

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 28, 2025

NEW ISSUE –BOOK ENTRY ONLY

In the opinion of Bond Counsel, (i) the Bonds will be valid and legally binding general obligations of City of Annapolis, Maryland; (ii) under existing law, the principal of and interest payable on the Bonds are exempt from State of Maryland and local taxes; no opinion is expressed as to estate or inheritance taxes, or any other taxes not levied or assessed directly on the Bonds or the interest thereon; and (iii) assuming compliance with certain covenants described herein, interest on the Bonds will be excludable from gross income for federal income tax purposes under existing statutes, regulations and decisions. As described herein under “TAX MATTERS,” under existing law, interest earned on the Bonds, for federal income tax purposes, is not included in the alternative minimum taxable income of individuals as an enumerated item of tax preference or other specific adjustment; however, interest on the Bonds will be part of adjusted financial statement income in computing the alternative minimum tax on applicable corporations. In addition, interest earned on the Bonds will be includable in the applicable tax base for the purpose of determining the branch profits tax imposed on certain foreign corporations engaged in a trade or business in the United States of America. See “TAX MATTERS.”

\$38,650,000*
CITY OF ANNAPOLIS, MARYLAND
General Obligation Bonds
Public Improvements Bonds, 2025 Series

Dated: Date of Delivery	Due: as shown on inside cover
Bond Ratings:	Fitch Ratings: AA+ Moody’s Investors Service, Inc.: Aa1 S&P Global Ratings: AA+
Optional Redemption:	The Bonds are subject to redemption as set forth herein.
Security:	The Bonds are general obligations of the City and its full faith and credit and unlimited taxing power are irrevocably pledged to the punctual payment of the principal of and interest on the Bonds when due.
Purpose:	The proceeds of the Bonds will be used to (a) finance certain capital projects of the City and (b) pay costs of issuance of the Bonds.
Interest Payment Dates:	January 1 and July 1, beginning July 1, 2026.
Closing/Settlement:	On or about November 19, 2025.
Denominations:	\$5,000 or any integral multiple thereof.
Paying Agent/Registrar:	Manufacturers and Traders Trust Company, Baltimore, MD/Buffalo, NY
Issuer Contact:	Brittany Moran, Finance Director: (410) 263-7952

FOR MATURITY SCHEDULES, INTEREST RATES, PRICES OR YIELDS AND CUSIP NUMBERS, SEE INSIDE FRONT COVER

The Bonds are offered for delivery when, as and if issued, subject to the approving opinion of McKennon Shelton & Henn LLP, Bond Counsel, and other conditions specified in the official Notice of Sale. The Bonds in definitive form will be available for delivery through the facilities of The Depository Trust Company, New York, New York on or about November 19, 2025.

This cover page contains certain information for quick reference only. It is *not* a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The date of this Official Statement is _____, 2025 and the information contained herein speaks only as of that date.

*Preliminary, subject to change.

MATURITIES, AMOUNTS, INTEREST RATES, PRICES OR YIELDS AND CUSIP NUMBERS**\$38,650,000*****General Obligation Bonds
Public Improvements Bonds, 2025 Series**

Maturing July 1*	Principal Amount*	Interest Rate**	Price or Yield**	CUSIP***	Maturing July 1*	Principal Amount*	Interest Rate**	Price or Yield**	CUSIP***
2026	\$ 975,000				2036	\$1,945,000			
2027	1,235,000				2037	2,040,000			
2028	1,305,000				2038	2,140,000			
2029	1,370,000				2039	2,250,000			
2030	1,435,000				2040	2,340,000			
2031	1,515,000				2041	2,440,000			
2032	1,590,000				2042	2,540,000			
2033	1,675,000				2043	2,645,000			
2034	1,765,000				2044	2,745,000			
2035	1,850,000				2045	2,850,000			

*Preliminary, subject to change.

**The interest rates and prices or yields shown above are the interest rates payable by the City resulting from the successful bid for the Bonds on Wednesday, November 5, 2025. The interest rates and prices or yields shown above are furnished by the successful bidder for the Bonds. Other information concerning the terms of reoffering of the Bonds, if any, should be obtained from the successful bidder for the Bonds and not from the City (see "SALE AT COMPETITIVE BIDDING" herein).

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The City has not agreed to, and there is no duty or obligation to, update this Official Statement to reflect any change or correction in the assigned CUSIP® numbers reflected herein.

**CITY OF ANNAPOLIS
OFFICIAL ROSTER OF CITY OFFICIALS**

ELECTED OFFICIALS

MAYOR

Gavin Buckley

ALDERMEN AND ALDERWOMEN

Harry Huntley
Karma O'Neill
Rhonda Pindell Charles
Sheila M. Finlayson
Brooks Schandelmeier
DaJuan Gay
Robert Savidge
Ross H. Arnett, III

APPOINTED OFFICIALS

Victoria Buckland	<i>Acting City Manager</i>
D. Michael Lyles, Esq.	<i>City Attorney</i>
Brittany Moran	<i>Finance Director</i>

BOND COUNSEL

McKennon Shelton & Henn LLP
Baltimore, Maryland

AUDITORS

UHY, LLP
Columbia, Maryland

FINANCIAL ADVISOR

Davenport & Company LLC
Towson, Maryland

PAYING AGENT AND BOND REGISTRAR

Manufacturers and Traders Trust Company
Baltimore, Maryland/Buffalo, New York

No dealer, broker, sales representative or other person has been authorized by the City or the successful bidder to give any information or to make any representations with respect to the City or the Bonds issued thereby other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

All quotations from the summaries and explanations of provisions of laws and documents herein do not purport to be complete and reference is made to such laws and documents for full and complete statements of their provisions. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of facts. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale of the Bonds shall under any circumstances create any implication that there has been no change in the affairs of the City since the respective dates as of which information is given herein. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or holders of any of the Bonds. Furthermore, this Official Statement does not contain any investment advice for purchasers or holders of any of the Bonds. Such persons should consult their own financial advisors regarding possible financial consequences of ownership of the Bonds.

No registration statement relating to the Bonds has been filed with the United States Securities and Exchange Commission (the "SEC") or with any state security agency. The Bonds have not been approved or disapproved by the SEC or any state securities agency nor has the SEC or any state securities agency passed upon the accuracy or adequacy of this Official Statement. Any representation to the contrary may be a criminal offense.

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OFFICIAL STATEMENT

\$38,650,000*

CITY OF ANNAPOLIS, MARYLAND General Obligation Bonds Public Improvements Bonds, 2025 Series

INTRODUCTION

The Issuer

The City of Annapolis, Maryland (the “City”) is located on the Chesapeake Bay at the mouth of the Severn River. The City encompasses a land area of seven and three-tenths square miles and, as of July 1, 2024, has an estimated population of 40,689. The legislative body of the City is the City Council, consisting of a Mayor as presiding officer and eight Aldermen and Alderwomen. The City provides all municipal services to its citizens except for education, health and social services, courts, detention facilities, and libraries, which are provided by Anne Arundel County, Maryland (referred to herein as “Anne Arundel County” or the “County”).

The Bonds

The purpose of this Official Statement, including the cover page and appendices, is to provide information for prospective purchasers and others who may become holders of any of the \$38,650,000* Public Improvements Bonds, 2025 Series (the “Bonds”) issued by the City.

Security for the Bonds

The Bonds are general obligations of the City, to which the full faith and credit and unlimited taxing power of the City are pledged for payment. Refer to “THE BONDS-Sources of Payment” for a more complete description of the security for the Bonds.

Use of Proceeds

The proceeds of the Bonds will be used to (1) finance certain capital projects and (2) pay costs of issuance of the Bonds.

Independent Auditors

The City’s financial statements for the fiscal year ended June 30, 2024 have been audited by the independent public accounting firm of UHY LLP and are included in Appendix A. See “INDEPENDENT AUDITORS” herein. These financial statements, along with the related Notes to Financial Statements, are intended to provide a broad overview of the financial position and results of the City’s various funds and account groups. The City’s financial statements are available for inspection at the City of Annapolis Department of Finance, 160 Duke of Gloucester Street, Annapolis, Maryland 21401.

Official Statement

This Official Statement has been approved and authorized by the City for use in connection with the sale of the Bonds. Its purpose is to supply information to prospective buyers of the Bonds. Financial and other information contained in this Official Statement have been prepared by the City from its records, except where other sources are noted. The information is not intended to indicate future or continuing trends in the financial or economic position of the City.

Additional Information

Any questions concerning the contents of this Official Statement should be directed to the following: Brittany Moran, Finance Director, City of Annapolis, Maryland, City Hall, 160 Duke of Gloucester Street, Annapolis, Maryland 21401 (410-263-7952); and Jennifer Diercksen, Davenport & Company LLC (410-296-9426).

*Preliminary, subject to change.

General

The purpose of this Official Statement, including the cover page and appendices, is to provide information for prospective purchasers and others who may become holders of the Bonds.

All estimates and assumptions herein have been based upon information believed to be reliable and correct; however, statements made involving estimates and assumptions, whether or not expressly so stated, are intended merely as such and not as representations of facts. When used in this Official Statement, the words “estimate,” “forecast,” “intend,” “expect,” and similar expressions identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Figures herein relating to tax collections, assessed value of property and the financial position of the City have been taken from official records of the City.

The material and information contained in this Official Statement have been provided by the City and the execution and distribution of this Official Statement have been authorized by the City.

THE FOREGOING INFORMATION IS QUALIFIED IN ITS
ENTIRETY BY THE DETAILED
INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT

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APPLICATION OF PROCEEDS

The proceeds of the Bonds will be used to (1) finance certain capital projects and (2) pay costs of issuance of the Bonds. The categories of capital projects to be financed with the proceeds of the Bonds include the General Fund, Parking Fund, Transportation Fund, Water Fund, Sewer Fund and the Watershed Fund.

THE BONDS

General

The Bonds will be dated the date of their delivery and will mature, subject to prior redemption, on July 1 in the years and amounts as set forth on the inside cover page of this Official Statement. The Bonds are valid and legally binding general obligations of the City to which its full faith and credit and taxing power are irrevocably pledged (see “THE BONDS – Sources of Payment” herein). Interest on the Bonds will be payable on July 1, 2026 and semiannually thereafter on January 1 and July 1 in each year until and including the date of final maturity unless redeemed prior to that date.

Authorization

The Bonds are issued pursuant to Sections 19-301 through 19-309, inclusive, of the Local Government Article of the Annotated Code of Maryland, Article VII, Section 11 of the Charter of the City of Annapolis, as amended, Ordinance No. 31-25 adopted by the City Council of the City on September 8, 2025 and approved by the Mayor of the City and effective on October 16, 2025 (collectively, the “Enabling Laws”).

Redemption

Optional Redemption

The Bonds maturing on or before July 1, 2035 are not subject to redemption prior to their stated maturities. The Bonds maturing on or after July 1, 2036 are subject to redemption prior to their maturities at the option of the City on or after July 1, 2035 either as a whole or in part at any time in any order of maturity at the option of the City, at par plus accrued interest thereon to the date fixed for redemption.

Mandatory Sinking Fund Redemption

The Bonds maturing on July 1 ____ shall be subject to mandatory sinking fund redemption prior to maturity at par plus accrued interest thereon to the date fixed for redemption, on July 1 of each of the years set forth below and in the principal amount indicated:

\$ _____ Term Bonds due July 1, _____

Year

Principal Amount

\$

*

*maturity

If only a portion of a term Bond is to be called for optional redemption, the City shall determine the sinking fund installments of such term Bond to be reduced and the amount of each such reduction in its sole discretion.

Selection of Bonds for Redemption

If less than all of the Bonds of any one maturity shall be called for redemption, the particular Bonds or portions of Bonds to be redeemed shall be selected by lot by the Bond Registrar (hereinafter defined); except that so long as DTC (hereinafter defined) or its nominee is the sole registered owner of the Bonds, the selection of individual ownership interests in the Bonds to be credited with any such partial redemption shall be made through DTC, in such manner as DTC shall determine. When less than all of a Bond in a denomination in excess of \$5,000 shall be redeemed, then, upon the surrender thereof, there shall be issued to the registered owner thereof, the Bonds in any of the authorized denominations as shall be specified by the registered owner. The aggregate amount of such Bonds shall be equal to the unredeemed balance of the principal amount of such Bond. Such Bonds in such authorized denominations shall be issued without charge.

Notice of Redemption

If the City elects to redeem all or a portion of the outstanding Bonds and the Bonds are book-entry only, the City will deliver a redemption notice to DTC not less than 20 days prior to the date fixed for redemption by a secure means in accordance with DTC's applicable operational arrangements. If the book-entry system is discontinued for the Bonds, the City shall give a redemption notice by letter mailed first class, postage prepaid, to the registered owners of the Bonds to be redeemed at their last addresses appearing on the registration books maintained by the Bond Registrar not less than 20 days prior to the redemption date. Failure to deliver or mail any such notice or any defect in such notice, or in the delivery or mailing thereof, shall not affect the validity of the redemption proceedings. From and after the date fixed for redemption, if funds sufficient for payment of the redemption price and accrued interest shall be available therefor on such date, the Bonds so designated for redemption shall cease to bear interest. Upon presentation and surrender in compliance with such notices, the Bonds so called for redemption shall be paid by the Paying Agent (hereinafter defined) at the redemption price plus accrued interest to the date fixed for redemption. If not so paid on presentation thereof, such Bonds so called shall continue to bear interest at the rates expressed therein until paid.

Form and Denominations

The Bonds will be issued in fully registered form in denominations of \$5,000 or any integral multiple thereof. The Bonds initially shall be maintained under a book-entry system. Purchasers of the Bonds shall have no right to receive physical possession of the Bonds, and payments of the principal or redemption price of and interest on the Bonds will be made as described below under "BOOK-ENTRY ONLY SYSTEM-The Depository Trust Company." The City may deem and treat the person in whose name a Bond is registered as the absolute owner thereof for the purpose of receiving payment of or on account of the principal thereof and interest thereon and for all other purposes. Manufacturers and Traders Trust Company, Baltimore, MD/Buffalo, NY will act as bond registrar and paying agent for the Bonds (the "Bond Registrar" and the "Paying Agent").

Payment and Transfer

The principal of each Bond or so much thereof as shall not have been paid upon prior redemption shall be paid upon presentation and surrender of such Bond on the date such principal is payable, or if such date is not a Business Day (hereinafter defined) then on the next succeeding Business Day, at the designated corporate trust office of the Paying Agent.

The interest payable on the Bonds will be paid semiannually on January 1 and July 1, beginning July 1, 2026, in each year to the person in whose name such Bonds are registered on the Bond Register as of the close of business on the fifteenth day of the month immediately preceding each regular interest payment date (the "Regular Record Date"). Any such interest not punctually paid or duly provided for shall forthwith cease to be payable to the registered owner on such Regular Record Date, and may be paid to the person in whose name such Bond is registered as of the close of business on a date to be fixed by the Bond Registrar for the payment of such defaulted interest (the "Special Record Date"), notice whereof being given by letter mailed first class, postage prepaid, to each registered owner not less than 10 days prior to such Special Record Date, at the address of such person appearing on the Bond Register, or may be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Bonds may be listed and upon such notice as may be required by such exchange. Interest will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the date of delivery of the Bonds.

"Business Day" means a day other than a Saturday, Sunday or day on which banking institutions under the laws of the state governing the Paying Agent are authorized or obligated by law or required by executive order to remain closed.

All payment of the principal of, redemption price and interest on the Bonds shall be in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

Bonds are transferable only upon the Bond Register kept at the designated corporate trust office of the Bond Registrar, by the registered owner in person, or by his or her attorney duly authorized in writing, upon surrender together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the registered owner or duly authorized attorney, and thereupon, within a reasonable time, the City shall issue in the name of the transferee a new registered Bond or Bonds, of any of the authorized denominations, in aggregate principal amount equal to the principal amount of the Bond surrendered or the unredeemed portion thereof, and maturing on the same date and bearing interest at the same rate. The Bond Registrar may require payment by the owner of the Bond requesting exchange or transfer of any tax or governmental charge, shipping charges and insurance that may be required to be paid with respect to such exchange or transfer, but otherwise no charge shall be made to such owner for such exchange or transfer. Such new Bond or Bonds shall be delivered to the transferee only after due authentication thereof by an authorized officer of the Bond Registrar. The City shall not be required to issue, transfer or exchange any Bond during the period beginning 15 days before any selection of Bonds to be redeemed and ending on the day of publication and mailing of the notice of redemption or to transfer or exchange any Bond called or being called for redemption in whole or in part.

Sources of Payment

Repayment of the principal of and interest on the Bonds is secured by the irrevocable pledge of the full faith and credit and unlimited taxing power of the City. In each and every fiscal year that any Bonds are outstanding, the City shall levy or cause to be levied *ad valorem* taxes upon the assessable property within the corporate limits of the City in rate and amount sufficient to provide for the payment, when due, of the principal of and interest on all such Bonds due in each such fiscal year. In the event the proceeds from the taxes so levied in any such fiscal year shall prove inadequate for such purposes, additional taxes shall be levied in the succeeding fiscal year to make up any such deficiency. The principal source of repayment for the Bonds will be from the general revenues of the City, including property taxes and income taxes.

Bondholders' Remedies

It is the opinion of Bond Counsel that the City may be sued in the event that it fails to perform its obligations under the Bonds to the holders thereof, and that any judgments resulting from such suits would be enforceable against the City. Nevertheless, a registered holder of a Bond who has obtained any such judgment may be required to seek additional relief to compel the City to assess, levy and collect such taxes as may be necessary to provide the funds from which such judgment may be paid. Although there is no Maryland law with respect to this issue, it is the opinion of Bond Counsel that the appropriate courts of Maryland have jurisdiction to grant additional relief, such as a mandatory injunction, if necessary, to enforce the levy and collection of such taxes and payment of the proceeds thereof to the holders of general obligation bonds of the City, *pari passu*, subject to the inherent constitutional limitations referred to below.

While remedies would be available to the holders of the Bonds and while the Bonds are entitled to constitutional protection against the impairment of the obligation of contracts, such constitutional protection and the enforcement of such remedies would not be absolute. Enforcement of a claim for payment of the principal of or interest on the Bonds could be made subject to the applicable provisions of federal bankruptcy law or of other statutes that hereafter may be constitutionally enacted by the United States Congress or the Maryland General Assembly extending the time for payment or imposing other constraints upon enforcement.

