
Total operating revenues	<u>1,780,875</u>	<u>3,081,539</u>	<u>4,862,414</u>
<b>Operating expenses</b>			
Salaries	905,773	415,716	1,321,489
Utilities	515	8,884	9,399
Repairs and maintenance	15,455	41,800	57,255
Contractual services	354,039	2,533,031	2,887,070
Materials and supplies	34,254	28,412	62,666
Administrative charge from General Fund	128,000	313,000	441,000
Depreciation	25,989	31,988	57,977
Other	1,260	4,875	6,135
Total operating expenses	<u>1,465,285</u>	<u>3,377,706</u>	<u>4,842,991</u>
Operating (loss) income	<u>315,590</u>	<u>(296,167)</u>	<u>19,423</u>
<b>Non-operating revenues (expenses)</b>			
Leases	-	15,065	15,065
Bond proceeds	1,312	5,097	6,409
Bond issuance fees	(3,003)	-	(3,003)
Interest income	-	10,397	10,397
Interest expense	(15,657)	(9,597)	(25,254)
Total non-operating revenues (expenses), net	<u>(17,348)</u>	<u>20,962</u>	<u>3,614</u>
<b>Income (loss) before contributions and transfers</b>	<u>298,242</u>	<u>(275,205)</u>	<u>23,037</u>
Transfers out	<u>(282,500)</u>	<u>(491,500)</u>	<u>(774,000)</u>
Change in net position	15,742	(766,705)	(750,963)
Net position at beginning of year restated	4,640,232	3,145,228	7,785,460
Net position at end of year	<u>\$ 4,655,974</u>	<u>\$ 2,378,523</u>	<u>\$ 7,034,497</u>

**CITY OF ANNAPOLIS, MARYLAND  
NONMAJOR ENTERPRISE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2023**

	Watershed Restoration Fund	Refuse Fund	Total
<b>Cash flows from operating activities</b>			
Receipts from customers and users	\$ 1,748,052	\$ 3,035,139	\$ 4,783,191
Payments to suppliers for goods and services	(450,281)	(2,562,692)	(3,012,973)
Payments to employees for services	(857,966)	(470,990)	(1,328,956)
Payments for interfund services	(128,000)	(313,000)	(441,000)
Net cash provided by (used for) operating activities	<u>311,805</u>	<u>(311,543)</u>	<u>262</u>
<b>Cash flows from capital and related financing activities</b>			
Acquisition of capital assets	(1,262,275)	-	(1,262,275)
Transfer to City capital projects	(282,500)	(491,500)	(774,000)
Proceeds from issuance of long term debt	476,291	491,500	967,791
Principal payments of long term debt	(42,824)	(12,436)	(55,260)
Refunding and transfers of long-term debt	(201,912)	-	(201,912)
Interest on long-term debt	(10,177)	(3,514)	(13,691)
Bond issuance fees	(1,003)	-	(1,003)
Net cash used for capital and related financing activities	<u>(1,324,400)</u>	<u>(15,950)</u>	<u>(1,340,350)</u>
<b>Cash flows from investing activities:</b>			
Interest received	-	11,637	11,637
Net cash provided by investing activities	<u>-</u>	<u>11,637</u>	<u>11,637</u>
Net increase (decrease) in cash and cash equivalents	(1,012,595)	(315,856)	(1,328,451)
<b>Cash and cash equivalents at beginning of year</b>	<u>3,276,622</u>	<u>2,176,051</u>	<u>5,452,673</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 2,264,027</u>	<u>\$ 1,860,195</u>	<u>\$ 4,124,222</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities</b>			
Operating income (loss)	\$ 315,590	\$ (296,167)	\$ 19,423
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	25,989	31,987	57,976
Effect of changes in non-cash operating assets and liabilities:			
Accounts receivable	(32,780)	(45,210)	(77,990)
Accounts payable	(44,758)	54,311	9,553
Accrued expenses and other liabilities	(5,951)	(15,243)	(21,194)
Compensated absences	2,843	5,186	8,029
Unearned revenue	-	(1,190)	(1,190)
Escrowed funds	(43)	-	(43)
Deferred outflows	(23,065)	11,464	(11,601)
Net pension liability	210,712	63,243	273,955
Deferred inflows	(122,461)	(91,674)	(214,135)
Other post employment benefits	(14,271)	(28,250)	(42,521)
Total adjustments	<u>(3,785)</u>	<u>(15,376)</u>	<u>(19,161)</u>
<b>Net cash provided by (used for) operating activities</b>	<u>\$ 311,805</u>	<u>\$ (311,543)</u>	<u>\$ 262</u>

\*There are no non-cash transactions

**CITY OF ANNAPOLIS, MARYLAND  
ENTERPRISE FUNDS  
SCHEDULE OF REVENUES, EXPENDITURES, AND ENCUMBRANCES  
COMPARED TO BUDGET (BUDGETARY BASIS)  
YEAR ENDED JUNE 30, 2023**

**Sewer Fund - Operating**

	Adopted Budget	Amended Budget	Actual Revenue	Under (Over) Budget
<b>Revenues</b>				
Charges for services	\$ 7,365,000	\$ 7,365,000	\$ 7,698,849	\$ (333,849)
Capital facilities charges	217,300	217,300	278,801	(61,501)
Licenses and permits	99,000	99,000	84,383	14,617
Other	116,800	116,800	111,379	5,421
	<u>\$ 7,798,100</u>	<u>\$ 7,798,100</u>	<u>\$ 8,173,412</u>	<u>\$ (375,312)</u>
<b>Expenditures</b>				
Salaries and benefits	1,254,500	1,254,500	\$ 875,622	\$ 378,878
Contractual services	-	-	-	-
Utilities	135,500	138,200	126,179	12,021
Repairs and maintenance	296,200	296,200	291,699	4,501
Contractual services	4,002,400	3,999,700	3,472,688	527,012
Supplies & Other	-	-	-	-
Materials and supplies	58,100	58,100	57,366	734
Other	-	-	2,702	(2,702)
Debt Service	-	-	-	-
Bond issuance	20,000	20,000	30,160	(10,160)
Principal	400,000	400,000	-	400,000
Interest expense	447,000	447,000	389,436	57,564
Transfers & Other	-	-	-	-
Administrative charge from General Fund	503,000	503,000	503,000	-
Paygo and other transfers	1,433,000	1,433,000	1,407,488	25,512
Amortization*	-	-	322	(322)
Depreciation*	-	-	707,132	(707,132)
	<u>\$ 8,549,700</u>	<u>\$ 8,549,700</u>	<u>\$ 7,863,794</u>	<u>\$ 685,906</u>

\*Not a budgeted item

**CITY OF ANNAPOLIS, MARYLAND  
ENTERPRISE FUNDS  
SCHEDULE OF REVENUES, EXPENDITURES, AND ENCUMBRANCES  
COMPARED TO BUDGET (BUDGETARY BASIS) (CONTINUED)  
YEAR ENDED JUNE 30, 2023**

<b>Water Fund - Operating</b>				
	Adopted Budget	Amended Budget	Actual Revenue	Under (Over) Budget
<b>Revenues</b>				
Water usage	\$ 7,914,000	\$ 7,914,000	\$ 8,057,898	\$ (143,898)
Capital Facility Charges	325,300	325,300	850,790	(525,490)
Other	219,600	219,600	230,218	(10,618)
	<u>\$ 8,458,900</u>	<u>\$ 8,458,900</u>	<u>\$ 9,138,906</u>	<u>\$ (680,006)</u>
<b>Expenditures</b>				
Salaries	\$ -	\$ -	\$ -	\$ -
Contractual services:				
Utilities	312,200	312,200	336,426	(24,226)
Repairs and maintenance	534,100	534,100	535,015	(915)
Contractual services	800,500	796,500	809,891	(13,391)
Supplies & Other:				
Materials and supplies	319,700	319,700	218,625	101,075
Other	20,900	24,900	13,865	11,035
Debt Service:				
Bond issuance	20,000	20,000	38,608	(18,608)
Principal	3,178,000	3,178,000	915,794	2,262,206
Interest	54,000	54,000	258,250	(204,250)
Transfers & Other:				
Administrative charges from General Fund	528,000	528,000	528,000	-
Paygo and other transfers	1,470,000	1,470,000	1,470,000	-
Depreciation*	-	-	1,103,065	(1,103,065)
Amortization*	-	-	332	(332)
	<u>\$ 7,237,400</u>	<u>\$ 7,237,400</u>	<u>\$ 6,227,872</u>	<u>\$ 1,009,528</u>

\*Not a budgeted item

**CITY OF ANNAPOLIS, MARYLAND  
ENTERPRISE FUNDS  
SCHEDULE OF REVENUES, EXPENDITURES, AND ENCUMBRANCES  
COMPARED TO BUDGET (BUDGETARY BASIS) (CONTINUED)  
YEAR ENDED JUNE 30, 2023**

<b>Parking Fund - Operating</b>				
	Adopted Budget	Amended Budget	Actual Revenue	Under (Over) Budget
<b>Revenues</b>				
Charges for services	\$ 7,430,000	\$ 7,430,000	\$ 6,216,160	\$ 1,213,840
Other	-	-	2,062,976	(2,062,976)
	<u>\$ 7,430,000</u>	<u>\$ 7,430,000</u>	<u>\$ 8,279,136</u>	<u>\$ (849,136)</u>
<b>Expenditures</b>				
Salaries	\$ 73,000	\$ 73,000	\$ -	\$ 73,000
Contractual services:				
Utilities	41,000	41,000	105,071	(64,071)
Repairs and maintenance	36,700	36,700	31,906	4,794
Contractual services	2,939,000	3,789,000	3,568,884	220,116
Supplies & Other:				
Materials and supplies	7,600	7,600	-	7,600
Debt Service:				
Principal	1,440,000	1,440,000	-	1,440,000
Interest	553,000	553,000	1,031,495	(478,495)
Bond issuance fees	-	-	240,293	(240,293)
Transfers & Other:				
Administrative charges from General Fund	192,000	192,000	192,000	-
Paygo and other transfers	1,991,300	1,991,300	1,991,300	-
Depreciation*	-	-	806,793	(806,793)
	<u>\$ 7,273,600</u>	<u>\$ 8,123,600</u>	<u>\$ 7,967,742</u>	<u>\$ 155,858</u>