Ratings

Fitch Ratings, Moody's Investors Service, Inc., and S&P Global Ratings have assigned the Bonds the ratings indicated on the cover page of this Official Statement. An explanation of the significance of such ratings may be obtained from the rating agency furnishing them. The City furnished the rating agencies information contained in this Official Statement and other materials and information. Generally, the rating agencies base their ratings on such materials and information, and on their own investigations, studies and assumptions. It should be noted that such ratings may be changed at any time and that no assurance can be given that they will not be revised downward or withdrawn by any or all of the rating agencies if, in the judgment of any or all of the rating agencies, circumstances should warrant such actions. Any such downward revision or withdrawal of any of such ratings could have an adverse effect on the market price of the Bonds.

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate of the Bonds will be issued for each maturity of the Bonds in principal amount equal to the aggregate principal amount of the Bonds of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust and Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (the "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participants through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest on each Direct Participant in such Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Bond Registrar and Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name" and will be the responsibility of such Participant and not of DTC nor its nominee, the Bond Registrar and Paying Agent or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of, principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Bond Registrar and Paying Agent, and disbursement of such payments to Direct Participants will be the responsibility of DTC and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the City or the Bond Registrar and Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

Book-Entry Only System -- Miscellaneous

The information in the section "BOOK-ENTRY ONLY SYSTEM -- The Depository Trust Company" has been obtained by the City from DTC. The City takes no responsibility for the accuracy or completeness thereof. Neither the City nor the Bond Registrar and Paying Agent will have any responsibility or obligations to DTC Participants or the persons for whom they act as nominees with respect to the payments to or in the providing of notice to the Direct Participants, the Indirect Participants, or the Beneficial Owners. The City cannot and does not give any assurance that DTC Participants or others will distribute principal and interest payments paid to DTC or its nominees, as the registered owner, or any redemption or other notices to the Beneficial Owners, or that they will do so on a timely basis or that DTC will serve and act in the manner described in this Official Statement.

Neither the City nor its agents will have any responsibility or obligation to Direct or Indirect Participants or to any Beneficial Owner with respect to 1) the accuracy of any records maintained by DTC or any Direct or Indirect Participant; 2) the payment by DTC or any Direct or Indirect Participant of any amount with respect to the principal of, premium, if any, or interest on the bonds; 3) any notice which is permitted or required to be given to Beneficial Owners; 4) any consent given by DTC or other action taken by DTC as bondholder; or 5) the selection by DTC or any Direct or Indirect Participant of any Beneficial Owner to receive payment in the event of a partial redemption of Bonds.

Termination of Book-Entry Only System

In the event that the book-entry only system is discontinued, the Bonds will be delivered by DTC to the Bond Registrar and Paying Agent and such Bonds will be exchanged for Bonds registered in the names of the DTC Participants or the Beneficial Owners identified to the Bond Registrar and Paying Agent. In such event, certain provisions of the Bonds pertaining to ownership of the Bonds will be applicable to the registered owners of the Bonds as described below. The City may designate another entity as Bond Registrar and Paying Agent upon 30 days prior written notice to the registered owners of the Bonds.

The Bonds in fully certificated form will be registered Bonds without coupons in the denomination of \$5,000 each or any integral multiple thereof. Bonds will be transferable only upon the registration books kept at the principal corporate trust office of the Bond Registrar and Paying Agent, by the registered owner thereof in person, or by an attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer in the form attached thereto and satisfactory to the Bond Registrar and Paying Agent and duly executed by the registered owner or a duly authorized attorney. The City may deem and treat the person in whose name a Bond is registered as the absolute owner thereof for the purpose of receiving payment of or on account of the principal or redemption price thereof and interest due thereon and for all other purposes.

The Bonds may be transferred or exchanged at the principal corporate trust office of the Bond Registrar and Paying Agent. Upon any such transfer or exchange, the City shall execute and the Bond Registrar and Paying Agent shall authenticate and deliver a new registered Bond or Bonds without coupons of any of the authorized denominations in an aggregate principal amount equal to the principal amount of the Bond exchanged or transferred, and maturing on the same date and bearing interest

at the same rate. In each case, the Bond Registrar and Paying Agent may require payment by any holder of Bonds requesting exchange or transfer of Bonds of any tax, fee, or other governmental charge, shipping charges, and insurance that may be required to be paid with respect to such exchange or transfer, but otherwise no charge shall be made to the holder of Bonds for such exchange or transfer. The Bond Registrar and Paying Agent shall not be required to transfer or exchange any Bond after the mailing of notice calling such Bond or portion thereof for redemption as hereinabove described; provided, however, that the foregoing limitation shall not apply to that portion of a Bond in excess of \$5,000 which is not being called for redemption.

LEGAL MATTERS

Approval of Legal Proceedings

All legal matters incident to the authorization, issuance and sale of the Bonds are subject to the approval of McKennon Shelton & Henn LLP, Bond Counsel. Delivery of the Bonds is conditioned upon delivery by Bond Counsel of opinions substantially in the forms included in Appendix B of this Official Statement.

TAX MATTERS

The following is only a general summary of certain provisions of the Internal Revenue Code of 1986, as amended (the "Code") as enacted and in effect on the date hereof and does not discuss all aspects of federal income taxation that may be relevant to a particular holder of the Bonds in light of such holder's particular circumstances and income tax situations. Each holder of the Bonds should consult their own tax advisors as to specific consequences to such holder of the ownership and disposition of the Bonds, including the application of state, local, foreign and other tax laws.

Maryland Income Taxation

In the opinion of Bond Counsel, under existing law, statutes, regulations and decisions, the principal of and interest payable on the Bonds are exempt from State of Maryland and local taxes. No opinion is expressed as to estate or inheritance taxes, or any other taxes not levied or assessed directly on the Bonds or interest thereon. Interest on the Bonds may be subject to state or local income taxes in jurisdictions other than the State of Maryland under applicable state or local tax laws. Purchasers of the Bonds should consult their own tax advisors with respect to the taxable status of the Bonds in jurisdictions other than Maryland.

Federal Income Taxation

In the opinion of Bond Counsel, assuming compliance with certain covenants described herein, and under existing statutes, regulations and decisions, the interest on the Bonds will be excludable from gross income for federal income tax purposes.

Under the provisions of the Code, there are certain restrictions that must be met subsequent to the delivery of the Bonds, including restrictions that must be complied with throughout the term of the Bonds in order that the interest thereon be excludable from gross income. These include the following: (i) a requirement that certain earnings received from the investment of the proceeds of the Bonds be rebated to the United States of America under certain circumstances (or that certain payments in lieu of rebate be made); (ii) other requirements applicable to the investment of the proceeds of the Bonds; and (iii) other requirements applicable to the use of the proceeds of the Bonds and the facilities financed or refinanced with such proceeds. Failure to comply with one or more of these requirements could result in the inclusion of the interest payable on the Bonds in gross income for federal income tax purposes, effective from the date of their issuance. The City has covenanted to regulate the investment of the proceeds of the Bonds and to take such other actions as may be required to maintain the excludability from gross income for federal income tax purposes of interest on the Bonds.

Further, under existing statutes, regulations and decisions, Bond Counsel is of the opinion that interest on the Bonds is not includable in the alternative minimum taxable income of individuals as an enumerated item of tax preference or other specific adjustment. Interest on the Bonds will be part of adjusted financial statement income in computing the alternative minimum tax on applicable corporations, 15% of which is included in the computation of the corporate alternative minimum tax.

imposed on applicable corporations. For this purpose, in general, applicable corporations are corporations with more than \$1.0 billion in average annual adjusted financial statement income determined over a 3-year period. In addition, interest income on the Bonds will be includable in the applicable tax base for the purpose of determining the branch profits tax imposed by the Code on certain foreign corporations engaged in a trade or business in the United States of America.

In rendering its opinion with respect to the Bonds, Bond Counsel will rely without investigation on certifications provided by the City with respect to certain material facts within the knowledge of the City relevant to the tax-exempt status of interest on the Bonds.

Certain Other Federal Tax Consequences

There are other federal tax consequences of ownership of obligations such as the Bonds under certain circumstances, including the following: (i) deductions are disallowed for certain expenses of taxpayers allocable to interest on tax-exempt obligations, as well as interest on indebtedness incurred or continued to purchase or carry tax-exempt obligations and interest expense of financial institutions allocable to tax-exempt interest; (ii) for property and casualty insurance companies, the amount of the deduction for losses incurred must be reduced by 25% of the sum of tax-exempt interest received or accrued and the deductible portion of dividends received by such companies; (iii) interest income that is exempt from tax must be taken into account for the purpose of determining whether, and what amount of, social security or railroad retirement benefits are includable in gross income for federal income taxation purposes; (iv) for S corporations having Subchapter C earnings and profits, the receipt of certain levels of passive investment income, which includes interest on tax-exempt obligations such as the Bonds, can result in the imposition of tax on such passive investment income and, in some cases, loss of S corporation status; (v) net gain realized upon the sale or other disposition of the Bonds must be taken into account when computing the 3.8% Medicare tax with respect to net investment income or undistributed net investment income, as applicable, imposed on certain high income individuals and specified trusts and estates; and (vi) receipt of certain investment income, including interest on the Bonds, is considered when determining qualification limits for obtaining the earned income credit provided by Section 32(a) of the Code.

Purchase, Sale and Retirement of the Bonds

Except as noted below in the case of market discount, the sale or other disposition of a Bond will normally result in capital gain or loss to its holder. A holder's initial tax basis in a Bond will be its cost. Upon the disposition of a Bond (including sale, early redemption, purchase or payment at maturity), for federal income tax purposes, a holder will recognize capital gain or loss upon the disposition of such security in an amount equal to the difference between (a) the amount received upon such disposition and (b) the tax basis in such Bond, determined by adding to the original cost basis in such Bond the amount of original issue discount that is treated as having accrued as described below under "Tax Accounting Treatment of Discount Bonds." Such gain or loss will be a long-term capital gain or loss if at the time of the sale or retirement the Bond has been held for more than one year. Present law taxes both long and short-term capital gains of corporations at the rates applicable to ordinary income. For non-corporate taxpayers, however, net short-term capital gains are taxed at the rates applicable to ordinary income, while net capital gains are taxed at lower rates. Net capital gains are the excess of net long-term capital gains (gains on capital assets held for more than one year) over net short-term capital losses.

Market Discount

If a holder acquires a Bond after its original issuance at a discount below its principal amount (or in the case of a Bond issued at an original issue discount, at a price that produces a yield to maturity higher than the yield to maturity at which such bond was first issued), the holder will be deemed to have acquired the Bond at "market discount," unless the amount of market discount is *de minimis*, as described in the following paragraph. If a holder that acquires a Bond with market discount subsequently realizes a gain upon the disposition of the Bond, such gain shall be treated as taxable interest income to the extent such gain does not exceed the accrued market discount attributable to the period during which the holder held such Bond, and any gain realized in excess of such market discount will be treated as capital gain. Potential purchasers should consult their tax advisors as to the proper method of accruing market discount.

In the case of a Bond not issued at an original issue discount, market discount will be *de minimis* if the excess of the Bond's stated redemption price at maturity over the holder's cost of acquiring the Bond is less than 0.25% of the stated redemption price at maturity multiplied by the number of complete years between the date the holder acquires

the Bond and its stated maturity date. In the case of a Bond issued with original issue discount, market discount will be *de minimis* if the excess of the Bond's revised issue price over the holder's cost of acquiring the Bond is less than 0.25% of the revised issue price multiplied by the number of complete years between the date the holder acquires the Bond and its stated maturity date. For this purpose, a Bond's "revised issue price" is the sum of (i) its original issue price and (ii) the aggregate amount of original issue discount that is treated as having accrued with respect to the Bond during the period between its original issue date and the date of acquisition by the holder.

Amortizable Bond Premium

A Bond will be considered to have been purchased at a premium if, and to the extent that, the holder's tax basis in the Bond exceeds the amount payable at maturity (or, in the case of a Bond callable prior to maturity, the amount payable on the earlier call date). Under tax regulations applicable to the Bonds, the amount of the premium would be determined with reference to the amount payable on that call date (including for this purpose the maturity date) which produces the lowest yield to maturity on the Bonds. The holder will be required to reduce his tax basis in the Bond for purposes of determining gain or loss upon disposition of the Bond by the amount of amortizable bond premium that accrues, determined in the manner prescribed in the regulations. Generally, no deduction (or other tax benefit) is allocable in respect of any amount of amortizable bond premium on the Bonds.

Tax Accounting Treatment of Discount Bonds

Certain maturities of the Bonds may be issued at an initial public offering price that is less than the amount payable on such Bonds at maturity (the "Discount Bonds"). The difference between the initial offering price (including accrued interest) at which a substantial amount of the Discount Bonds of each maturity was sold and the principal amount of such Discount Bonds payable at maturity constitutes original issue discount. In the case of any holder of Discount Bonds, the amount of such original issue discount which is treated as having accrued with respect to such Discount Bonds is added to the original cost basis of the holder in determining, for federal income tax purposes, gain or loss upon disposition (including sale, early redemption or repayment at maturity).

For federal income tax purposes (a) any holder of a Discount Bond will recognize gain or loss upon the disposition of such security (including sale, early redemption or payment at maturity) in an amount equal to the difference between (i) the amount received upon such disposition and (ii) the sum of (1) the holder's original cost basis in such Discount Bond, and (2) the amount of original issue discount attributable to the period during which the holder held such Discount Bond; and (b) the amount of the basis adjustment described in clause (a)(ii)(2) will not be included in the gross income of the holder.

Original issue discount on Discount Bonds will be attributed to permissible compounding periods during the life of any Discount Bonds in accordance with a constant rate of interest accrual method. The yield to maturity of the Discount Bonds of each maturity is determined using permissible compounding periods. In general, the length of a permissible compounding period cannot exceed the length of the interval between debt service payments on the Discount Bonds and must begin or end on the date of such payments. Such yield then is used to determine an amount of accrued interest for each permissible compounding period. For this purpose, interest is treated as compounding periodically at the end of each applicable compounding period. The amount of original issue discount which is treated as having accrued in respect of a Discount Bond for any particular compounding period is equal to the excess of (a) the product of the yield for the Discount Bond (adjusted as necessary for an initial short period) divided by the number of compounding periods in a year multiplied by the amount that would be the tax basis of such Discount Bond at the beginning of such period if held by an original purchaser who purchased at the initial public offering price, over (b) the amount actually payable as interest on such Discount Bond during such period. For purposes of the preceding sentence the tax basis of a Discount Bond, if held by an original purchaser, can be determined by adding to the initial public offering price of such Discount Bond the original issue discount that is treated as having accrued during all prior compounding periods. If a Discount Bond is sold or otherwise disposed of between compounding dates, then interest that would have accrued for that compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Holders of Discount Bonds should note that, under the tax regulations, the yield and maturity of a Discount Bond is determined without regard to commercially reasonable sinking fund payments, and any original issue discount remaining unaccrued at the time that a Discount Bond is redeemed in advance of stated maturity will be treated as taxable gain. Moreover, tax regulations prescribe special conventions for determining the yield and maturity of certain debt instruments that provide for alternative payment schedules applicable upon the occurrence of certain contingencies.

The prices or yields furnished by the successful bidder for the Bonds as shown on the inside cover of this Official Statement may not reflect the initial issue prices for the purposes of determining the original issues discount for federal income tax purposes.

The foregoing summarizes certain federal income tax consequences of original issue discount with respect to the Discount Bonds but does not purport to deal with all aspects of federal income taxation that may be relevant to particular investors or circumstances, including those set out above. Prospective purchasers of the Discount Bonds should consider possible state and local income, excise or franchise tax consequences arising from original issue discount on Discount Bonds. In addition, prospective corporate purchasers should consider possible federal tax consequences arising from original issue discount on such Discount Bonds under the alternative minimum tax or the branch profits tax. The amount of original issue discount considered to have accrued may be reportable in the year of accrual for state and local tax purposes or for purposes of the alternative minimum tax or the branch profits tax without a corresponding receipt of cash with which to pay any tax liability attributable to such discount.

Purchasers with questions concerning the detailed tax consequences of transactions in the Discount Bonds should consult their tax advisors.

U.S. Federal Backup Withholding and Information Reporting

In general, information reporting requirements apply with respect to payments to certain non-corporate United States holders of interest and original issue discount on, and payments to such holder of the proceeds of the sale, exchange, redemption, retirement or other disposition of a Bond. If a United States holder of a Bond (other than a corporation or other specified exempt entity) fails to satisfy applicable information reporting requirements imposed by the Code, payments to such holder will be subject to “backup withholding”, which means that the payor is required to deduct and withhold a tax equal to 24% of the payments. In general, the information reporting requirements (where applicable) are satisfied if the holder completes, and provides the payor with, a Form W-9, “Request for Taxpayer Identification Number and Certification.” Backup withholding should not occur if a holder purchases a Bond through a brokerage account with respect to which a Form W-9 has been provided, as generally can be expected. Any amounts withheld pursuant to backup withholding would be subject to recovery by the holder through proper refund or credit.

Legislative Developments

Legislative proposals currently under consideration or proposed after issuance and delivery of the Bonds could adversely affect the market value of the Bonds. Further, if enacted into law, any such legislation could cause the interest on the Bonds to be subject, directly or indirectly, to federal income taxation and could otherwise alter or amend one or more of the provisions of federal tax law described above or their consequences. Prospective purchasers of the Bonds should consult with their tax advisors as to the status and potential effect of any pending or future legislative proposals, as to which Bond Counsel expresses no opinion.

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CITY OF ANNAPOLIS

The City

Annapolis is a municipal body corporate and politic of the State of Maryland (the “State”), possessing substantial home rule powers under the State constitution. First settled in 1649 by Puritans fleeing Virginia, the City was chartered in 1708 and served as the capital of the United States when the Congress met there in 1783-84. The City acquired home rule in 1954 and serves both as the capital of the State and as the county seat for Anne Arundel County. Annapolis is situated on the western shore of the Chesapeake Bay, at the mouth of the Severn River, east of and midway between Baltimore and Washington, D.C.