\* Not a budgeted item

**CITY OF ANNAPOLIS, MARYLAND  
ENTERPRISE FUNDS  
SCHEDULE OF REVENUES, EXPENDITURES, AND ENCUMBRANCES  
COMPARED TO BUDGET (BUDGETARY BASIS) (CONTINUED)  
YEAR ENDED JUNE 30, 2023**

**Transportation Fund - Operating and Grants**

	Adopted Budget	Amended Budget	Actual Revenue	Under (Over) Budget
<b>Revenues</b>				
Charges for services	\$ 530,000	\$ 530,000	\$ 503,850	\$ 26,150
Grants	5,719,300	5,719,226	3,706,295	2,012,931
Other	100,000	100,000	111,333	(11,333)
Transfer from other funds	2,007,300	2,007,300	2,007,300	-
	<u>\$ 8,356,600</u>	<u>\$ 8,356,526</u>	<u>\$ 6,328,778</u>	<u>\$ 2,027,748</u>
			Actual	Under
	Adopted	Amended	Expenditures &	(Over)
	Budget	Budget	Encumbrances	Budget
<b>Expenditures</b>				
Salaries	\$ 4,582,156	\$ 4,558,130	\$ 3,738,341	\$ 819,789
Contractual services:				
Utilities	32,600	32,600	18,241	14,359
Repairs and maintenance	340,875	342,725	232,494	110,231
Contractual services	85,400	126,051	78,753	47,298
Supplies & Other:				
Materials and supplies	362,735	475,160	542,245	(67,085)
Other	41,700	22,800	5,116	17,684
Capital Outlay	1,728,000	1,728,000	1,063,639	664,361
Debt Service:				
Principal	2,000	2,000	271	1,729
Interest	1,000	1,000	2,391	(1,391)
Transfers & Other:				
Administrative charges from General Fund	1,180,000	1,180,000	1,180,000	-
Depreciation *	-	-	141,395	(141,395)
	<u>\$ 8,356,466</u>	<u>\$ 8,468,466</u>	<u>\$ 7,002,886</u>	<u>\$ 1,465,580</u>

\*Not a budgeted item

**CITY OF ANNAPOLIS, MARYLAND  
ENTERPRISE FUNDS  
SCHEDULE OF REVENUES, EXPENDITURES, AND ENCUMBRANCES  
COMPARED TO BUDGET (BUDGETARY BASIS) (CONTINUED)  
YEAR ENDED JUNE 30, 2023**

**Watershed Restoration Fund - Operating**

	Adopted Budget	Amended Budget	Actual Revenue	Under (Over) Budget
<b>Revenues</b>				
Charges for services	\$ 1,789,900	\$ 1,789,900	\$ 1,780,875	\$ 9,025
	<u>\$ 1,789,900</u>	<u>\$ 1,789,900</u>	<u>\$ 1,780,875</u>	<u>\$ 9,025</u>
<b>Expenditures</b>				
Salaries	\$ 986,600	\$ 986,600	\$ 905,773	\$ 80,827
Contractual services:				
Utilities	600	600	515	85
Repairs and maintenance	21,500	21,500	16,100	5,400
Contractual services	432,700	432,700	415,643	17,057
Supplies & Other:				
Materials and supplies	57,700	57,700	57,039	661
Other	1,300	1,300	(14,549)	15,849
Debt Service:				
Principal	43,000	43,000	-	43,000
Interest	19,000	19,000	15,657	3,343
Transfers & Other:				
Administrative charges from General Fund	128,000	128,000	128,000	-
Paygo and other transfers	1,150,000	1,150,000	1,150,000	-
Depreciation*	-	-	25,989	(25,989)
	<u>\$ 2,840,400</u>	<u>\$ 2,840,400</u>	<u>\$ 2,700,167</u>	<u>\$ 140,233</u>

\*Not a budgeted item

**CITY OF ANNAPOLIS, MARYLAND  
ENTERPRISE FUNDS  
SCHEDULE OF REVENUES, EXPENDITURES, AND ENCUMBRANCES  
COMPARED TO BUDGET (BUDGETARY BASIS) (CONTINUED)  
YEAR ENDED JUNE 30, 2023**

**Refuse Fund - Operating**

	Adopted Budget	Amended Budget	Actual Revenue	Under (Over) Budget
<b>Revenues</b>				
Charges for services	\$ 3,066,100	\$ 3,066,100	\$ 3,078,979	\$ (12,879)
Licenses and permits	3,500	3,500	2,560	940
	<u>\$ 3,069,600</u>	<u>\$ 3,069,600</u>	<u>\$ 3,081,539</u>	<u>\$ (11,939)</u>
<b>Expenditures</b>				
Salaries	\$ 492,000	\$ 492,000	\$ 415,716	\$ 76,284
Contractual services				
Utilities	10,300	10,300	8,884	1,416
Repairs and maintenance	43,800	43,800	41,800	2,000
Contractual services	2,755,800	2,755,800	2,565,546	23,699
Supplies & Other				
Materials and supplies	95,000	95,000	44,871	50,129
Other	600	600	75	525
Debt Service	37,000	37,000	3,308	33,692
Bond Issuance Fees*	-	-	486,403	(486,403)
Transfers				
Administrative charge from General Fund	313,000	313,000	313,000	-
Depreciation*	-	-	31,988	(31,988)
	<u>\$ 3,747,500</u>	<u>\$ 3,747,500</u>	<u>\$ 3,911,591</u>	<u>\$ (330,646)</u>

\*Not a budgeted item



**CITY OF ANNAPOLIS, MARYLAND  
ENTERPRISE FUNDS  
SCHEDULE OF REVENUES, EXPENDITURES, AND ENCUMBRANCES  
COMPARED TO BUDGET (BUDGETARY BASIS) (CONTINUED)  
YEAR ENDED JUNE 30, 2023**

**Capital Projects - Enterprise Funds**

	Adopted Budget	Amended Budget	Cumulative Expenditures from Prior Years	Fiscal Year 2023 Expenditures	Fiscal Year 2023 Encumbrances	Cumulative Expenditures and Encumbrances	Available Balance
<b>Sewer Fund Projects</b>							
Organics Resource Recovery Facility	\$ 13,334	\$ 13,334	\$ 13,334	\$ -	\$ -	\$ 13,334	\$ -
Sewer Rehabilitation and Improvements	17,056,000	17,056,000	6,783,684	476,744	3,485,846	10,746,274	6,309,726
	<u>17,069,334</u>	<u>17,069,334</u>	<u>6,797,018</u>	<u>476,744</u>	<u>3,485,846</u>	<u>10,759,608</u>	<u>6,309,726</u>
<b>Water Fund Projects</b>							
Water Distribution Rehabilitation	25,460,420	25,460,420	14,526,222	2,071,879	5,282,303	21,880,404	3,580,016
Water Treatment Plant	36,114,829	36,114,829	34,908,148	29,529	21,176	34,958,853	1,155,976
Water Tank Rehabilitation	3,815,500	3,815,500	2,683,431	45,614	-	2,729,045	1,086,455
Water Treatment Plant Improvements	840,000	840,000	-	-	-	-	840,000
	<u>66,230,749</u>	<u>66,230,749</u>	<u>52,117,801</u>	<u>2,147,022</u>	<u>5,303,479</u>	<u>59,568,302</u>	<u>6,662,447</u>
<b>Parking Fund Projects</b>							
Multispace Parking Meter Kiosks	131,250	131,250	112,464	9,165	-	121,629	9,621
Gott's Garage Elevator Replacement	252,000	252,000	-	-	-	-	252,000
Parking Access Control Management System	157,500	157,500	14,200	-	-	14,200	143,300
Wayfinding Signage	139,796	139,796	15,812	-	13,779	29,591	110,205
	<u>680,546</u>	<u>680,546</u>	<u>142,476</u>	<u>9,165</u>	<u>13,779</u>	<u>165,420</u>	<u>515,126</u>
<b>Watershed Restoration Projects</b>							
Stormwater MS4 Permit Compliance	6,650,000	6,650,000	1,875,652	1,260,532	650,929	3,787,113	2,862,887
Stormwater Management Retrofit	826,368	826,368	94,907	128,500	84,482	307,889	518,479
	<u>7,476,368</u>	<u>7,476,368</u>	<u>1,970,559</u>	<u>1,389,032</u>	<u>735,411</u>	<u>4,095,002</u>	<u>3,381,366</u>
<b>Refuse Projects</b>							
Landfill Gas Mitigation	1,000,000	1,000,000	-	-	-	-	1,000,000
	<u>1,000,000</u>	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000,000</u>
<b>Transit Projects</b>							
Transportation Roof Replacement	420,000	420,000	-	-	-	-	420,000
	<u>420,000</u>	<u>420,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>420,000</u>
<b>Grand Total All Projects</b>	<u>\$ 223,361,329</u>	<u>\$ 225,032,029</u>	<u>\$ 106,837,758</u>	<u>\$ 24,822,563</u>	<u>\$ 17,576,916</u>	<u>\$ 149,237,237</u>	<u>\$ 75,794,792</u>