The City has been the home of St. John’s College (founded as King William’s School) since 1696 and the United States Naval Academy since 1845.

The City covers an area of seven and three-tenths square miles. Population in 1950 was 10,047, but growth as well as annexation caused that figure to double by 1960 and more than triple by 1980. According to the 2024 Census, the population estimate is 40,689, exclusive of the Naval Academy student population of approximately 4,465 (see “SELECTED DEMOGRAPHIC AND ECONOMIC FACTORS—Population” herein). The Naval Academy constitutes a Federal enclave within the City, but is not within the corporate limits of Annapolis.

The appearance of the City is dominated by the handsome buildings of the Naval Academy and the historic State House of Maryland. In addition, there are a number of contemporary State and County office buildings that have been designed in keeping with the prevailing Georgian architecture of the community. Because of the number of residential structures of significant historic and architectural value for which Annapolis is famous, private and public groups have joined together to retain or to recapture the historic atmosphere of the community in keeping with modern urban requirements. An application to the Department of Interior to enlarge the then existing Historic District as designated on the National Register of Historic Places was approved in 1984.

Annapolis is served by three major highways, U.S. Routes 50/301, Maryland Route 2 and Interstate 97, which connect with the Chesapeake Bay Bridge, immediately northeast of the City. The District of Columbia is 27 miles to the west and the City of Baltimore is 27 miles to the north. Transportation with both metropolitan areas has been substantially enhanced with the completion of Interstate 97 and the upgrade of U.S. Routes 50/301.

The City is governed by a Mayor and a City Council (see “CITY GOVERNMENT, ADMINISTRATION AND PERSONNEL” herein). The City is authorized to issue debt, subject to certain indebtedness limitations, for the purpose of financing its capital projects and to incur certain other indebtedness (see “CITY INDEBTEDNESS” herein).

The executive offices of the City are located at the City Hall Building, 160 Duke of Gloucester Street, Annapolis, Maryland 21401. The City’s central telephone number is (410) 263-7997. The City’s e-mail address is info@annapolis.gov and its web page is at www.annapolis.gov.

All references in this Official Statement to the City’s Internet home page are provided for convenience only. The information on the City’s Internet home page is not incorporated herein, by reference or otherwise.

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CITY GOVERNMENT, ADMINISTRATION AND PERSONNEL

General

The legislative body of the City is the City Council, comprising the Mayor as the presiding officer and eight Aldermen and Alderwomen. One Alderperson is elected from each of the eight wards into which the City is divided and must be a resident of the ward. The Mayor is elected at large. The Aldermen, Alderwomen, and the Mayor each serve a four-year term, commencing in December of the year following the presidential election. The City Council has seven standing legislative committees: Economic Matters, Finance, Public Safety, Rules and City Government, Environmental Matters, Transportation, and Housing and Human Welfare. The Mayor and each Alderperson has one vote. A simple majority of the quorum is sufficient to pass legislation.

The City has independent jurisdiction over streets, street lighting, sidewalks, storm drains, refuse collection and disposal, police, parks, harbor, off-street parking, public transportation, fire suppression and emergency services, planning and zoning, water production and distribution, and sewage collection. Schools are provided by the Board of Education of Anne Arundel County. Public health, services for the aging, and social services are provided by Anne Arundel County in partnership with the State of Maryland.

Under the Charter, the Mayor is the chief executive. The mayoralty is a full-time office. The Mayor is responsible for the supervision of the financial administration and the preparation of the annual operating and capital budgets. The Finance Committee reviews the administration's budget and submits recommendations to the City Council, who provides final approval and adoption of the operating and capital budgets.

Mayor, Aldermen and Alderwomen of the City

Gavin Buckley, Mayor, was elected to his first, four-year term in November 2017 and re-elected in November 2021. Raised in Perth, Australia, Mr. Buckley arrived in Annapolis by sailboat in 1992. The following year, he opened Annapolis' first coffee shop, "The Moon." After seeing potential on West Street, a part of town just outside the historic district, he went on to open his first restaurant there in 2000. By 2006, he had opened three additional restaurants in the same area, as well as two more in Anne Arundel County. In his private business ventures, Mr. Buckley worked to build partnerships with other business owners and community groups to initiate a number of successful, recurring events, including, "Dining Under the Stars," the "Annapolis Fringe Festival," and "First Sunday Arts Festival." These efforts led to a gradual revitalization of West Street, now known as the Annapolis Arts District -- a thriving hub for new businesses, arts, and community events. In 2017, Mr. Buckley ran for Mayor of Annapolis on a platform of preserving the historic character of the City while developing innovative ideas to support economic vitality and community engagement. As Mayor, his first role as an elected official, he has embraced bold ideas and worked to leverage partnerships across all levels of government, business, and community sectors to secure investment in the City and drive major investment and revitalization across all wards of the City. These include new parks and trail connections, sustainable transit options, a new downtown parking garage built under a P3 partnership, a more transparent development process, strong community policing, and greater focus on the needs of the local community. Mr. Buckley's signature project, the City Dock Resilience Project, which will transform a waterside parking lot into a vibrant community park while delivering urgently needed flood protection, will break ground in 2025.

Harry Huntley, Ward One Alderman, was appointed to the council in September 2024 to complete the term of retiring Alderwoman Eleanor Tierney. Growing up in Baltimore, Mr. Huntley had a love of agriculture from his first childhood visit to the 32nd Street Farmers' Market, which his dad managed. His degrees in agricultural science and economics from the University of Maryland give him a unique perspective on how to make philosophical environmental policy work within the gritty realities of farming. His professional experiences have varied from a small urban farm to the US Senate Agriculture Committee. Now at the Environmental Policy Innovation Center, Mr. Huntley combines his on the ground expertise and diverse connections to create policy solutions that dramatically increase the speed and scale of nutrient pollution reductions in the Chesapeake and Mississippi watersheds while supporting farm families. Prior to joining the city council, he served as the treasurer and ward one representative on the Annapolis Democratic Central Committee.

Karma O'Neill, Ward Two Alderwoman, was elected to her first term on the City Council in November 2021. Ms. O'Neill has been a City resident since 1995 and a business owner since 2009. She has served on numerous boards including Germantown Elementary PTA, Anne Arundel County Public Schools Citizen Advisory Council, Maryland Seafood Festival as well as serving as the Hospice Cup Regatta Executive Director for 13 years. Her focus has been on school related issues and community involvement. She currently serves on the City's Finance Committee, Public Safety Committee, and is Chair of the Transportation Committee.

Rhonda Pindell Charles, Ward Three Alderwoman, was elected to her third term on the Annapolis City Council in November 2021. Since 2006, Ms. Pindell Charles has been a School and Community Outreach Specialist for Anne Arundel County Public Schools. She is retired from her position as an Assistant State's Attorney in Baltimore City where she served as a supervising attorney and speechwriter. She is a graduate of Morgan State University and earned her J.D. from the University of Maryland School of Law. She has served on numerous boards and continues to serve in various capacities at her family's home church, including church school teacher and treasurer at Mount Olive A.M.E. Church.

Sheila M. Finlayson, Ward Four Alderwoman, was elected to her fifth term on the Annapolis City Council in November 2021. Ms. Finlayson retired from a 33-year career in education in 2007. She is a past President of the Teachers Association of Anne Arundel County and served six years as the East Regional Director for the National Council of Urban Education Associations. Ms. Finlayson has been a consultant to the Maryland State Board of Education and the National Policy Forum, and she has served on boards and presented at numerous conferences and conventions at the local, state and national level. She is a graduate of Morgan State University (B.S.), and the University of Wisconsin at Milwaukee (M.S.).

Brooks Schandelmeier, Ward Five Alderman, was appointed to the Annapolis City Council in September of 2020 to fill a vacant seat and elected by voters in November 2021. He works for the American Hospital Association in Health Care Policy and also worked in the Maryland General Assembly's Environment and Transportation Committee. He graduated from St. Mary's College of Maryland with a Bachelor in Political Science. He's been a part of County Executive Stuart Pittman's Transition Team and a member of the Forest Drive Sector Study Task Force. He is a former bartender and proud of his service industry roots.

DaJuan Gay, Ward Six Alderman, was first elected in 2019 to fill the remaining two years of an open City Council seat and re-elected to a full term in November 2021. While Mr. Gay started his Bachelor's in Criminal Justice at the University of Maryland Eastern Shore, he left during his junior year to run for city council although he plans to return and complete his credits in the year ahead. He has been very active in his community, serving as president of the Anne Arundel County Youth NAACP and in various leadership roles. He has called Annapolis home since the sixth grade. Mr. Gay is the youngest elected alderman in Annapolis City history.

Rob Savidge, Ward Seven Alderman, was elected to his second term in November 2021. Mr. Savidge's professional career began with the Chesapeake Bay Program. He later worked in private consulting as an Environmental Scientist, Ecological Restoration Scientist, and Sustainability Specialist before starting a career in local government. Mr. Savidge was the Environmental Compliance Inspector for the City of Annapolis. He currently works for Anne Arundel County as a Project Manager for stormwater management projects, including managing a multi-million dollar budget. Mr. Savidge earned a degree in Environmental Studies from Washington College. He has lived in Annapolis since 2001.

Ross H. Arnett, III, Ward Eight Alderman, was elected to his fourth term on the Annapolis City Council in November 2021. Mr. Arnett is a retired senior executive with 32 years of public service with the U.S. Department of Health and Human Services. A professional economist and nationally known expert on health care and health insurance, Mr. Arnett managed a staff of 65 and a budget in excess of \$50 million annually. Involved in his community, he has served on local boards including the Eastport Civic Association.

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City Staff

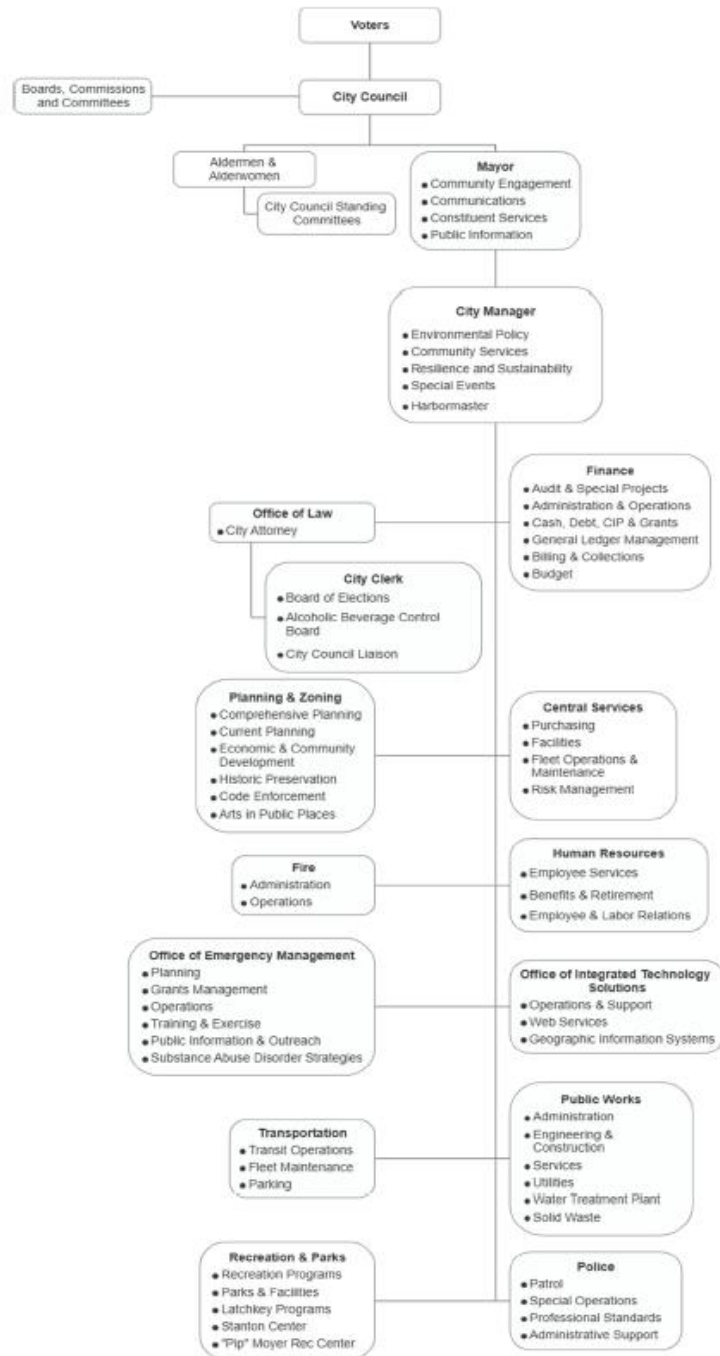
Victoria Buckland, Acting City Manager, joined the City as the Assistant City Manager on April 13, 2023. Since May 5, 2025, she has also served as the Acting City Manager overseeing the day to day operations of all City Departments except the Office of Law. Ms. Buckland has a varied background and brings a variety of perspectives and experiences to the City. From 1990 to 2000, she worked as an electronics engineer at NASA-Goddard Space Flight Center. From 2000-2006, she was co-owner of a consulting business providing grant writing services to communities in western Nebraska. From 2007-2023, she worked for Montgomery County, Maryland in both the County Executive's Office and then in the Department of Health and Human Services, with her final six years as their Chief Operating Officer overseeing a \$400 million budget, 2,000 employees, and more than 800 contracts. She earned a Bachelor of Science in Electrical Engineering degree from the University of Nebraska-Lincoln and a Master of Public Management from the University of Maryland-College Park.

D. Michael Lyles, Esquire, City Attorney, was confirmed as City Attorney on December 9, 2019. As City Attorney, Mr. Lyles is the chief legal officer for the City, primarily overseeing an office dedicated to providing legal advice and counsel and legislative support to the Mayor, City Council, as well as City agencies and; representing the City in a wide array of litigation to protect or advance the City's interests. Mr. Lyles is a well-respected and zealous trial attorney with broad and deep federal, local government and private practice legal experience and executive leadership acumen in business law, commercial real estate, employment law, construction litigation, insurance defense and government contracts. From 2001 to 2006, he served as a Senior Associate County Attorney for Prince George's County, defending the county in complex civil lawsuits in state and federal court before leaving to represent the U.S. Department of Defense as a Trial Attorney in Security Clearance Appeals. He earned a Bachelor's of Business Administration degree in Finance from the University of the District of Columbia and earned his Juris Doctorate from the Catholic University of America's Columbus School of Law in Washington, D.C. Lyles is licensed to practice in all Maryland Courts and the Courts of the District of Columbia as well as the United States Supreme Court. He has served as an Adjunct Professor with the Catholic University of America's Columbus School of Law where he taught Civil Rights and the University of Maryland Global Campus where he taught Employment Law.

Brittany Moran, CPA, Finance Director, joined the City in March 2025. Ms. Moran has over 13 years of experience in federal, county and municipal government accounting and auditing. Prior to joining the City, she was the Town Treasurer for the Town of Chesapeake Beach, Maryland, managing all public funds and leading the financial strategy and operations of the Town. Additionally, her foundational experience includes serving as the Budget Analyst for Queen Anne's County, Maryland and a Financial Statement Auditor for the U.S. Department of Labor, Office of the Inspector General. Prior to serving in this public capacity, she worked as an Auditor for a public accounting firm, McGladrey, LLP, in Baltimore, Maryland with a focus on Non-For-Profit businesses and local private schools. She holds a Bachelor of Science in Accounting from Salisbury University.

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City of Annapolis, Maryland Organizational Chart Fiscal Year 2026



CERTAIN SERVICES AND RESPONSIBILITIES

Through its various departments and offices (see “CITY GOVERNMENT, ADMINISTRATION AND PERSONNEL”), the City supplies the following services:

Police and Fire

The Annapolis Police Department, comprising 125 sworn officers, 38 civil service employees, one exempt service manager, and 21 contractual positions, is charged with the responsibility for the preservation of law and order and the protection of life and property. The Police Department provides a full range of police services, including uniformed patrol of the community, enforcement of criminal and motor vehicle laws and City ordinances, and 24-hour emergency services.

The Annapolis Fire Department delivers emergency medical services, fire suppression, fire code enforcement, fire prevention, fire investigation, bomb squad, hazardous materials, rescue and marine operations coverage to City residents and neighboring areas through mutual aid agreements. These services are provided by 137 firefighting/paramedic personnel and seven supporting civilians, who are assigned to three Annapolis Fire Stations and share the Anne Arundel County Station 8 on the Annapolis Neck peninsula.

Emergency Management

The Office of Emergency Management provides vision, direction, and subject matter expertise to coordinate the City’s emergency preparedness, response, recovery, and mitigation efforts.

Recreation and Parks

The City of Annapolis’ Department of Recreation and Parks is delivering vibrant, forward-thinking programs and unforgettable experiences that inspire every corner of our community. From interactive, inclusive events to dynamic leisure activities and hands-on environmental education, The City is raising the bar for what it means to live well. It’s all about boosting physical, mental, and social well-being while making Annapolis a place where quality of life truly shines.

The Department of Recreation and Parks proudly manages top-notch facilities including the Roger “Pip” Moyer Recreation Center and the Kenneth R Dunn Municipal Pool. The next major renovation is the Stanton Community Center. The department also cares for 42 beautifully maintained parks across the City—green spaces where the views of the water invoke relaxation. These parks include the 70-acre Truxtun Park, the scenic 40-acre Waterworks Park, the serene Ellen O. Moyer Nature Park at Back Creek, historic Carr’s Beach Park, Gateway Park, and 18 vibrant street-end parks woven into our neighborhoods.

Planning and Zoning

Under Maryland law, the City has a Planning Commission. The Planning and Zoning Director supervises the implementation of programs and policies of the Planning Commission and serves as administrative head of the Planning and Zoning Department. The Planning and Zoning Director is responsible for all land use, environmental, and transportation planning; economic development; housing and community development; and the related permitting and inspections. The City Council adopted Annapolis Ahead 2040 as its Comprehensive Plan in July 2024.

Public Transportation and Off-Street Parking

The Department of Transportation of the City was created in 1981. The department is responsible for operating the public transportation services that include fixed route and ADA complementary paratransit services, regulating taxicabs, and the management of all city parking garages, lots and on-street parking.

The City owns four parking garages and two parking lots and manages approximately 4,000 on-street parking spaces. Effective March 1, 2016, the City contracted with SP+ Corporation, a nationally-positioned firm, to provide professional parking and ground transportation services. The parking services include enforcement of on-street parking, management of City-owned

parking garages, and residential parking programs. The ground transportation service consists of a shuttle service (commonly known as the Circulator bus system) to move individuals from the City's parking garages around the Central Business District, allowing the public to enjoy the shops, the historic charm, the maritime attractions, the arts, theatre, and more.

Additionally, SP+ Corporation has been charged with improving parking operations, developing a long-term parking assessment, and evaluating ways to improve net revenues. The public transportation services are funded through direct and indirect revenues. The direct revenues include transit fares and advertising revenues. Indirect revenues include federal and State operating and capital grants and local funds from the City's Parking Fund and Anne Arundel County government.

In September 2022, the City signed a concession agreement with Maryland Economic Development Corporation ("MEDCO") in order to facilitate a public private partnership to demolish and replace the Hillman Garage, improve the City Dock area to make it resilient to increased flooding caused by climate change, operate the replacement parking garage, and manage and enforce the parking spaces in the downtown Annapolis area.

MEDCO issued its tax-exempt bonds for the benefit of the City to fund the garage project and provide a concession payment to the City for City Dock planning and construction. MEDCO also issued its subordinate debt to provide funding for debt service reserves, mobility services during garage construction, and an additional concession payment for City Dock. The City refinanced the subordinate debt with its own bonds in December 2022. Pursuant to the MEDCO financing, revenues from the new garage and the surrounding parking areas are applied to debt service on the senior bonds, maintenance of senior debt reserves, operations and maintenance for the new garage and parking areas, and lastly, to the City of Annapolis' Parking Fund. See "CITY AND OTHER INDEBTEDNESS – Hillman Garage Public-Private Partnership." MEDCO and the private partner AMRP hired Premium Parking to manage the new Hillman Garage and downtown parking.

Water Supply and Sewerage

The City operates its own water production facility and distribution system. Customers are billed according to metered rates. The City and Anne Arundel County share the cost for treatment of waste at a jointly-owned facility that is operated by the County. The collection system within the City is maintained by the City. The City charges for wastewater services at a rate based on a customer's water usage. The City has over 13,000 water and wastewater accounts.

Watershed Restoration

The City's Watershed Restoration Fund accumulates the Watershed Restoration Fee collected from all City utility customers and, through its watershed and restoration and stormwater management programs, ensures compliance with federal, state, and local regulations.

Roadways

There are approximately 99 lineal miles of roadway in the City, of which approximately six lineal miles are State-owned, three lineal miles are County-owned, one lineal mile is privately owned, and 89 miles are City-owned. The City Public Works Department maintains all City-owned streets, which includes sweeping streets, emptying street-side refuse and recycling receptacles, repairing potholes, resurfacing small areas of pavement, repairing sidewalks and curbs, and cleaning storm drain inlets.

Refuse Collection and Disposal

The City provides refuse collection and recycling services to residential properties within Annapolis. At the beginning of fiscal year 2013, the City contracted out the collection of residential refuse, recycling, and yard waste. In July 2019, a new contractor, MBG Enterprises, took over the contract for the weekly residential collection for over 8,500 single family residences.

Dock and Harbor Facilities

The City maintains a dock in the downtown commercial section and oversees the waterways. Tour boats, watermen, and transient leisure vessels use the creeks and facilities and are subject to usage fees to cover services provided by the City.

Pension and Retirement System

Generally, all regular City employees, except uniformed police and fire personnel, participate in the Employees Retirement and Pension Systems (“Pension System”), a cost sharing multiple-employer defined benefit plan sponsored and administered by the State Retirement and Pension System on Maryland. For employees who became members of the Pension System on or before June 30, 2011, retirement/pension allowances are computed using the three highest years Average Final Compensation and the actual number of years of accumulated credible service. For employees who became members of the Pension System on or after July 1, 2011, pension allowances are computed using the highest five years Average Final Compensation and the actual number of years of accumulated creditable service.

Members of the Pension System are required to contribute 7% annually . 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 to the Pension System is actuarially determined as an amount that, when combined with employee contributions of 7% of payroll, is expected to finance the costs of benefits earned by employees during the year, and includes an additional amount to finance any unfunded accrued liability. The City paid its annual determined contribution (“ADC”) of \$2,951,565 during the year ended June 30, 2025.

Police and fire personnel participate in a separate single-employer defined benefit plan (the “Police & Fire System”). The plan provides retirement, disability, and death benefits to its members and beneficiaries. The Police & Fire System has four sub-plans: Old Plan, Old Plan Revised, New Plan, and New Plan Revised.

All current active members participate in the New Plan Revised. Normal retirement date for participants is the completion of 20 years of active service. Participants in the original plan are required to contribute 3% of their annual salary, and the revised plan participants are required to contribute 8% of their annual salary. The City funds the remaining cost of the plan through employer contributions.

For the fiscal year ended June 30, 2024, the City had an ADC of \$8,183,660 for the Police & Fire System. The City made a contribution of \$8,965,312, and as a result, the City had a net pension liability of \$52,210,021 as of June 30, 2024. As of June 30, 2024, the plan fiduciary net position was \$214,236,722, and the actuarial accrued liability was \$266,446,743, providing for a funded ratio of 80.4%. The actuarial value of assets is calculated by spreading the market value investment gains or losses that differ from the assumed rate of return of 7.25% over a three-year period. For fiscal year ended June 30, 2025, the City’s ADC was \$8,550,006 or 34.82% as a percent of covered payroll.

See note (7) to the Basic Financial Statements in Appendix A for additional information on pension plans.

The following table sets forth the City’s contributions for the two retirement and pension systems for the five most recent fiscal years ended June 30 :

Fiscal Year	Pension System (1)	Police & Fire System (2)
2025(3)	\$2,951,565	\$8,550,006
2024	2,703,809	8,152,312
2023	2,415,768	8,299,373
2022	2,185,333	7,109,736
2021	1,994,681	6,352,698

(1) State administered system as described above.

(2) Single-employer plan administered by City as described above.

(3) Unaudited.

Accounting for Annual Vacation and Disability Leave

The liability for annual vacation leave earned but not taken by City employees, which is limited to a maximum accumulation of 30 days per employee in the civil service and 60 days maximum per employee in the exempt service, was \$3,179,775 for fiscal year 2024 and \$3,189,428 for fiscal year 2023. This amount has been reflected in the City’s financial statements. Annual disability leave is paid as a normal wage and salary benefit and is recorded when taken. Accumulation of disability leave is unlimited; however, there is no lump sum payment when an employee leaves City service.

Labor Relations

As of July 1, 2024, the City's budget authorized 576 employment positions (653 total less 39 contract and council members). All employees are in a civil service system except the Mayor, City Manager, Department Directors, members of the Mayor's staff, and other management and professional positions as listed in the City Code who are in the exempt service. The majority of City employees are represented collectively as follows:

1. Local 1926, International Association of Firefighters, AFL-CIO (Annapolis Professional Firefighters) – 128 positions;
2. United Food and Commercial Workers Union, Local (Police) – 113 positions;
3. Annapolis Trades, Maintenance and Labor Force Employees, Local 3406, Maryland Public Employees Council 108, American Federation of State, County and Municipal Employees, AFL-CIO – 113 positions; and
4. Annapolis Clerical and Technical Employees, Local 3162, Maryland Public Employees Council 43, American Federation of State, County and Municipal Employees, AFL-CIO – 41 positions.

The City engaged in collective bargaining with all of its unions and have agreed on terms set forth in the respective Collective Bargaining Agreements for the contract period beginning July 1, 2024 and expiring June 30, 2026.

Other Post-Employment Benefits ("OPEB")

The City provides a post-employment health insurance program in addition to pension benefits. These post-employment benefits are subject to change at any time. All employees who retire from the City may participate in the program based on their eligibility. In order to be eligible, the retiree must meet normal service retirement criteria and have been enrolled in a medical, vision, or prescription drug insurance plan offered to active employees of the City immediately preceding retirement. The City will pay 80% of the retiree's health insurance premium based upon these criteria.

The City has funded these benefits on a pay-go basis since the inception date of July 1, 2002. Starting with fiscal year 2009, the City was required to account for these benefits on an actuarial basis. For the fiscal year ended June 30, 2024, the City had an ADC of \$2,096,000 for OPEB. The City made OPEB contributions of \$2,277,000, and as a result, the City had a net OPEB liability of \$20,008,443 as of June 30, 2024. As of June 30, 2024, the plan's net position was \$13,466,164 and the actuarial accrued liability was \$33,474,607, providing for a funded ratio of 40.2%. In the fiscal year ending June 30, 2025, the City contributed an additional \$1,727,186 to the trust and has allocated an additional \$475,000 from its General Fund.

In fiscal year 2014, the City entered into a collective bargaining agreement with its Unions. This agreement provides for the City to pay 2% of total annual payroll for police and fire personnel into an OPEB Trust while police and fire employees hired after January 1, 2014, will also contribute 1% of their gross base pay into the OPEB Trust. Police and fire employees hired on or after January 1, 2014, have a one-time option to irrevocably waive participation in the OPEB Trust and future eligibility for retiree healthcare and participate in a city-wide Voluntary Employee Benefit Association ("VEBA") plan instead. Contributions made to a VEBA are employee-specific and portable by the employee.

Employees hired on or after July 1, 2014, who are not police and fire employees do not have the option to participate in the OPEB Trust, but they may participate in the City's VEBA plan as a means to fund their future retiree healthcare benefits. The VEBA plan is funded through 1% employee contributions and 2% employer contributions for non-police and fire employees hired after January 1, 2014, or 3% employer contributions for non-police and fire employees hired before January 1, 2014. Each calendar year-end, at the election of the participant, the City will also contribute into the participant's VEBA account an amount equal to unused employee annual leave that cannot be carried forward.

Basis of Accounting

The accounting policies of the City conform to generally accepted accounting principles as applicable to governmental units. The modified accrual basis of accounting is followed by the General Fund and the other governmental funds. The accrual basis is employed in the proprietary funds. The fiduciary fund follows a basis of accounting that does not materially differ from the accrual basis. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available.

Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Licenses and permits, charges for non-enterprise services, fines and forfeits 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. Expenditures are recorded when the liability is incurred, if measurable, except for debt service which is recognized when due.

Budget

By the second Monday in April, the Mayor submits to the City Council a proposed operating and capital budget and program for the fiscal year commencing on the following first day of July. The budget includes proposed expenditures and the revenues supporting those expenditures. Upon introduction, the operating and capital budgets must be referred to the Finance Committee and the Financial Advisory Commission, and the capital budget must be referred to the Planning Commission for their review and recommendations that are to be submitted to the City Council by the second Monday in May. The Council conducts public hearings on the budget. No later than the 30th day of June, the Council enacts the budget through passage of a budget ordinance. Supplemental appropriations and certain transfers of funds require the City Council's approval.

Financial Reporting

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certification of Achievement for Excellence in Financial Reporting to the City of Annapolis for its annual comprehensive financial report ("ACFR") for fiscal year 2023. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such ACFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period one year only. Annapolis has received a Certificate of Achievement for the last 35 consecutive years (fiscal years 1988 – 2023). The City submitted its fiscal year 2024 ACFR for award consideration and is waiting for the results.

Cybersecurity

The City relies upon technology and information systems to conduct its operations and provide services. A cybersecurity breach could materially disrupt City operations and services and result in material financial cost to the City. The City has developed cybersecurity protocols to control access to City systems including both on-site and remote access, screen and regularly train City personnel, maintain and monitor City systems, assess threats to City systems and quickly respond to such threats, establish contingency plans in the event of a cybersecurity breach and ensure compliance with applicable information security and privacy laws and regulations. The City's information technology staff coordinates the City's efforts to secure its information systems from cyber threats.

The City maintains cybersecurity insurance in an amount the City deems sufficient to cover potential loss associated with cybersecurity threats. The City regularly reviews the amount and types of coverage under its cybersecurity insurance policy as part of its ongoing cybersecurity efforts.

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CITY AND OTHER INDEBTEDNESS

General

The City has the power to issue general obligation bonds and other obligations pursuant to the authority of Sections 19-301 through 19-309, inclusive, of the Local Government Article of the Annotated Code of Maryland and the Annapolis City Charter and to issue refunding bonds pursuant to Section 19-207 of the Local Government Article of the Annotated Code of Maryland.

The following table presents the City's general government bonded indebtedness as a percentage of assessed market value of taxable property for each of its five most recent fiscal years ended June 30.

General Government Debt To Assessed Value

<u>Year</u>	<u>Assessed Value (1)</u>	<u>General Government Debt (2)</u>	<u>Debt to Assessed Value (%)</u>
2025 ⁽³⁾	\$8,586,531,793	\$59,515,040	0.69%
2024	8,041,015,876	75,223,469	0.94
2023	7,862,624,154	83,587,079	1.06
2022	7,734,416,265	74,832,432	0.82
2021	7,560,014,209	66,656,961	0.88

(1) Includes real and personal property.

(2) Does not include debt of the City's proprietary funds, or Bonds offered herein.

(3) Unaudited.

Source: City of Annapolis.

The following table sets forth the rapidity of the City's General Government debt repayment.

Rapidity of General Government Debt Repayment

<u>Term</u>	<u>Principal Paid*</u>	<u>Percentage Paid</u>
5 Years	\$9,355,975	49.3%
10 Years	46,301,380	77.8
15 Years	55,459,063	93.2
20 Years	59,331,675	99.9
26 Years	59,515,040	100.0

*Does not include debt of the City's proprietary funds, or Bonds offered herein.

Source: City of Annapolis.

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The following table presents the City's annual debt service expenditures as a percentage of the general fund revenues for each of its five most recent years ended June 30.

**Ratio of Annual Debt Service Expenditures to
General Fund Revenues**

<u>Year</u>	<u>General Fund Revenues</u>	<u>General Government Debt Service Expenditures*</u>	<u>Percentage</u>
2025(1).....	\$101,908,899	\$8,957,417	8.8%
2024	100,470,483	7,992,235	8.0
2023	94,790,809	7,971,496	8.4
2022	89,170,247	7,539,069	10.0
2021	79,979,401	7,720,928	9.7

(1) Unaudited.

*Does not include debt of the City's proprietary funds, or Bonds offered herein.

Source: City of Annapolis.

Debt Service Requirements

The tables on the following pages sets forth the projected principal and interest payment schedule as of June 30, 2025 for the City's long-term general obligations and as adjusted for the issuance of the Bonds.

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Schedule of Debt Service Requirements of Long-Term General Obligation Debt*
(As of June 30, 2025) (Unaudited)

Fiscal Year	General		Water		Sewer		All Other Enterprise		Grand Total		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total
2026	\$5,982,581	\$1,780,604	\$2,246,608	\$1,234,953	\$651,545	\$480,221	\$2,553,960	\$1,402,209	\$11,434,693	\$4,897,986	\$16,332,679
2027	5,667,797	1,589,043	2,305,029	1,185,879	657,101	460,271	2,193,965	1,314,696	10,823,893	4,549,890	15,373,783
2028	6,390,131	1,381,982	2,349,000	1,135,364	618,668	440,347	2,074,574	1,236,250	11,432,373	4,193,943	15,626,316
2029	5,086,900	1,190,360	2,405,810	1,084,538	642,437	420,369	1,720,874	1,162,854	9,856,021	3,858,121	13,714,142
2030	4,086,120	1,039,936	2,421,123	1,032,391	699,788	399,195	1,388,469	1,096,270	8,595,500	3,567,792	12,163,292
2031	4,215,258	900,128	2,470,197	979,696	709,548	377,713	1,473,230	1,037,990	8,868,232	3,295,527	12,163,760
2032	3,864,087	763,699	2,608,251	928,162	673,198	357,012	1,426,455	977,616	8,571,991	3,026,489	11,598,480
2033	3,544,932	644,138	2,659,476	875,145	696,186	335,993	1,501,045	917,364	8,401,639	2,772,640	11,174,279
2034	2,805,697	546,874	2,669,223	822,070	737,755	314,052	1,443,700	859,074	7,656,374	2,542,070	10,198,444
2035	2,489,628	465,633	2,719,289	768,665	762,883	291,086	1,144,397	806,953	7,116,196	2,332,337	9,448,533
2036	2,554,482	388,203	2,783,056	712,883	790,737	266,672	677,831	767,643	6,806,107	2,135,401	8,941,508
2037	1,831,136	323,694	2,842,969	657,984	819,089	243,628	712,913	739,754	6,206,107	1,965,060	8,171,167
2038	1,577,869	270,865	2,906,216	600,481	845,871	219,183	741,241	710,163	6,071,197	1,800,691	7,871,888
2039	1,569,079	215,060	2,963,954	537,045	872,811	190,800	770,533	675,048	6,176,378	1,617,953	7,794,330
2040	1,625,116	161,549	3,023,217	473,271	898,292	162,807	805,024	640,429	6,351,650	1,438,056	7,789,706
2041	1,506,858	110,358	3,092,154	409,223	919,164	135,205	823,840	606,562	6,342,015	1,261,347	7,603,362
2042	1,453,265	62,716	3,161,113	342,579	940,078	106,629	838,017	571,849	6,392,473	1,083,774	7,476,246
2043	856,880	22,509	3,234,917	273,558	966,228	77,119	815,000	536,639	5,873,025	909,824	6,782,849
2044	27,492	5,297	1,658,636	156,868	638,873	53,449	825,000	498,375	3,150,000	713,989	3,863,989
2045	28,117	4,671	1,699,372	111,942	662,510	35,872	865,000	456,125	3,255,000	608,610	3,863,610
2046	28,775	4,013	1,749,896	65,114	681,329	17,353	910,000	411,750	3,370,000	498,230	3,868,230
2047	29,467	3,322	397,618	36,139	82,915	6,868	950,000	365,250	1,460,000	411,578	1,871,578
2048	30,175	2,613	407,321	25,927	82,504	4,704	1,000,000	316,500	1,520,000	349,744	1,869,744
2049	30,900	1,888	417,016	15,532	87,083	2,549	1,050,000	265,250	1,585,000	285,219	1,870,219
2050	31,643	1,145	121,704	4,447	1,653	167	1,110,000	211,250	1,265,000	217,009	1,482,009
2051	32,404	385	126,384	1,501	6,212	74	1,160,000	154,500	1,325,000	156,459	1,481,459
2052	-	-	-	-	-	-	1,225,000	94,875	1,225,000	94,875	1,319,875
2053	-	-	-	-	-	-	1,285,000	32,125	1,285,000	32,125	1,317,125
Total	<u>\$57,346,790</u>	<u>\$11,880,685</u>	<u>\$55,439,549</u>	<u>\$14,471,354</u>	<u>\$16,144,456</u>	<u>\$5,399,338</u>	<u>\$33,485,067</u>	<u>\$18,865,362</u>	<u>\$162,415,863</u>	<u>\$50,616,739</u>	<u>\$213,032,601</u>

*Includes all City general obligation bonded debt issued for general government and enterprise funds.
Source: City of Annapolis & Davenport & Company LLC.