**CITY OF ANNAPOLIS, MARYLAND  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2023**

	Self Insurance	Health Insurance	Fleet Replacement	Fleet Operations	Total
<b>ASSETS</b>					
<b>Current Assets:</b>					
Cash and cash equivalents	\$ 7,253,243	\$ 931,111	\$ 2,495,984	\$ 1,174,172	\$ 11,854,510
Accounts receivable:					
Capital and other charges	-	25,492	-	-	25,492
Accounts receivable, net	-	25,492	-	-	25,492
Inventories	-	-	-	62,766	62,766
Prepays	-	-	387,562	-	387,562
<b>Total Current Assets</b>	<u>7,253,243</u>	<u>956,603</u>	<u>2,883,546</u>	<u>1,236,938</u>	<u>12,330,330</u>
<b>Noncurrent Assets:</b>					
Net capital assets	-	-	4,693,733	-	4,693,733
<b>Total Noncurrent Assets</b>	<u>-</u>	<u>-</u>	<u>4,693,733</u>	<u>-</u>	<u>4,693,733</u>
<b>Total Assets</b>	<u>7,253,243</u>	<u>956,603</u>	<u>7,577,279</u>	<u>1,236,938</u>	<u>17,024,063</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred outflows related to pensions	-	-	-	211,538	211,538
Deferred outflows related to OPEB	-	-	-	21,045	21,045
<b>Total deferred outflows of resources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>232,583</u>	<u>232,583</u>
<b>LIABILITIES</b>					
<b>Current Liabilities:</b>					
Accounts payable	240,672	154,315	-	141,177	536,164
Accrued expenses and other liabilities	-	-	-	23,135	23,135
Accrued self insurance costs - current portion	2,952,863	-	-	-	2,952,863
Accrued interest	-	-	59,292	-	59,292
Compensated absences-current portion	-	-	-	57,993	57,993
Current portion of long-term debt	-	-	1,136,589	-	1,136,589
<b>Total Current Liabilities</b>	<u>3,193,535</u>	<u>154,315</u>	<u>1,195,881</u>	<u>222,305</u>	<u>4,766,036</u>
<b>Noncurrent Liabilities:</b>					
Accrued self insurance costs, net of current portion	7,583,811	-	-	-	7,583,811
Net OPEB liability	-	-	-	194,814	194,814
Net pension liability	-	-	-	511,022	511,022
Long-term debt, net of current portion	-	-	3,552,831	-	3,552,831
<b>Total Noncurrent Liabilities</b>	<u>7,583,811</u>	<u>-</u>	<u>3,552,831</u>	<u>705,836</u>	<u>11,842,478</u>
<b>Total Liabilities</b>	<u>10,777,346</u>	<u>154,315</u>	<u>4,748,712</u>	<u>928,141</u>	<u>16,608,514</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred inflows related to pensions	-	-	-	57,832	57,832
Deferred inflows related to OPEB	-	-	-	170,895	170,895
<b>Total deferred outflows of resources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>228,727</u>	<u>228,727</u>
<b>NET POSITION</b>					
Net investment in capital assets	-	-	4,313	-	4,313
Unrestricted	(3,524,103)	802,288	2,824,254	312,653	415,092
<b>Total net position</b>	<u>\$ (3,524,103)</u>	<u>\$ 802,288</u>	<u>\$ 2,828,567</u>	<u>\$ 312,653</u>	<u>\$ 419,405</u>

**CITY OF ANNAPOLIS, MARYLAND  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
YEAR ENDED JUNE 30, 2023**

	<u>Self Insurance</u>	<u>Health Insurance</u>	<u>Fleet Replacement</u>	<u>Fleet Operations</u>	<u>Total</u>
<b>Operating revenues</b>					
Charges for services	\$ 2,327,139	\$ 7,582,601	\$ 3,663,774	\$ 2,409,200	\$ 15,982,714
Reserve adjustment	-	689,450	-	-	689,450
<b>Total operating revenues</b>	<u>2,327,139</u>	<u>8,272,051</u>	<u>3,663,774</u>	<u>2,409,200</u>	<u>16,672,164</u>
<b>Operating expenses</b>					
Salaries	133,668	-	-	803,824	937,492
Utilities	-	-	-	14,265	14,265
Repairs and maintenance	-	-	-	660,317	660,317
Contractual services	-	-	-	9,043	9,043
Materials and supplies	-	-	-	794,814	794,814
Depreciation	-	-	1,877,133	-	1,877,133
Claims incurred	2,056,199	9,484,199	-	-	11,540,398
Reserve adjustment	5,644,924	-	-	-	5,644,924
Other	149,500	-	-	23,250	172,750
<b>Total operating expenses</b>	<u>7,984,291</u>	<u>9,484,199</u>	<u>1,877,133</u>	<u>2,305,513</u>	<u>21,651,136</u>
<b>Operating (loss) income</b>	<u>(5,657,152)</u>	<u>(1,212,148)</u>	<u>1,786,641</u>	<u>103,687</u>	<u>(4,978,972)</u>
<b>Non-operating revenues (expenses)</b>					
Interest income and other	161,067	-	14,605	-	175,672
Interest expense and debt issuance	-	-	(112,733)	-	(112,733)
Total non-operating revenues (expenses), net	<u>161,067</u>	<u>-</u>	<u>(98,128)</u>	<u>-</u>	<u>62,939</u>
<b>Income (loss) before contributions and transfer</b>	<u>(5,496,085)</u>	<u>(1,212,148)</u>	<u>1,688,513</u>	<u>103,687</u>	<u>(4,916,033)</u>
Capital contribution	-	-	1,014,965	-	1,014,965
Interfund transfers in	-	-	8,825	-	8,825
Interfund transfers out	-	-	-	(34,958)	(34,958)
<b>Change in net position</b>	<u>(5,496,085)</u>	<u>(1,212,148)</u>	<u>2,712,303</u>	<u>68,729</u>	<u>(3,927,201)</u>
<b>Net position at beginning of year</b>	<u>1,971,982</u>	<u>2,014,436</u>	<u>116,264</u>	<u>243,924</u>	<u>4,346,606</u>
<b>Net position at end of year</b>	<u><u>\$ (3,524,103)</u></u>	<u><u>\$ 802,288</u></u>	<u><u>\$ 2,828,567</u></u>	<u><u>\$ 312,653</u></u>	<u><u>\$ 419,405</u></u>

**CITY OF ANNAPOLIS, MARYLAND  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2023**

	Self Insurance	Health Insurance	Fleet Replacment	Fleet Operations	Total
<b>Cash flows from operating activities</b>					
Receipts from customers and users	\$ 2,327,139	\$ 8,374,364	\$ 3,663,774	\$ 2,409,200	\$ 16,774,477
Receipts from contributions and other sources	-	-	-	-	-
Payments for claims	(2,618,271)	(9,439,704)	-	-	(12,057,975)
Payments to suppliers for goods and services	44,761	-	-	(1,458,983)	(1,414,222)
Payments to employees for services	(133,668)	-	-	(923,798)	(1,057,466)
Net cash provided by (used for) operating activities	<u>(380,039)</u>	<u>(1,065,340)</u>	<u>3,663,774</u>	<u>26,419</u>	<u>2,244,814</u>
<b>Cash flows from noncapital financing activities</b>					
Transfer from other funds	-	-	8,825	-	8,825
Transfer to other funds	-	-	-	(34,958)	(34,958)
Net cash provided by (used for) noncapital financing activities	<u>-</u>	<u>-</u>	<u>8,825</u>	<u>(34,958)</u>	<u>(26,133)</u>
<b>Cash flows from capital and related financing activities</b>					
Acquisition of capital assets	-	-	(1,157,730)	-	(1,157,730)
Sale of capital assets	-	-	14,605	-	14,605
Contributions from other funds for debt service	-	-	-	-	-
Principal payments on long term debt	-	-	(1,129,026)	-	(1,129,026)
Interest on long term debt	-	-	(111,811)	-	(111,811)
Net cash used for capital and related financing activities	<u>-</u>	<u>-</u>	<u>(2,383,962)</u>	<u>-</u>	<u>(2,383,962)</u>
<b>Cash flows from investing activities:</b>					
Interest received	161,067	-	-	-	161,067
Net cash provided by investing activities	<u>161,067</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>161,067</u>
Net increase (decrease) in cash and cash equivalents	(218,972)	(1,065,340)	1,288,637	(8,539)	(4,214)
Cash and cash equivalents at beginning of year	7,472,215	1,996,451	1,207,347	1,182,711	11,858,724
Cash and cash equivalents at end of year	<u>\$ 7,253,243</u>	<u>\$ 931,111</u>	<u>\$ 2,495,984</u>	<u>\$ 1,174,172</u>	<u>\$ 11,854,510</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>					
Operating income (loss)	\$ (5,657,152)	\$ (1,212,148)	\$ 1,786,641	\$ 103,687	\$ (4,978,972)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	-	-	1,877,133	-	1,877,133
Effect of changes in non-cash operating assets and liabilities:					
Accounts receivable	-	102,313	-	-	102,313
Inventories	-	-	-	59,111	59,111
Accounts payable	194,261	44,495	-	(16,405)	222,351
Accrued expenses and other liabilities	-	-	-	(29,967)	(29,967)
Compensated absences	-	-	-	3,586	3,586
Deferred outflows	-	-	-	23,196	23,196
Net pension liability	-	-	-	145,362	145,362
Deferred inflows	-	-	-	(201,318)	(201,318)
Other post employment benefits	-	-	-	(60,833)	(60,833)
Claims Payable	5,082,852	-	-	-	5,082,852
Total adjustments	<u>5,277,113</u>	<u>146,808</u>	<u>1,877,133</u>	<u>(77,268)</u>	<u>7,223,786</u>
Net cash provided by (used for) operating activities	<u>\$ (380,039)</u>	<u>\$ (1,065,340)</u>	<u>\$ 3,663,774</u>	<u>\$ 26,419</u>	<u>\$ 2,244,814</u>