**Schedule of Debt Service Requirements of Long-Term General
Obligation Debt as Adjusted
To Reflect Issuance of the Bonds**

Fiscal Year as of June 30	Public Improvement Bonds, 2025 Series*			Adjusted Total Debt Service (2)
	Total Debt Service (2)	Principal	Interest (1)	
2026	\$16,332,679	\$0	\$0	\$16,332,679
2027	15,373,783	975,000	1,934,705	\$18,283,488
2028	15,626,316	1,235,000	1,674,775	\$18,536,091
2029	13,714,142	1,305,000	1,611,275	\$16,630,417
2030	12,163,292	1,370,000	1,544,400	\$15,077,692
2031	12,163,760	1,435,000	1,474,275	\$15,073,035
2032	11,598,480	1,515,000	1,400,525	\$14,514,005
2033	11,174,279	1,590,000	1,322,900	\$14,087,179
2034	10,198,444	1,675,000	1,241,275	\$13,114,719
2035	9,448,533	1,765,000	1,155,275	\$12,368,808
2036	8,941,508	1,850,000	1,064,900	\$11,856,408
2037	8,171,167	1,945,000	970,025	\$11,086,192
2038	7,871,888	2,040,000	870,400	\$10,782,288
2039	7,794,330	2,140,000	765,900	\$10,700,230
2040	7,789,706	2,250,000	667,400	\$10,707,106
2041	7,603,362	2,340,000	575,600	\$10,518,962
2042	7,476,246	2,440,000	480,000	\$10,396,246
2043	6,782,849	2,540,000	380,400	\$9,703,249
2044	3,863,989	2,645,000	276,700	\$6,785,689
2045	3,863,610	2,745,000	168,900	\$6,777,510
2046	3,868,230	2,850,000	57,000	\$6,775,230
2047	1,871,578	0	0	\$1,871,578
2048	1,869,744	0	0	\$1,869,744
2049	1,870,219	0	0	\$1,870,219
2050	1,482,009	0	0	\$1,482,009
2051	1,481,459	0	0	\$1,481,459
2052	1,319,875	0	0	\$1,319,875
2053	1,317,125	0	0	\$1,317,125
Total	<u>\$213,032,601</u>	<u>\$38,650,000</u>	<u>\$19,636,630</u>	<u>\$271,319,231</u>

*Preliminary, subject to change.

(1) Interest rates estimated from 4.000% to 5.000%

(2) Totals may not add due to rounding.

Source: City of Annapolis and Davenport & Company LLC.

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Pay-As-You-Go Financing

The City has utilized a plan of “pay-as-you-go” financing. Under this financing program, the City finances the construction of certain capital projects by appropriation of revenues from the current funds of the City. In financing by this program, the City sought to reduce the aggregate amount of general obligation indebtedness issued that would otherwise bear interest to finance the construction of the capital projects. The following table sets forth the City’s pay-as-you-go financing expenditures for the five most fiscal years ended June 30.

<u>Fiscal Year</u>	<u>Pay-As-You-Go</u>
2021	\$1,657,850
2022	2,080,000
2023	3,297,950
2024	2,659,900
2025*	4,139,545

*Unaudited.
Source: City of Annapolis.

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Future Plans to Issue Debt

The City's capital improvement plan is an ongoing process which requires periodic issuance of the City's general obligation bonds, water and sewer revenue bonds and other debt obligations and pay-as-you-go to fund portions of the program. The following chart shows the approved fiscal year 2026 Capital Projects Budget with projections for fiscal years 2027 through 2031.

FY2026 - FY2031 CAPITAL BUDGET AND IMPROVEMENT PROGRAM PROJECT SUMMARY

GENERAL FUND		Prior Approved Appropriations	FY2026 Capital Budget	Capital Improvement Program					Total
Project #	Project			FY2027	FY2028	FY2029	FY2030	FY2031	
40049	Acton Cove Waterfront Park	\$ 197,610	\$ 535,000	\$ 6,930	\$ -	\$ -	\$ -	\$ -	\$ 739,540
40038	Annapolis Gateway Park	1,071,200	-	-	-	-	-	-	1,071,200
40026	Annapolis Police Department Carport	147,000	-	-	-	-	-	-	147,000
40050	Annapolis Solar Park Pollinator Habitat	157,500	105,000	-	-	-	-	-	262,500
40039	Annapolis Walk Parking Improvements	528,800	797,500	210,000	-	-	-	-	1,536,300
40014	Barbud Lane	1,493,700	-	-	-	-	-	-	1,493,700
40066	Bay Ridge Avenue Bikeways	301,056	7,100	3,528	-	-	-	-	311,684
40040	Bay Ridge Avenue Sidewalk	192,809	468,244	6,997	-	-	-	-	668,050
40005	Brewer's Hill Cemetery Stream Restoration	105,000	157,500	-	-	-	-	-	262,500
40020	Burtis House	330,173	-	-	-	-	-	-	330,173
40041	Carr's/Elktonia/Moore's Beach Park	11,408,250	2,415,500	3,255,000	-	-	-	-	17,078,250
40022	Cedar Park Sidewalks	701,200	262,500	472,500	210,000	-	-	-	1,646,200
40067	Chesapeake Children's Museum Improvements	52,500	-	-	52,500	210,000	-	-	315,000
40068	City Dock Boater Electrical Upgrades	262,500	-	-	-	-	-	-	262,500
40042	City Dock Resilience and Revitalization	71,373,363	5,250,000	-	11,167,535	-	-	-	87,790,898
20013/20014/20016/40023	City Facility Improvements	4,853,455	700,000	700,000	700,000	700,000	700,000	700,000	9,053,455
40069	City Facility Roof Replacements	315,000	-	-	-	-	-	-	315,000
40024	City Facility Security Upgrades	2,745,750	945,000	189,000	189,000	189,000	189,000	189,000	4,635,750
40070	City Green Roof Repair (See Note 4 below)	262,500	-	-	-	-	-	-	262,500
50005	City Harbor Flood Mitigation	20,950,815	-	-	-	-	-	-	20,950,815
40071	City Offices Space Planning	2,800,000	525,000	-	-	-	-	-	3,325,000
40051	Citywide Public Water Access Improvements	413,700	157,500	-	-	-	-	-	571,200
40054	College Creek Connector Trail	3,557,925	14,200	2,907,088	-	-	-	-	6,479,213
NEW	Complete Streets Supplemental Funding	-	525,000	525,000	525,000	525,000	525,000	525,000	3,150,000
50010	Connecting Communities (formerly, Trail Connections)	5,159,016	(1,300,000)	-	2,000,000	2,000,000	2,000,000	2,000,000	11,859,016
NEW	Dam at Annapolis Waterworks Park	-	78,750	420,000	-	-	-	-	498,750
NEW	Downtown Circulation Improvement	-	525,000	-	-	-	-	-	525,000
40055	Duke of Gloucester Floating Pier	112,560	-	182,280	-	-	-	-	294,840
40072	Eastport Choice Neighborhood Initiative	2,000,000	-	-	-	-	-	-	2,000,000
40073	Eastport Flood Mitigation	536,025	-	1,050,000	2,625,000	1,575,000	-	-	5,786,025
40043	Electric Annapolis Mobility Plan	5,561,039	(3,500,000)	-	-	-	-	-	2,061,039
40065	Farragut Road Sidewalk - Howison Road to Rowe Boulevard	78,750	157,500	577,500	-	-	-	-	813,750
40028	Fitness Equipment Replacement	260,000	52,500	52,500	52,500	52,500	52,500	52,500	575,000
50024	Forest Drive Fire Station Renovations	542,050	-	-	-	-	-	-	542,050
40074	Fuel Island Tank Removal and Upgrades	1,097,250	157,500	-	-	-	-	-	1,254,750
40056	General Existing Waterfront Access Infrastructure	244,050	129,300	125,025	120,750	120,750	120,750	120,750	981,375
40018/40021	General Roadways	19,006,730	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	37,006,730
40010/40015/40017/40019	General Sidewalks	3,850,000	596,000	222,000	300,000	300,000	300,000	300,000	5,868,000
NEW	General Sidewalks - Brick	-	504,000	378,000	300,000	300,000	300,000	300,000	2,082,000
40057	Gibraltar Avenue	63,000	-	-	-	-	-	-	63,000
40075	Griscom, Collison, & Weems Whelan Ballfields	210,000	2,625,000	-	-	-	-	-	2,835,000
40033	Hawkins Cove (See Note 3 below)	2,604,000	1,650,870	-	-	-	-	-	4,254,870
40076	Hilltop Lane Hiker/Biker Connection	227,640	542,640	8,820	-	-	-	-	779,100
170000	Main Street Rebricking	-	-	630,000	1,207,500	1,207,500	-	-	3,045,000
20004	Maintenance Facilities (See Note 1 Below)	16,996,857	(6,530)	-	-	-	-	-	16,990,327
250000	Maynard Burgess House	1,374,309	(64,400)	-	-	-	-	-	1,309,909
40045	Moyer Park Sidewalk Enhancements	499,968	11,718	5,859	-	-	-	-	517,545
40077	Newman Street Playground Replacement	735,000	-	-	-	-	-	-	735,000
NEW	Northwest Street Park	105,000	131,250	1,050,000	-	-	-	-	1,286,250
40058	Parks Maintenance Facility	1,165,500	1,338,750	-	-	-	-	-	2,504,250
40078	Pedestrian Activated Crosswalk on Bembe Beach Road at Baywoods	93,250	-	-	-	-	-	-	93,250
40064	Pedestrian Activated Crosswalk Signals on Cedar Park Road	95,488	2,238	1,119	-	-	-	-	98,845
40046	Pickleball Court Lights	381,150	-	-	-	-	-	-	381,150
NEW	Pip Moyer Restroom Upgrade	-	188,750	-	-	-	-	-	188,750
40079	Public Mooring Replacement	-	99,750	52,500	52,500	52,500	52,500	52,500	362,250
40034	Robert Endes Park	2,175,050	(1,495,000)	-	-	-	-	-	680,050
40013	Russell Street	116,550	-	-	-	-	-	-	116,550

[Project Summary is continued on the following page]

FY2026 - FY2031 CAPITAL BUDGET AND IMPROVEMENT PROGRAM PROJECT SUMMARY
(continued)

40029	S. Southwood Sidewalk and Stormwater Management	420,000	-	1,207,500	-	-	-	-	1,627,500
40032	Spa Road Environmental Remediation (formerly, Weems-Wheeler Field)	887,500	420,000	-	-	-	-	-	1,307,500
40059	Spa Road Sidewalk - Forest Drive to Hilltop Lane	85,680	266,930	6,930	-	-	-	-	359,540
50022	Standard Specifications and Construction Details (See Note 2 Below)	320,250	-	-	-	-	-	-	320,250
40037	Stanton Center Renovations	2,828,000	1,625,000	6,300,000	-	-	-	-	10,753,000
40035	Taylor Avenue Traffic Improvements	310,000	-	-	-	-	-	-	310,000
NEW	Tolson Street Park	-	136,500	787,500	-	-	-	-	924,000
40060	Traffic Safety Improvements	252,000	120,750	120,750	120,750	120,750	120,750	120,750	976,500
40080	Traffic Signal or Circle and Safety Improvements on Hilltop Lane	210,000	-	525,000	-	-	-	-	735,000
50018	Traffic Signal Rehabilitation and Replacement with Circles	2,762,115	1,014,414	584,430	577,500	577,500	577,500	577,500	6,670,959
40030	Truxnum Heights Storm Drainage Improvements	3,298,846	-	-	-	-	-	-	3,298,846
40047	Truxnum Park Improvements	678,950	-	-	-	-	-	-	678,950
40081	Truxnum Park Road Parking Improvement	945,000	-	-	-	-	-	-	945,000
40082	Truxnum Park Shoreline Stabilization	2,100,000	(1,000,000)	2,100,000	-	-	-	-	3,200,000
50023	Tucker Street Boat Ramp	762,163	17,863	8,932	-	-	-	-	788,958
40048	Underground Service Historic District	762,500	-	-	-	-	-	-	762,500
50017	Upgrade City Coordinate System	460,100	-	-	-	-	-	-	460,100
40083	Waterway Improvement Project - 4th Street	349,440	8,190	166,845	-	-	-	-	524,475
84525	Waterway Improvement Project - 6th Street	375,245	61,295	4,397	-	-	-	-	440,937
40061	Waterway Improvement Project - Amos Garrett Blvd	52,500	(31,500)	168,000	-	-	-	-	189,000
NEW	Waterway Improvement Project - Burnside Street	-	-	425,250	-	-	-	-	425,250
40053/84527/84573	Waterway Improvement Project - Cheston Ave	478,250	(114,552)	-	-	-	-	-	363,698
TBD	Waterway Improvement Project - Conduit Street	-	-	73,500	315,000	-	-	-	388,500
40084	Waterway Improvement Project - Shipwright Street	349,440	8,190	4,095	-	-	-	-	361,725
40062	Waterway Improvement Project - Thompson Street	333,312	7,812	3,906	-	-	-	-	345,030
40085	Waterway Improvement Project - Truxnum Pump House Road	102,144	2,394	1,197	-	-	-	-	105,735
40063	Waterworks Buildings and Parking Improvements	73,500	262,500	-	-	-	-	-	336,000
NEW	Wells Cove	-	105,000	-	-	-	-	-	105,000
40052	West East Express Bikeway	6,923,353	775,583	13,792	-	-	-	-	7,712,728
Total General Fund		215,632,326	21,976,498	28,533,670	23,515,535	10,930,500	7,938,000	7,938,000	316,464,530

OFF STREET PARKING FUND		Prior Approved Appropriations	FY2026 Capital Budget	Capital Improvement Program					Total
Project #	Project			FY2027	FY2028	FY2029	FY2030	FY2031	
70037	Gotts Garage Elevator Replacement	882,000	-	-	-	-	-	-	882,000
NEW	Kaighron Garage Elevator Replacement	-	435,750	435,750	-	-	-	-	871,500
73004	Parking Access Control Management System	329,700	(315,500)	-	-	-	-	-	14,200
73009	Parking Garage and Lot Improvements	633,000	367,500	105,000	105,000	105,000	105,000	105,000	1,525,500
Total Off Street Parking Fund		1,844,700	487,750	540,750	105,000	105,000	105,000	105,000	3,293,200

TRANSPORTATION FUND		Prior Approved Appropriations	FY2026 Capital Budget	Capital Improvement Program					Total
Project #	Project			FY2027	FY2028	FY2029	FY2030	FY2031	
NEW	Bus Shelter Rehabilitation	-	78,500	78,750	78,750	78,750	78,750	78,750	472,250
73010	Transportation Charging Infrastructure	724,500	1,155,000	-	-	-	-	-	1,879,500
73008	Transportation Roof Replacement	420,000	89,250	-	-	-	-	-	509,250
Total Transportation Fund		1,144,500	1,322,750	78,750	78,750	78,750	78,750	78,750	2,861,000

FY2026 - FY2031 CAPITAL BUDGET AND IMPROVEMENT PROGRAM PROJECT SUMMARY
(continued)

SEWER FUND		Prior Approved Appropriations	FY2026 Capital Budget	Capital Improvement Program					Total
Project #	Project			FY2027	FY2028	FY2029	FY2030	FY2031	
72006/72007	Sewer Rehabilitation	20,556,000	2,250,000	2,250,000	2,250,000	2,250,000	2,250,000	2,250,000	34,056,000
Total Sewer Fund		20,556,000	2,250,000	2,250,000	2,250,000	2,250,000	2,250,000	2,250,000	34,056,000

WATER FUND		Prior Approved Appropriations	FY2026 Capital Budget	Capital Improvement Program					Total
Project #	Project			FY2027	FY2028	FY2029	FY2030	FY2031	
71003/71005	Water Distribution Rehabilitation	35,260,420	3,675,000	4,900,000	4,900,000	4,900,000	4,900,000	4,900,000	63,435,420
71002/71006	Water Tank Rehabilitation	5,880,500	(1,000,000)	-	-	-	-	-	4,880,500
71001/71007	Well House Improvements	1,470,000	525,000	-	-	-	-	-	1,995,000
Total Water Fund		42,610,920	3,200,000	4,900,000	4,900,000	4,900,000	4,900,000	4,900,000	70,310,920

WATERSHED RESTORATION FUND		Prior Approved Appropriations	FY2026 Capital Budget	Capital Improvement Program					Total
Project #	Project			FY2027	FY2028	FY2029	FY2030	FY2031	
77020	Hilltop Culvert Replacement	750,000	-	-	-	-	-	-	750,000
77012/77015/77018	Stormwater Management Retrofit Projects	1,226,368	500,000	1,000,000	1,050,000	1,102,500	1,157,625	1,157,625	7,194,118
77008/77009/77016/77017	Stormwater MS4 Permit Compliance	9,676,625	1,331,269	1,397,833	1,467,724	1,541,109	1,618,165	1,618,165	18,650,890
Total Watershed Restoration Fund		11,652,993	1,831,269	2,397,833	2,517,724	2,643,609	2,775,790	2,775,790	26,595,008

ALL FUNDS - TOTAL		Prior Approved Appropriations	FY2026 Capital Budget	Capital Improvement Program					Total
				FY2027	FY2028	FY2029	FY2030	FY2031	
Total All Funds		\$ 293,441,439	\$ 31,068,267	\$ 38,701,003	\$ 33,367,009	\$ 20,907,859	\$ 18,047,540	\$ 18,047,540	\$ 453,580,658

Note 1: The Maintenance Facility project is shown as a General Fund project above. However, \$491,500 will be paid from the Refuse Fund; \$909,500 will be paid from the Sewer Fund; \$2,237,000 will be paid from Water Fund; and \$282,500 will be paid from Watershed Protection Fund.

Note 2: The Standard Specifications and Construction Details project is shown as a General Fund project above. However, \$106,750 will be paid from the Sewer Fund, and \$106,750 will be paid from the Water Fund.

Note 3: The Hawkins Cove project is shown as a General Fund project above. However, \$75,000 will be paid from the Watershed Restoration Fund.

Note 4: The City Green Roof Repair project is shown as a General Fund project above. However, \$131,200 will be paid from the Watershed Restoration Fund.

Legal Debt Limitation

Unless and until otherwise provided by Section 11(b) of the Annapolis City Charter, the aggregate amount of bonds and other evidences of indebtedness outstanding at any one time may not exceed the sum of (i) 4% of the assessed value of all real property in the City taxable for municipal purposes and (ii) 10% of the assessed value of all personal property in the City taxable for municipal purposes. However, (1) bonds or other indebtedness of the City pursuant to the authority of any public local law enacted by the General Assembly of Maryland prior to January 1, 1955 or any public general law other than said Sections 19-301 through 19-309, inclusive, of the Local Government Article of the Annotated Code of Maryland, (2) tax anticipation notes, (3) bonds or other evidences of indebtedness payable solely from revenues of one or more revenue-producing projects and (4) notes or other short-term obligations of the City issued in an amount not exceeding \$5,000,000, are not subject to and are not included in the calculation of the debt limitation described above.

The following table represents the debt margin of the City as of June 30, 2025.

Assessable basis upon which tax levy for year beginning July 1, 2025 was calculated:

Real Property	\$8,421,817,253
Personal Property	164,714,530
Total Assessable Basis	8,586,531,783
Debt Limit Real Property (4%)	336,872,690
Debt Limit Personal Property (10%)	16,471,453
Total Debt Limit	353,344,143
City Debt Subject to Charter Limitation*	60,530,871
Debt Margin	292,813,272
Ratio of City Debt to Assessable Basis	0.70%

*Does not include debt of City's proprietary fund or Bonds offered herein; Unaudited fiscal year 2025.
Source: City of Annapolis.

Hillman Garage 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.

Overlapping Debt

Property located in Annapolis is subject to taxation by Anne Arundel County to pay for services provided to residents of Annapolis by the County. As of June 30, 2024, the overlapping net general obligation bond debt of Anne Arundel County applicable to the City was \$68,112,205.

During fiscal year 2024, the assessed value of real property in Annapolis was approximately 7.7% of the assessed value of all taxable County property. Under applicable Maryland law, Anne Arundel County may not impose taxes upon the residents of any incorporated municipality for services which that municipality provides for its residents. For the fiscal year 2024, the County tax rate within Annapolis was \$0.59 per \$100 of full property value.

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CITY REVENUES AND EXPENDITURES

General

In accordance with the general practice of governmental units, the accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate entity. The operations of each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures/expenses. The General Fund is the largest of these funds and is the fund from which all general costs of City government are paid and to which taxes and other revenues, not specifically directed by law to be recorded in special funds, are recorded.

The City's largest source of General Fund revenue is property taxes, comprising approximately 64% of total General Fund revenue in fiscal year 2023, 61% in fiscal year 2024, and 64% in fiscal year 2025 (unaudited). The second largest source of General Fund revenue is revenue from income taxes comprising \$11,532,670, or 12%, in fiscal year 2023, \$11,938,185, or 12%, of General Fund revenue in fiscal year 2024 and \$9,793,507, or 10% of General Fund revenue in fiscal year 2025 (unaudited).

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The following table indicates the General Fund revenues and expenditures for the following five fiscal years ended June 30:

	Actual Fiscal Year 2020	Actual Fiscal Year 2021	Actual Fiscal Year 2022	Actual Fiscal Year 2023	Actual Fiscal Year 2024
Revenues					
Taxes	\$55,435,597	\$58,243,995	\$59,353,097	\$60,308,062	\$61,264,382
Licenses and permits	2,931,474	3,209,387	3,417,511	3,522,462	3,876,125
Fines and forfeitures	319,912	250,668	478,890	576,720	549,743
Money and property	1,568,783	615,114	997,053	2,936,645	4,381,350
Intergovernmental	13,235,147	13,146,489	17,184,206	18,648,787	20,087,362
Charges for services	5,124,933	4,402,147	7,349,238	8,359,192	9,500,512
Other revenue (1)	148,972	111,601	390,252	438,941	811,009
Total revenues	\$78,764,818	\$79,979,401	\$89,270,247	\$94,790,809	\$100,470,483
Expenditures					
General government (1)	\$6,505,574	\$6,726,433	\$7,500,612	\$9,090,447	\$9,360,916
Land Use and Permits	4,104,336	4,550,701	4,697,405	4,615,181	5,117,474
Public safety	40,634,988	41,650,177	44,969,013	51,123,427	53,157,209
Public works	7,774,719	8,682,002	8,169,026	8,550,568	8,971,378
Community services	5,063,869	4,987,932	5,597,210	6,610,591	6,654,573
Community Development	301,627	333,974	394,413	403,112	450,217
Debt service:					
Principal	6,869,399	5,512,449	5,698,595	6,120,234	5,756,599
Interest	2,414,082	2,208,479	1,840,474	1,851,242	2,235,636
Debt service leases:					
Principal	-	-	394,530	644,039	631,314
Interest	-	-	57,190	72,193	114,767
Debt service subscriptions:					
Principal	-	-	-	344,393	338,156
Interest	-	-	-	14,952	43,022
Bond Issuance Costs	278,996	34,000	153,120	268,096	-
Capital Outlay	567,969	1,052,410	977,383	913,619	1,080,235
Total expenditures	\$74,515,286	\$75,738,577	\$80,448,971	\$90,622,094	\$93,911,496
Excess (deficiency) of revenues over expenditures (1)	\$4,249,532	\$4,240,844	\$8,721,923	\$4,168,715	\$6,558,987
Issuance of bond anticipation note	-	\$50,001	-	-	-
Issuance of debt	7,166,123	-	-	11,299,065	-
Unamortized Premium	-	-	-	\$1,161,617	-
Bond Proceeds	-	-	\$26,204,923	-	-
Payments to Escrow Agent	(5,205,817)	-	(\$15,850,666)	-	-
Transfers in	\$468,217	\$50,000	\$132,112	\$7,195,000	\$856,782
Transfers out	(\$2,606,000)	(\$1,732,850)	(\$12,356,776)	(\$15,920,509)	(\$3,977,782)
Total other financing sources (uses)	(\$177,477)	(\$1,632,849)	(\$1,870,407)	(\$3,452,632)	(\$3,121,000)
Net Change in fund balance	\$4,072,055	\$2,607,995	\$6,850,869	\$716,083	\$3,437,987
Fund balance at beginning of year	\$24,984,369	\$29,056,424	\$31,664,419	\$38,515,288	\$39,231,371
Fund balance at end of year	\$29,056,424	\$31,664,419	\$38,515,288	\$39,231,371	\$42,669,358

Source: City of Annapolis.

(1) Administrative Reimbursements from other funds have been netted against General Government expenditures.

The following table presents an indication of the General Fund budget trend.

**General Fund
Statement of Approved Budgets and Actual Operations**

	Actual	Amended	Approved
	Fiscal Year	Fiscal Year	Fiscal Year
	2024	2025	2026
Revenues			
Taxes	\$ 61,264,382	\$ 65,897,200	\$ 70,198,500
Licenses and permits	3,876,125	3,616,800	3,963,900
Fines and forfeitures	549,743	591,100	289,000
Money and property	4,381,350	5,329,300	5,460,200
Intergovernmental	20,087,362	20,579,700	19,270,400
Charges for services	9,500,512	8,070,200	9,178,200
Other revenue (1)	811,009	661,000	656,100
Total revenues	\$ 100,470,483	\$ 104,745,300	\$ 109,016,300
Expenditures			
General government (1)	\$ 9,360,916	\$ 13,283,300	\$ 15,097,700
Land Use and Permits	5,117,474	5,542,050	6,414,400
Public safety	53,157,209	55,559,080	57,891,200
Public works	8,971,378	7,000,450	7,251,900
Community services	6,654,573	7,539,830	7,218,100
Community Development	450,217	428,750	418,500
Debt service:			
Principal	6,726,069	6,220,000	5,983,000
Interest	2,393,425	2,203,000	2,578,000
Capital Outlay	1,080,235	1,046,690	2,663,100
Transfers out & other	3,121,000	13,487,395	12,191,770
Total expenditures	\$ 97,032,496	\$ 112,310,545	\$ 117,707,670
Excess of revenues over expenditures (1)	\$ 3,437,987	\$ (7,565,245)	\$ (8,691,370)

Source: City of Annapolis.

(1) Administrative reimbursements from other funds have been netted against General Government expenditures.

2025 Budget and Estimated Results

The General Fund amended budget for expenditures and transfers for fiscal year 2025 was \$112,310,545. This compares with \$111,999,261 for fiscal year 2024 and \$105,853,512 for fiscal year 2023. The preliminary fiscal year 2025 results for the General Fund indicate actual revenue below budget by approximately \$2.8 million, but a \$1.4 million increase over fiscal year 2024. Lower than anticipated state income taxes were partially offset by higher than anticipated ambulance fees (charges for service), occupancy taxes for short term rentals and hotel tax.

The City controlled its General Fund expenses across most departments primarily through savings from turnover. Public Safety had \$3.3 million in savings. The remaining savings occurred across other departments resulting in total spending of \$6.6 million less than budget. The City had planned to use \$7.6 million of reserves in fiscal year 2025 to meet one-time operating needs; however, because of these results was able to reduce the usage to \$3.8 million.

2026 Adopted Budget

The Mayor's adopted Operating Budget for fiscal year 2026 includes total General Fund revenues of \$115,141,300 and expenditures of \$123,832,670. The difference between the expenditures and revenues reflects the planned use of fund balance for pay-go and other one-time expenditures. The City is planning to use \$8.7 million of its reserves for capital and other one time uses. Fiscal year 2026 revenues are 10% higher and budgeted expenditures are 13% higher than the fiscal year 2025 adopted budget. The real property rate is unchanged at \$0.738 per \$100 of assessable property. The total budgeted revenues and expenditures for all six enterprise funds are \$41,515,800 and \$45,395,700, respectively. Water rates increased 4.75% in fiscal year 2026. Sewer rates are unchanged.

The Mayor's 2026 Capital Budget was adopted in the amount of \$31,068,267. Funding from grants decreased by \$2.2 million overall in the 2026 Capital Budget primarily due to the rescission or cancellation of \$10.5 million of federal earmarks and grants that were programmed in fiscal year 2025 and prior years, offset by additional State and County grants. The remainder of the additional capital funding is from proceeds of bonds previously issued or to be issued and capital reserves.

Tax Revenues by Source

Ad valorem property taxes, the City's largest source of tax revenues, have averaged 78.5% of total tax revenues for the fiscal years 2020 through 2024. During the same period, income tax revenues have averaged 13.7% of total tax revenues, while other taxes have averaged 7.8% of total tax revenues. The following table presents the City's General Fund tax revenues by source for each of the following fiscal years ended June 30.

Tax Revenues by Source

<u>Year</u>	<u>Total Taxes</u>	<u>Local Property Taxes</u>	<u>Income Taxes</u>	<u>Other Taxes</u>
2024.....	\$81,201,639	\$61,264,382	\$11,938,185	\$7,999,072
2023.....	79,498,147	60,308,062	11,532,670	7,657,415
2022.....	76,394,726	59,352,055	10,809,332	6,233,339
2021.....	70,563,862	58,224,766	8,916,504	3,422,593
2020.....	68,303,744	55,435,597	8,590,800	4,277,347

Source: City of Annapolis.

Unaudited approximate results for fiscal year 2025 include total tax revenues of \$82,578,141 consisting of local property tax revenues of \$65,269,781, income tax revenues of \$9,793,507 and other tax revenues of \$7,514,853.

Local Property Taxes

The assessment of all real and tangible personal property for purposes of property taxation by the City is the sole responsibility of the Maryland State Department of Assessments and Taxation, an independent State agency.

Real property is assessed at market value (full cash value). The State has a triennial assessment system under which all real property in the State is physically inspected and its full market value determined once every three years. If an inspected property has increased in market value since its last inspection, the increase is phased into the determination of assessed valuation over the ensuing three years by increasing the property's "market value" subject to taxation in three equal annual increments. A decline in assessed value becomes fully effective in the first year.

The City is empowered under State law to exempt from City taxation real property and certain personal property for businesses that have recently located or expanded within the City.

State law provides a credit against local real property taxes on certain owner-occupied residential property. The tax credit for each tax year was computed by multiplying the local real property tax rate by the amount by which the current year's assessment on residential property exceeds 110% of the previous year's assessment. This tax credit does not apply to the State real property tax.

The State also provides a tax credit based on the ability of homeowners to pay property taxes. The credit is calculated by use of a scale which indicates a maximum tax liability for various income levels.

Tangible personal property is assessed by the State Department of Assessments and Taxation at 100% of current full cash value, less certain amounts for depreciation but with no allowance for inflation. The City may levy a tax of up to 100% of the value of manufacturing equipment and inventory and commercial inventory and Anne Arundel County may levy a tax on up to 100% of the value of commercial inventory. Neither the County nor the City currently levies any tax on commercial inventory or manufacturing equipment or inventory.

City, County and State applicable tax rates and the tax levy in each of the five most recent years is set forth below. Assessed values of tax-exempt properties owned by Federal, State, County and City governments (including the United States Naval Academy), churches, schools, fraternal organizations, cemeteries, disabled veterans and the blind, aggregating approximately \$2.1 billion for the fiscal year 2024, are not included in the table below. Under applicable law, there are no limits on the rates of property taxes that may be charged by the City and Anne Arundel County. However, Anne Arundel County has a statutory cap on the total additional revenues it can collect from the property taxes each year, which can indirectly limit the tax rate. The following table sets forth the assessed value of all taxable property in the City for the five most recent fiscal years ended June 30:

Assessed Values, Tax Rates and Tax Levies

Assessed Value	2025(1)	2024	2023	2022	2021	2020
Real property.....	\$8,421,817,253	\$7,882,397,786	\$7,688,230,894	\$7,556,843,455	\$7,379,361,249	\$7,112,297,007
Personal property	164,714,530	158,618,090	174,393,260	177,572,810	180,652,960	172,463,510
Total base.....	\$8,586,531,783	\$8,041,015,876	\$7,862,624,154	\$7,734,416,265	\$7,560,014,209	\$7,284,760,517
City tax rate (per \$100 assessed value)	0.738	0.738	0.738	0.738	0.738	0.738
Total City tax levy (current year)	\$61,648,707	\$57,718,872	\$56,693,166	\$55,144,630	\$54,189,328	\$52,381,140
Anne Arundel County tax rate in City (per \$100 assessed value)	0.587	0.559	0.560	0.541	0.559	0.559
State tax rate (per \$100 assessed value).....	0.112	0.112	0.112	0.112	0.112	0.112

(1) Unaudited.

Source: City of Annapolis.

The tax rate for fiscal year 2025 for the City was \$0.738. For Anne Arundel County within Annapolis, it was \$0.587, and for the State it was \$0.112 per \$100 of full property value.

City taxes are due and payable as of July 1 of each year. Beginning October 1, an interest penalty of 1½% per month on taxes due is charged for each month or fraction thereof until such taxes are paid. Under current law, residents of owner-occupied residential real estate pay real property taxes semiannually on September 30 and December 31, without interest. The first installment is due July 1 and is in arrears on October 1. The second installment is due December 1 and is in arrears on January 1. Delinquent taxes are collected, after the sixth month of delinquency, by tax sales conducted by Anne Arundel County. Historically, Anne Arundel County has conducted tax sales on an annual basis.

The City does not levy taxes in excess of actual requirements to provide a margin against delinquencies.

In the opinion of the City, the tax rate established by it for each fiscal year when applied to the assessed value of the real and personal property subject thereto is sufficient to provide revenues to discharge the City's obligations to pay principal and interest maturing on its issued and outstanding general obligations indebtedness for each such fiscal year.

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The following table sets forth certain pertinent information with respect to the City's tax levies and tax collections for each of the following five fiscal years ended June 30.

Property Tax Levies and Collections

Year	Total Tax Levy	Current Year Taxes Collected in Year of Levy(1)		Total Taxes Collected (Current and Delinquent)		Accumulated Delinquent Taxes	Accumulated Delinquent Taxes as % of Current Year's Tax Levy
		Amount	%	Amount	%		
2020.....	\$52,037,238	\$51,744,146	99.44%	\$51,657,293	99.27%	\$254,750	0.48%
2021.....	54,189,328	54,105,144	99.84	54,090,195	99.82	324,674	0.59
2022.....	55,144,630	55,127,743	99.97	55,419,217	100.50	(36,737)	-0.06
2023.....	56,693,166	56,415,281	99.51	55,056,180	97.11	35,864	0.06
2024.....	57,718,872	57,705,055	99.98	57,568,217	99.74	21,109	0.03

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

The following table sets forth the City's ten largest taxpayers and market value of their taxable real and personal property billed as of June 30, 2024.

City of Annapolis, Maryland Principal Real and Personal Property Taxpayers Fiscal Year 2024

<u>Name of Taxpayer</u>	<u>Assessed Market Valuation</u>	<u>% of Total Assessed Value of Real Property</u>
WP MD PropCo I LLC.....	\$89,463,100	1.1350%
Bell Fund VI West Street LLC	60,934,700	0.7730
Baywoods Cooperatives Housing Corp	60,174,200	0.7634
MCB Quiet Waters LLC (Formerly Forest Owner LLC).....	52,045,900	0.6603
Guardian Park Place LLC	40,659,400	0.5158
Home Properties Annapolis Rd LLC	40,417,900	0.5128
Yacht Basin Co of Maryland	39,167,900	0.4969
Annapolis Bay Lincoln Property (Formerly Aptco Annapolis LLC)	38,389,200	0.4870
GPIF Wann Hotel LLC (Formerly CH Realty Annapolis Hotel).....	34,667,100	0.4398
Admiral Farragut JNY VNT	33,613,200	0.4264
Total.....	<u>\$489,532,600</u>	<u>6.2331%</u>

Source: City of Annapolis.