\*There are no non-cash transactions

**CITY OF ANNAPOLIS, MARYLAND**  
**INTERNAL SERVICE FUNDS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND ENCUMBRANCES**  
**COMPARED TO BUDGET (BUDGETARY BASIS)**  
**YEAR ENDED JUNE 30, 2023**

**Self Insurance Fund**

	Adopted Budget	Amended Budget	Actual Revenue	Under (Over) Budget
<b>Revenues</b>				
Charges for services	\$ 2,325,800	\$ 2,325,800	\$ 2,327,139	\$ (1,339)
Other	2,750	2,750	161,067	(158,317)
	<u>\$ 2,328,550</u>	<u>\$ 2,328,550</u>	<u>\$ 2,488,206</u>	<u>\$ (159,656)</u>
<b>Expenditures</b>				
Salaries	\$ 100,000	\$ 100,000	\$ 133,668	\$ (33,668)
Claim payments	2,043,350	2,368,350	2,056,199	312,151
Reserve adjustment	15,000	15,000	5,644,924	(5,629,924)
Other	360,000	360,000	149,500	210,500
	<u>\$ 2,518,350</u>	<u>\$ 2,843,350</u>	<u>\$ 7,984,291</u>	<u>\$ (5,140,941)</u>

**Health Insurance Fund**

	Adopted Budget	Amended Budget	Actual Revenue	Under (Over) Budget
<b>Revenues</b>				
Charges for services	\$ 11,001,000	\$ 11,001,000	\$ 7,582,601	\$ 3,418,399
Other	1,500,000	1,500,000	689,450	810,550
	<u>\$ 12,501,000</u>	<u>\$ 12,501,000</u>	<u>\$ 8,272,051</u>	<u>\$ 4,228,949</u>
<b>Expenditures</b>				
Claim payments	\$ 12,451,000	\$ 12,451,000	\$ 9,492,413	\$ 2,958,587
Other	50,000	50,000	(8,214)	58,214
	<u>\$ 12,501,000</u>	<u>\$ 12,501,000</u>	<u>\$ 9,484,199</u>	<u>\$ 3,016,801</u>

**CITY OF ANNAPOLIS, MARYLAND  
INTERNAL SERVICE FUNDS  
SCHEDULE OF REVENUES, EXPENDITURES, AND ENCUMBRANCES  
COMPARED TO BUDGET (BUDGETARY BASIS) (CONTINUED)  
YEAR ENDED JUNE 30, 2023**

<b>Fleet Replacement Fund</b>				
	Adopted Budget	Amended Budget	Actual Revenue	Under (Over) Budget
<b>Revenues</b>				
Charges for services	\$ 2,607,000	\$ 3,665,500	\$ 3,704,491	\$ (38,991)
	<u>\$ 2,657,000</u>	<u>\$ 3,715,500</u>	<u>\$ 3,719,097</u>	<u>\$ (3,597)</u>
	Adopted Budget	Amended Budget	Actual Expenditures & Encumbrances	Under (Over) Budget
<b>Expenditures</b>				
Debt Service				
Principal	\$ 1,023,000	\$ 1,023,000	\$ -	\$ 1,023,000
Interest	134,000	134,000	112,733	21,267
Transfers	-	-	(8,825)	8,825
Capital outlay	1,500,000	2,558,500	1,664,045	894,455
Depreciation*	-	-	1,877,133	(1,877,133)
	<u>\$ 2,657,000</u>	<u>\$ 3,715,500</u>	<u>\$ 3,645,086</u>	<u>\$ 70,414</u>

\* Not a budgeted item

<b>Fleet Operations Fund</b>				
	Adopted Budget	Amended Budget	Actual Revenue	Under (Over) Budget
<b>Revenues</b>				
Charges for services	\$ 2,433,400	\$ 2,433,400	\$ 2,409,200	\$ 24,200
	<u>\$ 2,433,400</u>	<u>\$ 2,433,400</u>	<u>\$ 2,409,200</u>	<u>\$ 24,200</u>
	Adopted Budget	Amended Budget	Actual Expenditures & Encumbrances	Under (Over) Budget
<b>Expenditures</b>				
Salaries	\$ 974,500	\$ 974,500	\$ 803,824	\$ 170,676
Utilities	14,500	14,500	14,265	235
Repairs and maintenance	694,450	694,450	660,317	34,133
Materials and supplies	746,700	746,700	794,814	(48,114)
Contractual services	9,000	9,000	10,483	(1,483)
Other	23,250	23,250	23,250	-
Transfers	-	-	34,958	(34,958)
	<u>\$ 2,462,400</u>	<u>\$ 2,462,400</u>	<u>\$ 2,341,911</u>	<u>\$ 120,489</u>

**CITY OF ANNAPOLIS, MARYLAND  
COMBINING SCHEDULE OF FIDUCIARY NET POSITION  
PENSION AND OPEB TRUST FUNDS  
JUNE 30, 2023**

	<b>Pension Trust Fund</b>	<b>OPEB Trust Fund</b>	<b>Total Benefit Trust Funds</b>
<b>ASSETS</b>			
Cash	\$ -	\$ 303,664	\$ 303,664
Other receivables	255,534	-	255,534
Investments, at fair value:			
Pooled investments	-	10,832,728	10,832,728
Common stocks	7,724,028	-	7,724,028
Corporate bonds	2,195,528	-	2,195,528
Money market	6,207,039	-	6,207,039
U.S. Agency securities	10,852,502	-	10,852,502
Limited partnerships and alternative investments	50,299,406	-	50,299,406
Common and collective funds	105,459,332	-	105,459,332
Real estate	13,600,923	-	13,600,923
Total investments	<u>196,338,758</u>	<u>10,832,728</u>	<u>207,171,486</u>
Total assets	<u>196,594,292</u>	<u>11,136,392</u>	<u>207,730,684</u>
<b>LIABILITIES</b>			
Accounts payable	-	15,887	15,887
Total liabilities	<u>-</u>	<u>15,887</u>	<u>15,887</u>
<b>NET POSITION</b>			
Total net position restricted for pension benefits and OPEB	<u>\$ 196,594,292</u>	<u>\$ 11,120,505</u>	<u>\$ 207,714,797</u>

**CITY OF ANNAPOLIS, MARYLAND  
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION  
PENSION AND OPEB TRUST FUNDS  
YEAR ENDED JUNE 30, 2023**

	<b>Pension Trust Fund</b>	<b>OPEB Trust Fund</b>	<b>Total Benefit Trust Funds</b>
<b>ADDITIONS</b>			
Contributions:			
Employer	\$ 8,299,373	\$ 2,061,346	\$ 10,360,719
Employer - subsidy from Health Insurance Fund	-	-	-
Plan member	<u>1,827,551</u>	<u>65,114</u>	<u>1,892,665</u>
Total Contributions	<u>10,126,924</u>	<u>2,126,460</u>	<u>12,253,384</u>
Investment Income:			
Interest			
Interest and dividends	2,124,553	212,150	2,336,703
Net appreciation in fair value of investments	14,481,087	780,334	15,261,421
Other Income	<u>2,303</u>	<u>-</u>	<u>2,303</u>
	16,607,943	992,484	17,600,427
Less: Investment expense	<u>(423,060)</u>	<u>(17,892)</u>	<u>(440,952)</u>
Total Investment Income	<u>16,184,883</u>	<u>974,592</u>	<u>17,159,475</u>
Total additions	<u>26,311,807</u>	<u>3,101,052</u>	<u>29,412,859</u>
<b>DEDUCTIONS</b>			
Benefits	14,727,071	782,600	15,509,671
Administrative expenses	140,273	132,811	273,084
Surplus to Health Insurance Fund	<u>-</u>	<u>119,160</u>	<u>119,160</u>
Total deductions	<u>14,867,344</u>	<u>1,034,571</u>	<u>15,901,915</u>
Change in net position	11,444,463	2,066,481	13,510,944
Net position as of beginning of year	<u>185,149,829</u>	<u>9,054,024</u>	<u>194,203,853</u>
Net position as of end of year	<u>\$ 196,594,292</u>	<u>\$ 11,120,505</u>	<u>\$ 207,714,797</u>



# STATISTICAL SECTION



***CITY OF  
ANNAPOLIS,  
MARYLAND***

**CITY OF ANNAPOLIS, MARYLAND  
STATISTICAL SECTION**

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

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<i>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.	121
<i>Revenue Capacity</i> These schedules contain information to help the reader assess the City's most significant local revenue source – property tax.	127
<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.	130
<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.	132
<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.	134

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

	2014	2015	2016	2017	2018	2019	2020	2021*	2022	2023
<b>Governmental activities</b>										
Net Investment in capital assets	\$ 36,667,965	\$ 35,094,189	\$ 54,758,111	\$ 53,340,522	\$ 64,772,139	\$ 54,420,461	\$ 58,795,719	\$ 59,737,751	\$ 65,493,241	\$ 98,607,231
Restricted	104,847	11,421,767	14,567	12,139,729	11,627,900	18,375,822	12,193,434	3,652,478	3,816,268	21,120,644
Unrestricted	(24,785,245)	(37,152,395)	(45,425,863)	(56,035,148)	(73,244,870)	(67,441,235)	(66,598,472)	(56,074,248)	(52,960,584)	(83,859,622)
Total governmental activities net position	<u>\$ 11,987,567</u>	<u>\$ 9,363,561</u>	<u>\$ 9,346,815</u>	<u>\$ 9,445,103</u>	<u>\$ 3,155,169</u>	<u>\$ 5,355,048</u>	<u>\$ 4,390,681</u>	<u>\$ 7,315,981</u>	<u>\$ 16,348,925</u>	<u>\$ 35,868,253</u>
<b>Business-type activities</b>										
Net Investment in capital assets	\$ 33,874,341	\$ 37,659,112	\$ 20,834,080	\$ 31,840,814	\$ 39,278,976	\$ 26,013,958	\$ 23,104,537	\$ 22,216,621	\$ 25,063,681	\$ 27,780,653
Restricted	13,422,350	18,606,456	11,169,944	20,162,006	14,601,654	7,937,912	3,632,590	3,063,231	7,530,611	25,490,881
Unrestricted	(20,502,073)	(31,219,161)	6,425,750	(8,221,707)	(9,165,161)	17,281,058	27,974,850	29,592,361	24,377,101	6,453,677
Total business-type activities net position	<u>\$ 26,794,618</u>	<u>\$ 25,046,407</u>	<u>\$ 38,429,774</u>	<u>\$ 43,781,113</u>	<u>\$ 44,715,469</u>	<u>\$ 51,232,928</u>	<u>\$ 54,711,977</u>	<u>\$ 54,872,213</u>	<u>\$ 56,971,393</u>	<u>\$ 59,725,211</u>
<b>Primary government</b>										
Net Investment in capital assets	\$ 70,542,306	\$ 72,753,301	\$ 75,592,191	\$ 85,181,336	\$ 104,051,115	\$ 80,434,419	\$ 81,900,256	\$ 81,954,372	\$ 90,556,922	\$ 126,387,884
Restricted	13,527,197	30,028,223	11,184,511	32,301,735	26,229,554	26,313,734	15,826,024	6,715,709	11,346,879	46,611,525
Unrestricted	(45,287,318)	(68,371,556)	(39,000,113)	(64,256,855)	(82,410,031)	(50,160,177)	(38,623,622)	(26,481,887)	(28,583,483)	(77,405,945)
Total primary government net position	<u>\$ 38,782,185</u>	<u>\$ 34,409,968</u>	<u>\$ 47,776,589</u>	<u>\$ 53,226,216</u>	<u>\$ 47,870,638</u>	<u>\$ 56,587,976</u>	<u>\$ 59,102,658</u>	<u>\$ 62,188,194</u>	<u>\$ 73,320,318</u>	<u>\$ 95,593,464</u>

\*FY 2021 Restated

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

	Year Ended June 30,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Expenses</b>										
Governmental Activities:										
General Government	\$ 18,584,460	\$ 18,601,875	\$ 18,627,376	\$ 8,027,778	\$ 3,436,940	\$ 6,935,024	\$ 7,755,980	\$ 5,792,187	\$ 8,698,064	\$ 10,546,689
Land Use	-	-	-	-	3,795,364	3,647,947	4,671,168	4,545,507	5,223,498	4,735,878
Public Safety	41,476,687	39,413,113	42,027,200	44,465,088	44,379,756	50,200,162	53,757,785	46,456,925	54,685,682	65,336,885
Public Health	-	-	-	-	-	-	939,152	3,499,600	542,834	-
Community Services	5,181,130	6,452,677	4,205,009	5,875,892	5,602,536	7,214,250	6,421,581	5,935,163	7,669,574	8,933,470
Community Development	1,054,349	404,147	736,673	520,738	610,568	1,029,253	301,627	333,974	394,413	403,112
Public Works	8,288,399	8,253,040	9,323,422	10,717,392	10,684,076	7,749,771	10,563,910	9,880,157	10,443,364	10,828,333
Interest-Long Term Debt	1,575,089	2,059,337	3,360,891	4,885,029	2,628,460	2,632,460	1,791,696	1,733,919	1,671,544	1,938,674
Total Governmental Activities Expenses	<u>76,160,114</u>	<u>75,184,189</u>	<u>78,280,571</u>	<u>74,491,917</u>	<u>71,137,700</u>	<u>79,408,867</u>	<u>86,202,899</u>	<u>78,177,432</u>	<u>89,328,973</u>	<u>102,723,041</u>
Business-type Activities:										
Sewer	7,040,536	7,411,281	7,212,440	8,484,824	8,010,034	7,474,122	7,427,858	6,102,562	7,922,053	6,402,438
Water	5,409,175	5,387,428	4,465,639	5,486,621	5,281,429	5,857,262	6,723,989	6,107,070	7,930,410	6,922,631
Off Street Parking	6,757,682	6,802,623	4,463,704	5,164,268	4,922,237	4,768,154	4,727,650	4,568,397	5,855,657	5,919,037
Transportation	6,963,900	6,544,919	4,601,845	5,895,274	6,326,514	5,148,923	4,326,959	3,892,844	4,262,766	5,783,275
Dock*	1,004,113	1,148,449	-	-	-	-	-	-	-	-
Market*	232,218	355,987	-	-	-	-	-	-	-	-
Watershed Restoration	326,889	320,909	514,327	719,818	967,676	631,403	780,168	514,049	999,582	1,483,945
Refuse	2,205,751	2,088,024	2,098,231	2,174,839	2,420,454	1,754,021	3,293,591	3,089,553	3,277,497	3,387,303
Total Business-type Activities Expenses	<u>29,940,264</u>	<u>30,059,620</u>	<u>23,356,186</u>	<u>27,925,644</u>	<u>27,928,344</u>	<u>25,633,885</u>	<u>27,280,215</u>	<u>24,274,475</u>	<u>30,247,965</u>	<u>29,898,629</u>
Total Primary Government Expenses	<u>\$ 106,100,378</u>	<u>\$ 105,243,809</u>	<u>\$ 101,636,757</u>	<u>\$ 102,417,561</u>	<u>\$ 99,066,044</u>	<u>\$ 105,042,752</u>	<u>\$ 113,483,114</u>	<u>\$ 102,451,907</u>	<u>\$ 119,576,938</u>	<u>\$ 132,621,670</u>
<b>Program Revenues</b>										
Governmental Activities:										
Charges for Service:										
General Government	\$ 12,623,100	\$ 23,698,890	\$ 29,120,482	\$ 4,626,240	\$ 3,287,196	\$ 383,609	\$ 1,288,887	\$ 1,101,627	\$ 1,322,562	\$ 1,100,512
Land Use	-	-	-	-	2,344,675	3,196,545	2,072,397	2,551,396	2,758,016	2,938,566
Public Safety	2,522,863	2,475,978	2,521,232	2,845,731	2,730,087	3,255,635	3,558,712	3,227,190	5,068,429	5,364,919
Community Services	1,878,428	1,718,270	2,972,130	2,790,525	2,852,271	2,761,982	2,211,678	1,317,546	2,635,655	3,337,920
Public Works	1,677,748	1,171,131	1,233,422	1,275,788	1,198,955	-	-	-	-	2,338.00
Operating Grants and Contributions	14,661,369	3,850,691	2,702,821	4,435,879	5,691,722	4,430,574	4,792,079	8,914,171	5,467,325	4,818,232
Capital Grants and Contributions	32,750	503,516	1,755,221	1,098,816	395,870	232,931	416,507	2,487,488	788,146	8,760,573
Total Governmental Activities										
Program Revenues	<u>33,396,258</u>	<u>33,418,476</u>	<u>40,305,308</u>	<u>17,072,979</u>	<u>18,500,776</u>	<u>14,261,276</u>	<u>14,340,260</u>	<u>19,599,418</u>	<u>18,040,133</u>	<u>26,323,060</u>

\*Transferred to General Fund and Governmental Activities in 2016.

\*\* Created new Land Use function in 2018.