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Personal Property

Tangible personal property is assessed by the State Department of Assessments and Taxation at 100% of current full cash value, less certain amounts for depreciation but with no allowance for inflation. The City may levy a tax of up to 100% of the value of manufacturing equipment and inventory and commercial inventory and Anne Arundel County may levy a tax on up to 100% of the value of commercial inventory. Neither the County nor the City currently levies any tax on commercial inventory or manufacturing equipment or inventory. Fiscal year 2025 and 2024 personal property tax rate was \$1.94 on each \$100 of personal and operating property. Personal property taxes collected for fiscal year 2025 was \$3,429,600.

Personal Property Assessed Market Value

<u>Year</u>	<u>Market Value</u>
2021.....	\$180,652,960
2022.....	177,572,810
2023.....	176,018,640
2024.....	158,618,090
2025*.....	164,714,530

*Unaudited
Source: City of Annapolis.

Income Taxes

The State imposes an income tax on the adjusted gross income of individuals as determined for Federal income tax purposes, subject to certain adjustments. The rate of tax is 2% on the first \$1,000 of taxable income and increases up to a maximum of 5.75% on income exceeding \$250,000 (or \$300,000 for taxpayers filing jointly, heads of household, or qualifying widow(ers)). Pursuant to State laws, each county and Baltimore City may levy a local income tax at the rate of at least 20%, but not more than 60%, of the State income tax liability of individuals domiciled in their respective jurisdictions. The local income tax rate for 2024 was determined based on Maryland taxable income (income below \$50,000, 2.70%, income \$50,001 through \$400,000, 2.81% and income above \$400,000, 3.20%). Anne Arundel County does not levy a local income tax on corporations. By virtue of a law enacted by the General Assembly of Maryland at its 1977 session, the City receives a share of the Anne Arundel County income tax. The share is equal to 0.37% of the total State residents’ income tax liability, 8.5% of net State income tax liability of City residents, or 17% of the local tax liability of City residents, whichever computation results in the greater amount being paid to the City. The City received income taxes from the State of Maryland totaling \$10,809,332 in fiscal year 2022, \$11,532,670 in fiscal year 2023, \$11,938,185 in fiscal year 2024, and \$9,793,507 in fiscal year 2025 (unaudited).

Shared Revenue

The City received shared revenues other than income taxes from the State of Maryland and Anne Arundel County totaling \$6,233,339 in fiscal year 2022, \$7,657,415 in fiscal year 2023, \$7,999,072 in fiscal year 2024, and \$9,929,490 in fiscal year 2025 for use as operating funds. The City received \$1,710,878 in highway taxes and \$1,388,907 in admissions taxes in fiscal year 2022, \$2,313,926 and \$1,274,164 in fiscal year 2023, \$2,850,115 and \$1,100,534 in fiscal year 2024, and \$3,204,345 and \$1,073,775 in fiscal year 2025. The City received \$479,980 in utility taxes, levied and collected by the County, during fiscal year 2022, \$327,094 in fiscal year 2023, \$372,988 in fiscal year 2024, and \$270,056 in fiscal year 2025. The City levies and collects an occupancy tax within the City as authorized under County law. The City collected \$2,771,190 for fiscal year 2022, \$3,198,074 for fiscal year 2023, \$3,823,452 for fiscal year 2024, and \$4,375,701 for fiscal year 2025. Amounts shown herein for fiscal year 2025 are unaudited.

Overlapping Tax Rate

Taxable property in the City is subject to certain Anne Arundel County and State taxes. County tax rates vary for the City and other areas of the County, based upon services rendered. For fiscal year 2024, the County and State tax rates for the City were \$0.583 and \$0.112, respectively, per \$100 of full property value. For fiscal year 2025, the rates were \$0.583 and \$0.112, respectively. For fiscal year 2026, the rates are \$0.583 and \$0.112, respectively.

Water and Sewer Funds

A Water Fund and a Sewer Fund have been established separate from the General Fund of the City to record revenue and expenses related to these operations.

Water and wastewater user charges and assessment charges are recorded as revenues on the accrual basis. Unpaid water and wastewater user charges and assessments are a lien on the real property and are collectible in the same manner as real property taxes at tax sale.

The Capital Facility Assessment Charge and the Capital Facility Connection Charge are assessed to pay for the cost and repair of capital facilities, including transmission lines, and service connection.

The following schedule lists the City's current water and wastewater utility rates:

Water and Wastewater Utility Rate Schedule Present Rates*

Capital Facility Assessment Charge:

Water	\$50 per year per residential unit for 30 years for installations between 1977-1991 \$75 per year per unit for 30 years for installations between 1991-2011
Sewer	\$50 per year per residential unit for 30 years for installations between 1977-1991 \$75 per year per unit for 30 years for installations between 1991-2011

Capital Facility Charge (Installations after 2011):

Water	\$3,200 per residential unit
Sewer.....	\$1,700 per residential unit

User Connection Charges:

Water	\$8,400 for a 1 inch line
Sewer.....	\$9,400 for a 4 inch line

Water and Sewer Fixed Charges for All Users:

<u>Meter Size</u>	<u>Fixed Charge Water</u>	<u>Fixed Charge Sewer</u>
1 inch or less	\$15.12	\$14.94
1 ½ inch	\$75.60	\$74.69
2 inch	\$120.95	\$119.49
3 inch	\$241.91	\$238.97
4 inch	\$377.98	\$373.39
6 inch	\$755.97	\$746.70

Water User Charge – Single Family Residential:

1 to 7,000 gallons	\$4.77 per 1,000 gallons each three months billing period
7,001 gallons to 20,000 gallons.....	\$9.55 per 1,000 gallons each three months billing period
All over 20,000 gallons	\$14.31 per 1,000 gallons each three months billing period

Water User Charge – Non-Residential and Multifamily:

All usage	\$7.10 per 1,000 gallons each three months billing period
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Wastewater User Charge – All Users:

All usage	\$6.57 per 1,000 gallons each three months billing period
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*Out-of-city customers are charged triple the in-City rates for water consumption and double the in-City rates for sewer services.
Source: City of Annapolis.

The following table indicates the results of operations for the Water Fund for each of the following five fiscal years ended June 30:

Water Fund					
Summary of Revenues and Expenditures					
	Actual Fiscal Year	Actual Fiscal Year	Actual Fiscal Year	Actual Fiscal Year	Actual Fiscal Year
	2020	2021	2022	2023	2024
Operating Revenues					
Charges for services	\$7,562,218	\$7,489,600	\$8,166,465	\$8,908,688	\$9,048,109
Other	794,647	318,811	276,837	230,218	120,501
Total operating revenues	\$8,356,865	\$7,808,411	\$8,443,302	\$9,138,906	\$9,168,610
Operating Expenses					
Salaries & benefits	\$1,933,612	\$1,691,102	\$2,215,199	\$2,258,090	\$2,383,009
Utilities	258,893	267,570	270,954	336,426	304,432
Repairs and maintenance	306,268	295,362	400,916	429,511	550,839
Materials and supplies	239,503	228,059	237,947	210,530	623,929
Contractual services	406,501	373,981	410,627	766,250	323,488
Administrative charge	677,000	627,900	684,000	528,000	654,000
Depreciation	1,128,113	1,121,490	1,111,561	1,103,065	1,099,689
Other	4,606	3,405	8,438	14,195,000	11,929
Total operating expenses	\$4,954,496	\$4,608,869	\$5,339,642	\$5,646,067	\$5,951,315
Operating income (loss)	\$3,402,369	\$3,199,542	\$3,103,660	\$3,492,839	\$3,217,295
Non-Operating Revenues (Expenses)					
Leases	-	-	-	-	-
Interest income	\$113,935	\$2,230	(951,684)	-	-
Interest expense	(1,769,493)	(1,498,201)	1,485,332	(1,174,180)	1,223,720
Bond Proceeds	-	-	-	(63,776)	-
Bond Issuance Costs	-	-	(153,752)	(38,608)	-
Total non-operating	(\$1,655,558)	(\$1,495,971)	(\$2,590,768)	(\$1,276,564)	\$1,223,720
Income (loss) before contributions and operating transfers	\$1,746,850	\$1,703,571	\$512,892	\$2,216,275	\$1,992,539
Loss on the sale of assets	-	-	-	-	-
Capital contributions	-	-	-	-	-
Transfers in	-	109,347	242,772	-	-
Transfers out	-	(963,341)	(1,278,123)	(1,232,887)	-
Change in net assets	\$1,746,850	\$849,577	(\$522,459)	\$983,388	\$1,992,539
Net position at beginning of year	\$23,028,453	\$24,775,303	\$22,903,393	\$22,380,934	\$23,364,322
Net position at end of year	\$24,774,303	\$25,624,880	\$22,380,934	\$23,364,322	\$25,356,861

Source: City of Annapolis.

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The following table presents an indication of the Water Fund trends

Water Fund Statement of Approved Budgets and Actual Operations			
	Actual Fiscal Year 2024	Amended Budget Fiscal Year 2025	Approved Budget Fiscal Year 2026
Operating Revenues			
Charges for services	\$ 9,048,109	\$ 9,261,200	\$ 9,966,800
Other	120,501	189,900	155,400
Total operating revenues	\$ 9,168,610	\$ 9,451,100	\$ 10,122,200
Operating Expenses			
Salaries & benefits	\$ 2,383,009	\$ 3,117,500	\$ 3,531,700
Utilities	304,432	390,000	400,200
Repairs and maintenance	550,839	587,000	618,500
Materials and supplies	623,929	409,600	423,300
Contractual services	323,488	512,000	576,900
Administrative charge	654,000	585,000	838,000
Depreciation (1)	1,100,725	-	-
Other	11,929	45,200	11,200
Total operating expenses	\$ 5,952,351	\$ 5,646,300	\$ 6,399,800
Operating income (loss)	\$ 3,216,259	\$ 3,804,800	\$ 3,722,400
Non-Operating Revenues (Expenses)			
Interest income	\$ -	\$ -	\$ -
Interest & Bond Issuance	(1,233,720)	(1,247,000)	(1,285,000)
Total non-operating	\$ (1,233,720)	\$ (1,247,000)	\$ (1,285,000)
Income (loss) before contributions and operating transfers	\$ 1,982,539	\$ 2,557,800	\$ 2,437,400
Loss on the sale of assets	-	-	-
Bond Proceeds	-	-	-
Transfer to Escrow Agent	-	-	-
Transfers in	-	-	-
Transfers out	-	(2,145,600)	(964,500)
Change in net assets	\$ 1,982,539	\$ 412,200	\$ 1,472,900

Source: City of Annapolis.

Note (1): Depreciation not budgeted in fiscal years 2025 and 2026.

2025 Budget and Estimated Results; 2026 Budget (Water Fund)

The Water Fund budget for expenditures and transfers for fiscal year 2025 was \$9,038,900. This compares with \$10,647,500 for fiscal year 2024 and \$9,951,900 budgeted for fiscal year 2023. The adopted operating budget for fiscal year 2026 includes total water fund revenues of \$10,122,200 and expenditures of \$8,649,300. The excess of revenue over expenditures is planned to build fund balance to help smooth rate increases over time. The City is funding approximately 25% of its annual capital expenditures with pay-go from operating revenue.

The following table indicates the results of operations for the Sewer Fund for each of the following five fiscal years ended June 30:

Sewer Fund					
Summary of Revenues and Expenditures					
	Actual Fiscal Year	Actual Fiscal Year	Actual Fiscal Year	Actual Fiscal Year	Actual Fiscal Year
	2020	2021	2022	2023	2024
Operating Revenues					
Charges for services	\$8,174,745	\$7,786,564	\$7,545,158	\$8,062,033	\$8,118,028
Other	-	-	208,448	11,379	171,228
Total operating revenues	\$8,174,745	\$7,786,564	\$7,753,606	\$8,073,412	\$8,289,256
Operating Expenses					
Salaries & benefits	\$890,161	\$668,992	\$599,465	\$875,622	\$983,471
Utilities	114,301	115,277	112,985	125,604	122,254
Repairs and maintenance	150,005	233,391	209,565	224,075	196,126
Materials and supplies	1,425	14,974	37,508	3,506,880	4,452,826
Contractual services	4,400,967	3,330,807	3,365,462	36,580	48,140
Administrative charge	546,000	460,300	455,000	503,000	599,000
Depreciation	720,195	728,302	733,399	707,132	708,854
Amortization	-	-	-	322	322
Other	2,998	5,377	1,961	2,702	3,923
Total operating expenses	\$6,826,052	\$5,557,420	\$5,515,345	\$5,981,917	\$7,114,916
Operating income (loss)	\$1,348,693	\$2,229,144	\$2,238,261	\$2,091,495	\$1,174,340
Non-Operating Revenues (Expenses)					
Leases	-	-	-	-	-
Interest income	\$113,935	\$2,321	\$304	-	-
Interest expense	(601,806)	(545,142)	(278,684)	(389,436)	(450,384)
Transfer to escrow agent for refunding	-	-	(2,060,977)	-	-
Bond Proceeds	-	-	-	-	-
Bond Issuance costs	-	-	(67,047)	(31,085)	-
Total non-operating	(\$487,871)	(\$542,821)	(\$2,406,404)	(\$420,521)	(\$450,384)
Income (loss) before contributions and operating transfers	\$860,822	\$1,686,323	(\$168,143)	\$1,670,974	\$723,956
Loss on the sale of assets	-	-	-	-	-
Capital contributions	-	-	-	-	-
Transfers in	-	935,841	276,183	24,697	-
Transfers out	-	(136,847)	(836,000)	(73,500)	-
Change in net assets	\$860,822	\$2,485,317	(\$727,960)	\$1,622,171	\$723,956
Net position at beginning of year restated	\$17,098,267	\$17,959,089	\$18,869,915	\$18,141,955	\$19,864,126
Net position at the end of year	\$17,959,089	\$20,444,406	\$18,141,955	\$19,864,126	\$20,588,082

Source: City of Annapolis.

The following table presents an indication of the Sewer Fund trends:

Sewer Fund Statement of Approved Budgets and Actual Operations			
	Actual Fiscal Year 2024	Amended Budget Fiscal Year 2025	Approved Budget Fiscal Year 2026
Operating Revenues			
Charges for services	\$8,118,028	\$ 8,183,000	\$ 8,624,400
Other	171,228	272,600	257,600
Total operating revenues	\$8,289,256	\$ 8,455,600	\$ 8,882,000
Operating Expenses			
Salaries & benefits	\$ 983,471	\$ 1,613,500	\$ 1,743,650
Utilities	122,254	130,000	133,000
Repairs and maintenance	196,126	315,300	320,500
Materials and supplies	48,140	61,000	64,100
Contractual services	4,452,826	4,091,800	5,381,300
Administrative charge	599,000	560,000	816,000
Depreciation (1)	709,176	-	-
Other	3,923	19,200	19,300
Total operating expenses	\$7,114,916	\$ 6,790,800	\$ 8,477,850
Operating income (loss)	\$1,174,340	\$ 1,664,800	\$ 404,150
Non-Operating Revenues (Expenses)			
Interest income	-	-	-
Interest and bond issuance	\$ (450,384)	\$ (444,000)	\$ (520,000)
Total non-operating	\$ (450,384)	\$ (444,000)	\$ (520,000)
Income (loss) before contributions and operating transfers	\$ 723,956	\$ 1,220,800	\$ (115,850)
Transfer to Escrow Agent	-	-	-
Transfers in	-	-	-
Transfers out	-	(1,037,500)	(758,000)
Change in net assets	\$ 723,956	\$ 183,300	\$ (873,850)

Source: City of Annapolis.

Note (1): Depreciation not budgeted in fiscal years 2025 and 2026.

2025 Budget and Estimated Results; 2026 Budget (Sewer Fund)

The Sewer Fund budget for expenditures and transfers for fiscal year 2025 was \$8,272,300. This compares with \$8,145,300 budgeted for fiscal year 2024, and \$8,554,600 for fiscal year 2023. The adopted operating budget for fiscal year 2026 includes total Sewer Fund revenues of \$8,882,000 and expenditures of \$9,755,850. The City is funding approximately 35% of its annual capital expenditures with pay-go from operating revenue.

SELECTED DEMOGRAPHIC AND ECONOMIC FACTORS

Population

After rapid growth in the decade between 1960 and 1970, the population of Annapolis has stabilized in the recent decades with moderate growth. The current population estimate as of July 1, 2024 is 40,689.

Population

<u>Year</u>	<u>Annapolis</u>	<u>Anne Arundel County</u>	<u>Maryland</u>
1960.....	23,385	206,634	3,101,390
1970.....	30,095	298,042	3,923,897
1980.....	31,740	370,775	4,193,378
1990.....	33,178	427,239	4,781,468
2000.....	35,838	489,656	5,296,486
2010.....	38,394	537,656	5,773,552
2020.....	40,812	588,261	6,177,224
2024.....	40,689	602,350	6,263,220

Source: U.S. Census Bureau..

Selected Population Characteristics

Median Age.....	40.9
Percent School Age (5-19).....	17.0%
Percent 65 or Older	19.3%
Number of Persons/Household	2.4
Percent 25 or older with 4 or more years of college	53.7%

Source: 2020 Census, U.S. Census Bureau, U.S. Department of Commerce – American Community Survey (2019-2023) and Applied Geographic Solutions.

Employment

The following is a summary comparing annual averages for Anne Arundel County, the City of Annapolis and the State of Maryland.