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

	Year Ended June 30,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Program Revenues (continued)</b>										
Business-type Activities:										
Charges for Services:										
Sewer	\$ 7,056,973	\$ 8,399,135	\$ 7,759,646	\$ 8,356,869	\$ 7,962,125	\$ 8,047,050	\$ 8,174,745	\$ 7,786,564	\$ 7,545,158	\$ 8,062,033
Water	7,321,652	7,201,826	7,214,584	8,209,879	8,040,690	7,296,730	7,562,218	7,489,600	8,166,465	8,908,688
Off Street Parking	9,086,879	8,847,088	7,772,048	8,131,099	8,410,206	8,390,470	6,451,740	5,255,700	7,541,568	6,216,160
Transportation	895,661	938,100	937,916	884,316	917,369	473,029	376,142	166,815	611,827	503,850
Dock*	963,162	909,174	-	-	-	-	-	-	-	-
Market*	135,053	208,500	-	-	-	-	-	-	-	-
Watershed Restoration	831,557	934,653	947,886	1,077,499	1,420,715	1,442,156	1,473,122	1,589,915	1,644,442	1,780,875
Refuse	3,836,183	3,137,892	2,585,224	2,504,296	1,978,669	1,974,637	2,437,103	2,624,701	2,897,013	3,094,044
Operating Grants and Contributions	1,560,637	1,309,836	2,725,080	1,558,360	1,795,402	2,417,750	2,926,451	3,246,986	2,878,463	3,706,295
Capital Grants and Contributions	149,899	455,863	427,568	3,022,680	1,887,568	817,684	483,187	469,150	2,045,491	1,093,896
Total Business-type Activities Program Revenues	<u>31,837,656</u>	<u>32,342,067</u>	<u>30,369,952</u>	<u>33,744,998</u>	<u>32,412,744</u>	<u>30,859,506</u>	<u>29,884,708</u>	<u>28,629,431</u>	<u>33,330,427</u>	<u>33,365,841</u>
Total Primary Government Program Revenues	<u>65,233,914</u>	<u>65,760,543</u>	<u>70,675,260</u>	<u>50,817,977</u>	<u>50,913,520</u>	<u>45,120,782</u>	<u>44,224,968</u>	<u>48,228,849</u>	<u>51,370,560</u>	<u>59,688,901</u>
Net (expenses) / revenues										
Governmental Activities	(42,763,856)	(41,765,713)	(37,975,263)	(57,418,938)	(52,636,924)	(65,147,591)	(71,862,639)	(58,578,014)	(71,288,840)	(76,399,981)
Business-type Activities	1,897,392	2,282,447	7,013,766	5,819,354	4,484,400	5,225,621	2,604,493	4,354,956	3,082,462	3,467,212
Total Primary Government Net Expenses	<u>(40,866,464)</u>	<u>(39,483,266)</u>	<u>(30,961,497)</u>	<u>(51,599,584)</u>	<u>(48,152,524)</u>	<u>(59,921,970)</u>	<u>(69,258,146)</u>	<u>(54,223,058)</u>	<u>(68,206,378)</u>	<u>(72,932,769)</u>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental Activities:										
Taxes****										
Real	39,359,280	38,976,909	40,457,783	41,475,676	43,294,360	50,457,045	52,129,528	54,643,655	55,934,783	56,618,766
Personal property	-	-	-	-	3,404,056	3,189,268	3,306,069	3,600,340	3,418,314	3,689,296
Unincorporated	37,187	31,632	45,410	48,610	-	-	-	-	-	-
Public utility	1,619,151	1,737,240	1,699,124	1,708,019	-	-	-	-	-	-
Corporations	1,427,064	1,469,864	1,779,476	1,726,253	-	-	-	-	-	-
Penalties and interest	140,660	223,980	213,195	201,438	-	-	-	-	-	-
State shared taxes and other***	-	-	-	11,540,775	13,275,271	11,064,480	12,868,147	13,075,573	18,366,135	19,190,085
Interest and investment earnings	24,650	16,430	101,179	233,794	622,199	1,403,740	1,063,837	146,546	95,714	2,760,336
Miscellaneous	180,147	-	-	2,853,912	3,119,479	1,232,938	1,383,571	425,393	1,024,120	513,193
Special Item	-	-	-	-	-	-	-	-	-	11,961,943
Transfers**	783,630	569,520	(6,337,650)	(2,271,251)	-	-	148,000	(1,125,943)	1,482,718	1,185,690
Total Governmental Activities	<u>\$ 43,571,769</u>	<u>\$ 43,025,575</u>	<u>\$ 37,958,517</u>	<u>\$ 57,517,226</u>	<u>\$ 63,715,365</u>	<u>\$ 67,347,471</u>	<u>\$ 70,899,152</u>	<u>\$ 70,765,564</u>	<u>\$ 80,321,784</u>	<u>\$ 95,919,309</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,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>General Revenues and Other Changes in Net Position (continued)</b>										
Business-type Activities:										
Interest and Investment Earnings	\$ 8,759	\$ 6,104	\$ 31,952	\$ 6,986	\$ 422,009	\$ 635,914	\$ 227,909	\$ 4,551	\$ 10,671	\$ 16,806
Miscellaneous	-	-	-	-	-	655,924	794,647	438,105	488,765	455,490
Transfers	(783,630)	(569,520)	6,337,650	(475,000)	-	-	(148,000)	1,125,943	(1,482,718)	(1,185,690)
Total Business-type Activities	(774,871)	(563,416)	6,369,602	(468,014)	422,009	1,291,838	874,556	1,568,599	(983,282)	(713,394)
Total Primary Government	<u>42,796,898</u>	<u>42,462,159</u>	<u>44,328,119</u>	<u>57,049,212</u>	<u>64,137,374</u>	<u>68,639,309</u>	<u>71,773,708</u>	<u>72,334,163</u>	<u>79,338,502</u>	<u>95,205,915</u>
<b>Change in Net Position</b>										
Governmental Activities	807,913	1,259,862	(16,746)	98,288	11,078,441	2,199,880	(963,487)	12,187,550	9,032,944	19,519,328
Business-type Activities	1,122,521	1,719,030	13,383,367	5,351,339	4,906,409	6,517,459	3,479,049	5,923,555	2,099,180	2,753,818
Total Primary Government	<u>\$ 1,930,434</u>	<u>\$ 2,978,892</u>	<u>\$ 13,366,621</u>	<u>\$ 5,449,627</u>	<u>\$ 15,984,850</u>	<u>\$ 8,717,339</u>	<u>\$ 2,515,562</u>	<u>\$ 18,111,105</u>	<u>\$ 11,132,124</u>	<u>\$ 22,273,146</u>

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

	Year Ended June 30,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>General Fund</b>										
Non-Spendable	\$ 145,414	\$ 173,401	\$ 178,711	\$ 143,209	\$ 154,479	\$ 59,128	\$ 67,258	\$ 76,038	\$ 106,074	\$ 279,735
Restricted	-	-	-	-	13,281,052	7,768,150	8,751,922	51,776	-	-
Committed	-	-	-	-	1,251,403	-	500,695	9,331,945	11,696,841	11,387,833
Assigned	20,539,453	11,212,929	22,581,009	12,651,103	1,886,721	2,818,422	5,452,306	7,180,810	9,856,023	9,543,290
Unassigned	14,458,859	32,319,856	15,816,683	14,489,171	14,057,004	14,338,669	14,284,243	15,023,850	16,856,350	18,020,513
Total General Fund	<u>\$ 35,143,726</u>	<u>\$ 43,706,186</u>	<u>\$ 38,576,403</u>	<u>\$ 27,283,483</u>	<u>\$ 30,630,659</u>	<u>\$ 24,984,369</u>	<u>\$ 29,056,424</u>	<u>\$ 31,664,419</u>	<u>\$ 38,515,288</u>	<u>\$ 39,231,371</u>
<b>Capital Projects Fund</b>										
Restricted	\$ -	\$ -	\$ -	\$ 6,302,248	\$ 5,882,725	\$ 7,187,390	\$ 107,555	\$ -	\$ -	\$ 17,159,415
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	(366,096)	(9,287,428)	-	-	-	-	(2,795,283)	(539,119)	-
Total Capital projects fund	<u>-</u>	<u>\$ (366,096)</u>	<u>\$ (9,287,428)</u>	<u>\$ 6,302,248</u>	<u>\$ 5,882,725</u>	<u>\$ 7,187,390</u>	<u>\$ 107,555</u>	<u>\$ (2,795,283)</u>	<u>\$ (539,119)</u>	<u>\$ 17,159,415</u>
<b>Special Revenue Fund/Non-Major</b>										
Restricted	\$ 104,847	\$ 208,839	\$ 14,567	\$ 123,626	\$ 196,400	\$ 3,420,282	\$ 3,333,957	\$ 3,600,702	\$ 3,816,268	\$ 3,961,231
Unassigned	-	-	(65,748)	(31,878)	-	-	-	(272,775)	(398,770)	(451,399)
Total Special Revenue Fund	<u>\$ 104,847</u>	<u>\$ 208,839</u>	<u>\$ (51,181)</u>	<u>\$ 91,748</u>	<u>\$ 196,400</u>	<u>\$ 3,420,282</u>	<u>\$ 3,333,957</u>	<u>\$ 3,327,927</u>	<u>\$ 3,417,498</u>	<u>\$ 3,509,832</u>

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

	Year Ended June 30,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Revenues</b>										
Taxes	\$ 42,583,342	\$ 42,439,625	\$ 44,194,988	\$ 45,159,996	\$ 46,614,066	\$ 53,646,314	\$ 55,435,597	\$ 58,243,995	\$ 59,353,097	\$ 60,308,062
Licenses and Permits	2,669,615	2,786,607	3,096,704	3,462,155	3,224,034	3,132,235	2,931,474	3,209,387	3,417,511	3,522,462
Fines and Forfeitures	733,127	518,255	378,159	250,002	585,868	356,145	319,912	250,668	478,890	576,720
Money and Property	831,850	1,926,216	1,840,860	2,853,185	1,715,579	1,567,977	1,709,250	621,080	1,013,875	4,516,068
Intergovernmental	15,215,063	14,365,954	16,391,517	17,054,142	19,210,011	15,608,629	17,863,919	24,383,094	23,405,912	30,335,580
Charges for Services	4,355,550	3,947,671	5,038,147	5,345,699	5,630,951	5,905,549	5,204,406	4,500,075	7,438,632	8,433,679
Other Revenue	-	-	-	-	522,872	1,280,996	741,133	296,948	443,374	945,066
<b>Total Revenues</b>	<b>66,388,547</b>	<b>65,984,328</b>	<b>70,940,375</b>	<b>74,125,179</b>	<b>77,503,381</b>	<b>81,497,845</b>	<b>84,205,691</b>	<b>91,505,247</b>	<b>95,551,291</b>	<b>108,637,637</b>
<b>Expenditures</b>										
General Government	7,737,535	6,462,211	7,458,323	6,847,993	3,394,054	7,239,130	6,505,574	6,726,433	7,500,612	9,090,447
Land Use	-	-	-	-	3,795,364	4,127,245	4,105,436	4,555,253	5,235,853	4,909,380
Public Safety	38,708,075	37,909,541	38,613,454	40,562,978	41,764,737	44,238,156	44,222,886	45,319,598	48,027,669	54,769,723
Public Health	-	-	-	-	-	-	939,152	3,499,600	542,834	-
Community Services	4,245,059	4,324,737	4,706,217	5,163,066	5,124,924	5,444,698	5,412,580	5,730,826	6,610,041	8,205,177
Community Development	892,026	404,147	736,673	520,738	610,568	329,200	301,627	333,974	394,413	403,112
Public Works	7,587,085	7,750,185	7,361,838	8,455,632	8,866,618	8,265,142	7,774,719	8,682,002	8,169,026	8,550,568
Debt Service:										
Principal	2,687,294	2,852,010	3,701,604	4,213,897	2,957,144	5,009,765	6,869,399	5,512,449	6,121,744	7,138,359
Interest	1,719,726	2,532,202	2,426,863	3,279,663	2,810,285	2,738,461	2,414,082	2,208,479	1,900,401	1,940,990
Bond Issuance Costs	-	-	-	-	-	-	278,996	34,000	153,120	268,096
Capital Outlays	4,108,944	3,182,796	12,613,991	9,078,508	8,428,280	5,661,850	11,753,689	8,161,507	13,488,399	21,768,326
<b>Total Expenditures</b>	<b>67,685,744</b>	<b>65,417,829</b>	<b>77,618,963</b>	<b>78,122,475</b>	<b>77,751,974</b>	<b>83,053,647</b>	<b>90,578,140</b>	<b>90,764,121</b>	<b>98,144,112</b>	<b>117,044,178</b>
Excess of Revenues Over (Under)										
Expenditures	(1,297,197)	566,499	(6,678,588)	(3,997,296)	(248,593)	(1,555,802)	(6,372,449)	741,126	(2,592,821)	(8,406,541)
Other Financing Sources (Uses)	783,630	6,198,856	(7,632,547)	8,436,981	3,281,898	437,059	3,370,163	(1,041,999)	11,789,425	26,913,492
<b>Net Change In Fund Balances</b>	<b>\$ (513,567)</b>	<b>\$ 6,765,355</b>	<b>\$ (14,311,135)</b>	<b>\$ 4,439,685</b>	<b>\$ 3,033,305</b>	<b>\$ (1,118,743)</b>	<b>\$ (3,002,286)</b>	<b>\$ (300,873)</b>	<b>\$ 9,196,604</b>	<b>\$ 18,506,951</b>
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	<b>6.93%</b>	<b>8.65%</b>	<b>9.43%</b>	<b>10.85%</b>	<b>8.32%</b>	<b>10.01%</b>	<b>11.78%</b>	<b>9.35%</b>	<b>9.48%</b>	<b>9.53%</b>



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

**ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**

Fiscal Year	Real Property	Personal Property	Total
	Assessed Market Value	Assessed Market Value	Assessed Market Value
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	6,410,674,797	170,917,480	6,581,592,277
2018	6,672,654,101	164,047,200	6,836,701,301
2019	6,867,460,560	164,275,220	7,031,735,780
2020	7,112,297,007	172,163,510	7,284,460,517
2021	7,379,361,249	180,652,960	7,560,014,209
2022	7,556,843,455	177,572,810	7,734,416,265
2023	7,688,230,894	174,393,260	7,862,624,154

**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
2014	0.65	0.57	0.11	1.33
2015	0.65	0.56	0.11	1.32
2016	0.65	0.55	0.11	1.31
2017	0.65	0.55	0.11	1.31
2018	0.65	0.54	0.11	1.30
2019	0.74	0.54	0.11	1.39
2020	0.74	0.56	0.11	1.41
2021	0.74	0.56	0.11	1.41
2022	0.74	0.56	0.11	1.41
2023	0.74	0.56	0.11	1.41

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

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

	2023	
Taxpayer	Assessed Market Valuation	Percentage of Total Assessed Market Valuation
WP MD PropCo I LLC	\$ 88,997,433	1.1576%
Bell Fund VI West Street LLC	60,934,700	0.7926
Baywoods Cooperatives Housing Corp	59,850,577	0.7785
MCB Quiet Waters LLC (Formerly Forest Owner LLC)	49,162,900	0.6395
Guardian Park Place LLC	42,240,834	0.5494
Home Properties Annapolis Road LLC	40,417,900	0.5257
Yacht Basin Co of Maryland	39,139,667	0.5091
Annapolis Bay Lincoln Property (Formerly Aptco Annapolis LLC)	38,389,200	0.4993
GPIF Wann Hotel LLC (Formerly CH Realty Annapolis Hotel)	34,667,100	0.4509
Admiral Farragut Joint Venture	32,995,633	0.4292
	\$ 486,795,944	6.3317%

	2014	
Taxpayer	Assessed Market Valuation	Percentage of Total Assessed Market Valuation
1901 West Investorss LLC	\$ 49,546,200	0.8354%
Columbia Realty Venture LLC	41,364,533	0.6974
Aptco Annapolis LLC	35,698,467	0.6019
Guardian Park Place LLC	29,652,167	0.6019
Yacht Basin Co of Maryland	28,655,900	0.4999
CH Realty/Annapolis Hotel LLP	21,674,400	0.4832
Admiral Farragut Joint Venture	20,479,933	0.3654
KMF Annapolis LLC	19,643,700	0.3453
Park Place II Trust	18,044,700	0.3042
Forest Village Apartments Joint Venture	16,091,967	0.2713
	\$ 280,851,967	6.1639%

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

**SUMMARY OF PROPERTY TAX LEVIES AND COLLECTIONS**

Fiscal Year	Tax Levy (1)	Subsequent Adjustments	Total Tax Levy (2)	Current Year's Tax Collected in Year of Levy		Total Taxes Collected (Current & Delinquent)		Accumulated Delinquent Taxes	Accumulated Delinquent Taxes as % of Current Year's Tax Levy
				Amount	Percent	Amount	Percent		
2014	38,750,339	150,000	38,900,339	38,876,534	99.94	39,401,281	101.29	524,747	1.3490
2015	38,980,982	152,000	39,132,982	38,806,799	99.17	38,844,504	99.26	28,658	0.0732
2016	39,955,024	102,000	40,057,024	39,799,132	99.36	39,848,458	99.48	127,463	0.3182
2017	41,461,030	(202,309)	41,258,721	41,239,843	99.95	41,213,597	99.89	33,551	0.0813
2018	43,162,048	(239,942)	42,922,106	42,881,780	99.91	42,851,925	99.84	92,541	0.2156
2019	50,508,682	(328,855)	50,179,827	50,181,664	100.00	50,156,296	99.95	(31,952)	(0.0637)
2020	52,381,140	(343,902)	52,037,238	51,744,146	99.44	51,657,293	99.27	254,750	0.4896
2021	54,318,374	(129,046)	54,189,328	54,105,144	99.84	54,090,195	99.82	324,674	0.5991
2022	55,646,401	(501,771)	55,144,630	55,127,743	99.97	55,419,217	100.50	(36,737)	(0.0666)
2023	56,570,195	122,971	56,693,166	56,415,281	99.51	55,056,180	97.11	35,864	0.0633

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 <sup>1</sup>	Per Capita <sup>1</sup>	Percentage of Market Value <sup>2</sup>
	General Obligation Bonds	Other Debt	General Obligation Bonds	Other Debt				
2014	62,972,092	735,358	61,531,883	2,266,324	127,505,657	4.67	3,302	2.09
2015	67,222,839	520,883	66,097,344	5,627,394	139,468,460	8.34	3,597	2.28
2016	72,757,170	304,713	66,645,345	18,300,555	158,007,783	9.09	3,961	2.55
2017	78,737,725	36,182	64,577,507	22,245,843	165,597,257	9.26	4,116	2.60
2018	75,937,252	-	62,356,606	23,457,406	161,751,264	8.74	4,073	2.45
2019	70,312,367	5,487,764	59,732,846	25,662,143	161,195,120	9.15	3,600	2.36
2020	66,315,918	6,955,417	65,384,139	24,699,362	163,354,836	9.03	3,540	2.32
2021	60,133,553	6,523,408	62,862,388	23,727,984	153,247,333	8.38	3,288	2.03
2022	63,082,440	11,749,992	63,043,561	23,434,074	161,310,067	7.37	3,000	2.09
2023	69,323,340	14,263,739	89,848,661	24,675,835	198,111,575	8.39	3,411	2.52

<sup>1</sup> See the Demographic Statistics on page 128 for personal income and population data.

<sup>2</sup> See the Assessed & Estimated Actual Value of Taxable Property on page 124 for market value.

\* as restated

**SCHEDULE OF LEGAL DEBT MARGIN**

Fiscal Year	Assessable Base	Debt Limit:		City Debt	Debt Margin	Ratio of City Debt to Assessable Base
		10% of Assessable Base				
2014	6,120,838,023	612,083,802		127,505,657	484,578,145	2.08
2015	6,189,834,962	618,983,496		139,468,460	479,515,036	2.25
2016	6,359,593,401	635,959,340		158,007,783	477,951,557	2.48
2017	6,604,180,109	660,418,011		165,597,257	494,820,754	2.51
2018	6,836,701,301	683,670,130		161,751,264	521,918,866	2.37
2019	7,031,735,780	703,173,578		161,195,120	541,978,458	2.29
2020	7,284,460,517	728,446,052		163,354,836	565,091,216	2.24
2021	7,560,014,209	756,001,421		153,247,333	602,754,088	2.03
2022	7,734,416,265	773,441,627		161,310,067	612,131,560	2.09
2023	7,862,624,154	786,262,415		198,111,575	588,150,840	2.52

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

**COMPUTATION OF DIRECT AND OVERLAPPING DEBT  
YEAR ENDED JUNE 30, 2022**

Jurisdiction	Net Debt Outstanding	Percentage Applicable to City of Annapolis	Amount Applicable to City of Annapolis
City of Annapolis	\$ 83,587,079	100%	\$ 83,587,079
Anne Arundel County	1,916,550,051	4%	68,112,205
<b>Total</b>	<b>\$ 2,000,137,130</b>		<b>\$ 151,699,284</b>

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Annapolis. This process recognizes that when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

Source: Anne Arundel County, Maryland Annual Comprehensive Financial Report For the fiscal year ended June 30, 2023

**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	
2014	5,198,867	60,075,220	8.65
2015	5,555,697	64,736,474	8.58
2016	6,128,467	59,749,562	10.26
2017	7,493,560	66,651,956	11.24
2018	5,767,429	68,490,882	8.42
2019	7,748,226	73,106,503	10.60
2020	9,283,481	73,947,590	12.55
2021	7,720,928	74,686,147	10.34
2022	7,539,069	79,471,588	9.49
2023	7,971,496	89,708,475	8.89

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

**DEMOGRAPHIC STATISTICS**

Fiscal Year	City Population <sup>(1)</sup>	Personal Income (in thousands)	Per Capita Income <sup>(2)</sup>	Unemployment Rate <sup>(3)</sup>	Public School Enrollment <sup>(4)</sup>
2014	38,772	\$ 1,673,128	\$ 43,153	4.40	9,915
2015	39,616	1,743,421	44,008	4.10	7,176
2016	39,891	1,738,849	43,590	3.30	7,299
2017	40,233	1,787,592	44,431	3.50	7,643
2018	39,717	1,850,892	46,602	2.90	7,660
2019	39,348	1,761,885	44,777	3.40	7,742
2020	39,223	1,809,788	46,141	6.90	7,660
2021	39,241	1,828,709	46,602	3.40	7,915
2022	40,687	2,187,699	53,769	3.60	7,174
2023	40,648	2,360,917	58,082	2.80	7,062

Sources:

- (1) US Census Population Estimate, July 1, 2022
- (2) Demographica and Economic Profile and Real Estate Market Analysis for the Annapolis Comprehensive Plan Update (October 5, 2021)
- (3) Maryland Department of Labor, Licensing, and Regulation.
- (4) Anne Arundel County Public Schools Planning Office, Educational Facilities Master Plan

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

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

Employer	2023		2014	
	Employees	Percentage of City Employment	Employees	Percentage of City Employment
United States Naval Academy	2,500	6.37%	2,340	6.03%
Annapolis Marriott Waterfront Hotel/Pussers Restaurant	215	0.55	110	0.28
(Comtech) TeleCommunication Systems, Inc.	200	0.51	650	1.68
St. John's College	200	0.51	197	0.51
Annapolis Yacht Club	200	0.51	-	-
Main & Market	180	0.46	-	-
Spa Creek Center Genesis Healthcare	160	0.41	160	0.41
Giant Food-Bay Ridge Road	150	0.38	150	0.39
Chick-Fil-A	150	0.38	-	-
Hotel Annapolis	150	0.38	-	-
Rams Head Tavern	140	0.36	115	0.30
Coldwell Banker Residential	140	0.36	-	-
Community Action Group of Anne Arundel County	140	0.36	-	-
Koons Toyota	120	0.31	-	-
Safeway	120	0.31	-	-
Severn Bancorp (Severn Savings Bank FSB)	120	0.31	-	-
Kohl's Dept. Store	110	0.28	150	0.39
Consellation Energy Group	-	-	500	1.29
ARC of the Central Chesapeake Region	-	-	402	1.04
Town Park LTD	-	-	250	0.65
Ledo Pizza System, Inc	-	-	200	0.52
Buddy's Crabs & Ribs, Inc.	-	-	185	0.48
BB&T Bank Chesapeake Division	-	-	175	0.45
Westin Annapolis	-	-	175	0.45
Keller Williams Select Realtors	-	-	170	0.44
Chart House Restaurant	-	-	157	0.41
Ken's Creative Kitchen, LLC	-	-	150	0.39
Loews Annapolis Hotel	-	-	150	0.39
Capital Gazette Communications, Inc	-	-	150	0.39
	<u>4,995</u>	<u>12.73%</u>	<u>6,536</u>	<u>16.89%</u>

Note:

Excludes state and local government and military facilities

Source:

City of Annapolis - Department of Planning & Zoning/Anne Arundel County Economic Development

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

**FULL TIME EQUIVALENT EMPLOYEES BY FUNCTION**

Fiscal Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Government	76	75	75	82	85	61	60	60	57	59
Land Use	-	-	-	-	-	28	30	29	32	32
Public Safety	322	318	316	312	295	297	295	276	287	295
Public Works	42	60	60	61	59	50	53	52	53	53
Community Services	21	26	25	35	25	23	25	33	35	37
Sewer Fund	6	6	6	6	6	6	6	5	8	6
Water Fund	22	25	26	25	24	24	24	25	26	26
Parking Fund	-	-	-	-	-	1	1	1	1	0
Transportation Fund	50	55	52	45	41	41	38	33	36	40
Watershed Restoration	3	3	3	3	3	3	2	2	3	3
Refuse Fund	2	2	2	2	1	4	4	4	4	4
Fleet Fund	3	2	2	-	-	8	7	8	10	9
<b>Total</b>	<b>547</b>	<b>572</b>	<b>567</b>	<b>571</b>	<b>539</b>	<b>546</b>	<b>545</b>	<b>528</b>	<b>552</b>	<b>564</b>

Source:

City of Annapolis - Finance Office



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

**OPERATING INDICATORS BY FUNCTION**

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Government										
Finance:										
Real property tax accounts	14,891	14,860	14,842	15,107	15,079	16,088	15,090	15,111	15,154	15,130
Personal property tax accounts	1,965	2,180	1,945	2,014	2,215	2,126	2,543	2,119	2,133	1,522
Public Safety										
Police										
Calls for service	36,780	35,036	35,003	39,406	40,132	38,987	35,429	35,863	29,483	29,048
Physical arrests	3,929	3,330	2,625	2,366	1,837	1,908	1,497	781	692	782
Parking violations	24,358	28,795	1,384	16,457	14,199	20,246	12,424	14,016	13,775	8,305
Traffic violations	7,555	3,619	7,538	4,123	6,789	7,005	5,195	4,104	2,890	4,609
Fire										
Number of calls answered	9,344	9,697	9,847	10,961	11,798	12,430	11,715	12,028	12,874	13,099
Inspections	2,299	1,273	1,569	1,757	2,460	2,086	935	1,996	1,442	1,116
Recreation & Parks										
Programs offered	353	362	367	152	194	152	256	65	134	96
Enrollment	1,433	5,287	5,695	3,494	4,341	3,235	2,308	848	12,906	11,520
Public Works										
Roadways and sidewalks										
Potholes repaired	2,671	2,214	1,931	1,537	2,118	2,682	1,832	1,439	1,523	1,688
Water Fund										
Water main repairs	10	22	22	20	45	59	31	47	50	10
Number of accounts	13,154	12,753	12,663	12,755	12,847	12,822	12,931	12,971	12,882	12,952
Sewer Fund										
Number of accounts	12,026	11,597	11,618	11,699	11,782	11,815	11,855	11,894	11,923	12,023
Refuse Fund										
Refuse collected (tons per year)	7,807	7,416	7,592	7,439	6,892	7,990	8,467	8,980	8,255	7,857
Recycling collected (tons per year)	3,406	3,439	3,592	3,591	3,500	3,280	3,029	2,410	2,912	2,725
Yard Waste collected (tons per year)	1,826	2,133	1,912	1,895	1,851	1,899	1,885	2,578	1,977	1,863
Neighborhood & Environmental Programs										
Construction permits issued - Commercial	208	182	152	207	91	52	155	127	119	126
Construction permits issued - Residential	766	637	596	576	392	182	430	537	532	475
Transportation Fund										
Number of routes	10	10	10	10	10	8	8	7	7	7
Number of passengers (in thousands)	753	597	445	385	464	413,457	340	135	206	306

Source:  
Various City of Annapolis departments

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

**CAPITAL ASSET STATISTICS BY FUNCTION**

Fiscal Year	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>General Government</b>										
Buildings	7	8	9	8	7	7	7	7	7	7
Vehicles	41	43	26	23	23	13	14	14	14	15
<b>Public Safety</b>										
<b>Police</b>										
Stations	1	1	1	1	1	1	1	1	1	1
Uniformed police officers	114	114	114	124	124	124	124	124	124	124
Police vehicles	86	86	86	75	83	106	152	150	151	151
<b>Fire</b>										
Stations	3	3	3	3	3	4	4	4	4	4
Career firefighters	127	123	124	136	136	136	136	136	136	137
Pumper/ladder trucks	7	6	7	7	7	7	7	7	7	7
Paramedic units	6	7	7	7	7	7	7	10	9	7
Other vehicles	39	34	32	32	32	38	39	34	33	36
<b>Public Works</b>										
Buildings	6	9	20	9	7	9	9	9	9	10
Street (in miles)	276	276	276	276	276	276	276	276	276	276
Traffic signals	20	20	21	21	21	26	24	24	24	24
<b>Recreation &amp; Parks</b>										
Buildings	4	4	13	11	11	11	11	11	11	11
Playgrounds / parks in acres	126	201	250	250	250	250	250	250	250	250
Ballfields	4	14	14	14	14	14	14	14	14	14
Tennis courts	14	14	14	14	13	13	13	13	13	13
<b>Water Fund</b>										
Mains in miles	128	140	140	140	140	140	140	140	140	140
Storage tanks	5	5	5	5	5	5	5	5	5	6
<b>Sewer Fund</b>										
Lines in miles	140	125	125	125	125	125	125	125	125	125
Number of pumping stations	23	25	25	25	25	25	25	25	25	25
<b>Transportation Fund</b>										
Passenger buses	25	23	22	22	17	16	14	15	15	15

Source:

Various City of Annapolis departments