Employment and Unemployment Rate by Place of Residence

<u>Year</u>	<u>Anne Arundel County</u>		<u>City of Annapolis</u>		<u>Maryland</u>	
	<u>Employment</u>	<u>Unemployment Rate</u>	<u>Employment</u>	<u>Unemployment Rate</u>	<u>Employment</u>	<u>Unemployment Rate</u>
2024	309,154	2.7%	21,664	2.5%	3,149,292	3.0%
2023	306,309	1.9	21,464	1.9	3,128,710	2.2
2022	300,330	2.7	21,141	2.6	3,076,521	3.0
2021	291,183	4.4	20,629	4.6	2,999,053	5.2
2020	291,435	5.7	20,775	6.3	3,026,142	6.5

Source: Civilian Labor Force, Employment and Unemployment by Place of Residence. Department of Labor, Licensing and Regulation, Office of Labor Market Analysis and Information and the Bureau of Labor Statistics and Applied Geographic Solutions.

The diversity in employment of the City and the Greater Annapolis area is shown in the following table of the top major employers for 2024.

<u>Employer</u>	<u>Number of Employees</u>
State of Maryland.....	12,132
Anne Arundel County Government	5,190
United States Naval Academy	3,000
City of Annapolis Government	600
Annapolis Waterfront Hotel.....	215
St. John's College	200
Annapolis Yacht Club.....	200
(Comtech) TeleCommunications Systems, Inc.	200
Main & Market (Restaurant).....	180
Spa Creek Center Genesis Health Care.....	<u>160</u>
Total	22,077

Source: City of Annapolis.

Income

The following table provides the most recently published data on per capita income:

Anne Arundel County, Maryland And U.S. Per Capita Personal Income

<u>Calendar Year</u>	<u>Anne Arundel County</u>	<u>Maryland</u>	<u>U.S.</u>
2023	\$84,019	\$75,391	\$69,810
2022	79,335	71,340	66,244
2021	77,764	69,081	64,460
2020	72,136	64,884	59,123
2019	67,559	61,723	55,567
Percent Change 2019-2023....	19.6%	22.1%	25.6%

Source: Bureau of Economic Analysis – Table CAINC1 – February 20, 2025.

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Household Income

A comparison of Anne Arundel County and Maryland personal income is presented in the following table:

Year	Personal Income* (000's)		Percent Increase From Previous Year	
	Anne Arundel County	State	Anne Arundel County	State
2023	\$49,956,099	\$465,926,759	6.1%	6.0%
2022	47,073,458	439,741,284	2.2	3.1
2021	46,042,874	426,578,341	8.3	6.5
2020	42,495,866	400,576,357	7.5	5.3
2019	39,544,059	380,447,191	4.3	3.4

*Total personal income estimates are in thousands of dollars, not adjusted for inflation. Source: Bureau of Economic Analysis – Table CAINC1 – February 20, 2025.

Information regarding the value of building permits issued in the fiscal years 2021 through 2025 is presented in the following table:

Value of City Building Permits			
Year	Residential Construction Permits	Other Permits	Total
2025.....	\$48,399,706	\$51,402,164	\$99,801,870
2024.....	48,616,994	23,689,030	72,306,024
2023.....	14,622,404	3,075,548	17,697,952
2022.....	13,634,548	63,473,539	77,108,087
2021.....	52,213,833	89,058,579	141,272,412

Source: Department of Planning and Zoning.

Annapolis Tourism

The tourism industry in the City of Annapolis has evolved as an important, dynamic component of the Annapolis area economy. Annapolis has been welcoming visitors for more than 300 years. More than two million visitors annually indulge in our historic architecture, world-renowned cuisine, thriving maritime amenities and diverse cultural arts activities. It is a year-round destination.

Visitors to the capital city of Maryland come for the rich colonial and maritime history, boating and outdoor activities, state government offices and agencies, including the Maryland State House, the U.S. Naval Academy, St. John's College, plus special events, concerts, conferences, and trade shows.

From January to April of each year, the Maryland state legislature is in session, passing thousands of bills. During that time, more than 250,000 Marylanders visit their state capital to tour the Capital and ask legislators to support their causes. The Governor's Mansion sits in the historic district, just a block from the State House. It is a favorite tourist attraction for its Georgian-style architecture.

When the legislature recesses for the year, the spring and summer crowds begin to descend on the City, attracted by an active sailing and boating scene, a historic downtown area, including the colonial harbor and seaport known as "City Dock," and more than 600 restaurants and retail businesses are supported in a compact city of seven square miles.

In mid-summer, more than 4,400 United States Naval Academy midshipmen and women arrive to begin or continue their education at the second oldest military academy in the United States. Founded in 1845, the Naval Academy is highly selective, admitting only seven percent of applicants. The Naval Academy is the largest employer in the City and a top tourist destination.

Navy sports attract tens of thousands. The Navy-Marine Corps Memorial Stadium is regularly at capacity for home football games with up to 34,000 fans. The stadium is also home to the Annapolis Blues Football Club (soccer team), a National Premiere Soccer League franchise team which kicked-off its inaugural season in 2023.

Another college in the City, St. John's, has a smaller student body, with 400 students. Founded in 1696 as King William's School and chartered in 1784 as St. John's College in Annapolis, the school is one of only 25 colleges in the U.S. offering a "Great Books" curriculum. The annual "Annapolis Croquet Cup," pitting the United States Naval Academy Croquet team against St. John's College, attracts several thousand to the front lawn of St. John's College in the historic district.

In early October each year, the United States Powerboat and United States Sailboat shows come to Annapolis, attracting tens of thousands of people. These are the two largest in-water boat shows in the world.

Annapolis' ability to effectively capture the visitor market was significantly enhanced with the addition and renovation of thousands of hotel rooms in the immediate area within the past ten years. The accommodation of larger numbers of people overnight in the City and nearby area provides additional support to the visitor industry component of the local economy.

SALE AT COMPETITIVE BIDDING

The Bonds will be offered for sale by the City at competitive bidding on November 5, 2025 in accordance with the official Notice of Sale (the form of which is included herewith as Appendix D). The initial public reoffering prices set forth on the inside cover page are based on information furnished to the City by the successful bidder and may be changed by such successful bidder; the successful bidder may reoffer and sell the Bonds they have purchased to certain dealers (including dealers depositing bonds into investment trusts) and others at prices lower than the reoffering prices set forth on the inside cover page. Any other information concerning the terms of reoffering of the Bonds, if any, including yields or prices, should be obtained from the successful bidder and not from the City.

LITIGATION

The City is currently a defendant in a number of tort suits and suits alleging violations of individual civil rights. All suits against the City are being defended by the City's legal counsel. In the opinion of the City Attorney, after considering all relevant facts available at the completion of this Official Statement, such litigation is not expected to have a material adverse effect on the financial position of the City.

FINANCIAL ADVISOR

Davenport & Company LLC, Towson, Maryland (the "Financial Advisor") is a registered municipal advisor with the Municipal Securities Rulemaking Board and serves as financial advisor in connection with the issuance of the Bonds and other matters related to the City's finances. The Financial Advisor has not been engaged, nor has it undertaken, to audit, authenticate or otherwise verify the information set forth in this Official Statement, or any other related information available to the City, with respect to accuracy and completeness of disclosure of such information. The Financial Advisor makes no guaranty, warranty or other representation respecting the accuracy and completeness of this Official Statement or any other matter related to the Official Statement.

INDEPENDENT AUDITORS

The financial statements of the City of Annapolis, Maryland included in Appendix A to this Official Statement have been audited by UHY LLP, independent certified public accountants, to the extent and for the period indicated in their report thereon appearing herein. Such financial statements have been included in reliance upon the report of UHY LLP.

CONTINUING DISCLOSURE

In order to enable participating underwriters, as defined in Rule 15c2-12 of the Securities and Exchange Commission (“Rule 15c2-12”), to comply with the requirements of paragraph (b)(5) of Rule 15c2-12, the City will execute and deliver a continuing disclosure agreement (the “Continuing Disclosure Agreement”) on or before the date of issuance and delivery of the Bonds, the form of which is attached to this Official Statement as Appendix C. Purchasers of the Bonds should note that the definition of Listed Events in Appendix C is intended to completely restate the events specified in Rule 15c2-12. It is noted that certain Listed Events are expected to have no applicability to the Bonds, such as the possibility of unscheduled draws on debt service reserves and matters affecting collateral for the Bonds.

Except as otherwise disclosed herein, the City has complied in all material respects with the terms and conditions of its continuing disclosure agreements during the last five years. The continuing disclosure agreements previously entered into by the City require the City to file with the Municipal Securities Rulemaking Board (the “MSRB”) through the MSRB’s Electronic Municipal Market Access System (“EMMA”) the City’s annual audited financial statements and its annual financial information and operating data within 275 days after the end of the City’s fiscal year. The City filed the foregoing financial statements and information and operating data for the fiscal year ended June 30, 2020 on EMMA on August 25, 2021, after the deadline set forth in the City’s continuing disclosure agreements. In August 2021, the City failed to file notice on EMMA that Moody’s upgraded its rating on the City’s outstanding general obligation bonds from Aa2 to Aa1; the City has subsequently filed such notice on EMMA. In an effort to ensure that future filings will be made in a timely manner, the City has updated its procedures, and City personnel have received compliance training regarding the City’s continuing disclosure obligations.

MISCELLANEOUS

The summaries and explanations herein of provisions of the Enabling Laws and other materials are brief summaries of certain provisions thereof. Such summaries do not purport to be complete and reference is made to such instruments, documents and other materials for full and complete statements of the provisions thereof.

Any statements made in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are set forth as such and not as representations of fact, and no representation is made that any estimates will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the holders of any of the Bonds. The execution of this Official Statement and its delivery have been approved by the Mayor and Aldermen and Alderwomen of the City of Annapolis, Maryland.

The attached appendices are integral parts of this Official Statement and must read in their entirety together with all of the foregoing information.

The execution and delivery of this Official Statement have been approved by the City of Annapolis, Maryland.

CITY OF ANNAPOLIS

By: _____
Gavin Buckley
Mayor

By: _____
Brittany Moran
Finance Director

AUDITED FINANCIALS

City of Annapolis, Maryland

Annual Comprehensive **FINANCIAL REPORT**



For the Fiscal Year Ended June 30, 2024



CITY OF ANNAPOLIS

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year ended June 30, 2024

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 Mallinof, J.D.

Prepared By:
FINANCE DEPARTMENT

Jodee Dickison
Finance Director

CITY OF ANNAPOLIS

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INTRODUCTORY SECTION



March 28, 2025

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, 2024.

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, 2024, 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, 2024, 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 Capitol, 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, maintenance of streets and sidewalks, 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 30th. 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 departments or funds 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 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 no longer sees an impact on incoming revenues and tourism and local activity has returned to previous levels. The City depleted its CARES funding in fiscal year 2022, its transportation ARPA and CARES in fiscal year 2024. ARPA funds were used transit operations, community programs, and staffing. Remaining ARPA funds is fully expended or committed during fiscal year 2025.

Public Private Partnership

During fiscal 2022 the City joined with 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 and downtown meters and street parking is deposited into a trust to pay for the bonds and garage operations. The City receives semi-annual distribution of the excess revenue from the trust. In fiscal year 2023 and 2024, the City received the concession payments negotiated in the agreement and is using it for construction work at City Dock to address flooding. In fiscal year 2023, the City refinanced the sub-debt issued by MEDCO. The proceeds of the refunding bonds were added to the City Dock project to help fund the construction. The City is seeking grants for the remainder of the project.

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. 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

Looking forward, the City remains optimistic relative to its real property tax base. 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 triennial valuation, which will increase property values by 7.5%, took effect in fiscal year 2022. The 2025 reassessment saw an average of 20% increases in the assessed value of property. The increase will continue to be phased in over fiscal years 2025, 2026 and 2027.

Inflationary factors and intense competition in the workforce has impacted the costs of providing City services. Union negotiations for the next two years resulted in significant increases in the base salary for uniformed police in order to hire and retain officers. The City also adjusted the base salary for fire fighters during the negotiations in the spring of 2024. The City provided increases to the salary for all other staff. The City is monitoring State budget strain and actions at the Federal level to determine any impact on the City's many operating and capital grants.

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

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. Any employee not in OPEB plan, can participate in the City's VEBA plan, which receives matching City contributions.

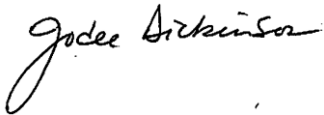
The City fully funds the annual contribution to the State plans and has been fully funding the Police & Fire pension plan since fiscal year 2019. The City plans to increase its OPEB funding each year until it reaches the actuary's determined annual contribution. Additional information on the City of 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, 2023. This was the thirty-fourth 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 Accounting Manager, Adenike Olajire. I express my appreciation to all members of the department and City 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:

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

Jodee Dickinson
Finance Director



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, 2023

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. Finalyson
5	DaJuan Gay
6	Robert Savidge
7	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



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, 2024, 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, 2024, 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 of Annapolis' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 March 28, 2025, 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, handwritten-style font, with "LLP" in a smaller, simpler font to the right.

Columbia, Maryland
March 28, 2025

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

CITY OF ANNAPOLIS, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2024

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, 2024. 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 1-5 of this report.

Financial Highlights

- At the end of fiscal year 2024, the City's assets and deferred outflows exceed liabilities and deferred inflows by \$129,350,367 (*net position*) an increase of \$33,756,903. Governmental activities accounted for \$23,880,692 of the increase and business-type activities accounted for \$9,876,211 compared to fiscal year 2023.

Governmental activities recognized an increase in revenues of approximately \$5.6 million, and expenses declined of \$13.1 million. The onetime concession payment in FY 2023 did not reoccur, thus there was a notable decline special items. FY 2023 saw a significant charge to pension expenses primarily in public safety due to changes in the salary of public safety and other actuarial factors. The pension adjustments were much lower in FY 2024, thus causing the decline in governmental expenses.

The City recorded business-type activities saw \$6.6 million growth in revenues and a \$1.9 million growth in expenses. A onetime receipt in FY 2024 of excess trust account balance of \$2.7 million was one factor in revenue growth for FY 2024 and the opening of the newly constructed Hillman garage increased parking charges by over \$4 million.

- At the close of fiscal year 2024, the City's governmental funds reported a combined ending fund balance of \$59,800,652, a net decrease of \$99,966 from the prior year. The General Fund increased marginally by \$3.4 million, while the Capital Projects Fund decreased by \$5.0 million due to the completion of major projects in FY 2023 and slow down of capital construction. The Non-major funds increased by \$1.5 million, primarily due to a significant critical area fee recorded in the Reforestation Fund. The large receipt was from the City's own City Dock flood mitigation project that is having a significant impact in the Critical Area and paid the fee as a part of the permitting process.

General Fund revenues increased modestly across all categories for a total revenue increase of \$5.6 million, or 6%. The most significant driver of revenue growth in the General Fund was an increase in interest and investment income, which resulted in additional revenue of \$1.3 million and ambulance service fees, which increased \$1.1 million. General Fund revenue increases were offset slightly by moderate increases in expenditures of \$3.1 million due to expected and modest pay increases provided to most employees and some inflation on other none payroll expenditures.

- 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 \$1.6 million and \$495,849, respectively.
- The decrease in the fund balance of the Capital Projects Fund was due the City not issuing any new bonds in FY 2024. Proceeds remain from the December 2022 issuance and there is still significant concession payment monies available.
- During fiscal year 2024 the City utilized any remaining CARES Act funding. The City received advance funding from the federal American Recovery Plan Act (ARPA). The City's ARPA allocation was \$7,609,469. The City used \$1.172 million in fiscal year 2021 for transportation activities, none in 2022 or 2023, and \$1.2 million in 2024. At June 30, 2024, unspent ARPA funds and related interest totaled approximately \$5.8 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.

CITY OF ANNAPOLIS, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2024

- Overall long-term liabilities for governmental activities decreased by approximately \$27.6 million. Business-type activities long-term liabilities decreased by \$4.1 million. This decrease was primarily driven by a significant drop in the City's pension liabilities and the continual pay down of existing debt with no new bond issuance in fiscal year 2024. Net pension liability is directly impacted by market conditions at the pension measurement date. The Fire and Police net pension liability is based upon market conditions at June 30, 2024; however, the State net pension liability's measurement date was June 30, 2023.
- 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 2024 resulted in additional 2024 real property tax revenue of \$1.2 million.
- The City's Fiduciary Funds' (Benefit Trust Funds) net position increased by \$20.0 million. Contributions and subsidies of \$36.0 million exceeded benefits and expenses of \$16.0 million. Significant market increases in investment value in both the Police and Fire Pension Trust Fund and OPEB Trust Fund lead to this increase.

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 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 25-26 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.

CITY OF ANNAPOLIS, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2024

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 27-36 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 31-34 of this report.

Fiduciary Funds

Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is 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.

CITY OF ANNAPOLIS, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2024

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 81-90 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 91-130 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 \$129,350,367 at the close of fiscal year 2024. The table on the following page presents a condensed statement of net position 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 net other post-employment benefits (OPEB) as required by GASB 68 and 75, respectively. 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 increased by \$33.8 million. This significant increase was driven by a decrease in long-term liabilities. The liability related to the City's two pensions decreased by \$12.9 million, the self-insurance liability decreased by \$2.0 million, and the City's bonded and long-term debt decreased by \$13.4 million. The Net Pension Liability for the Fire and Police plan grew by only \$1.1 million, however, the increase in the fiduciary assets grew by \$17.6 million due to a strong investment market. Thus, the unfunded liability dropped by \$16.5 million. The Self Insurance Fund completed certain cases favorably and the City was able to decrease the claims estimate accordingly. Additionally, other bonded and long-term debt decreased since the City did not issue any long-term bonds in FY2024 and continued to pay down prior debt issues.

CITY OF ANNAPOLIS, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2024

Net capital assets City-Wide increased by \$17.9 million primarily due to the net increases in land of \$1.7 million, improvements of \$9.7 million, and construction in progress of \$7.1 million. The City purchased a parcel of land adjacent to Carr's Beach for \$1.7 million. Ongoing construction and completion of City Dock, Carr's Beach, City roads, and certain sewer water infrastructure projects was responsible for the increase in construction in progress.

Net investment of capital assets increased by \$22.2 million. The restricted net assets decreased by \$3.6 million. The unrestricted net assets decreased by \$15.2 million. The unspent bond proceeds have been added to the first category to offset the debt incurred and outstanding related to these proceeds. In FY2023 the City included the unused bond proceeds in restricted net assets. However, it should have been included in the capital assets category to offset the related debt. The City corrected this in FY2024 and changed the prior column below to reflect the corrected presentation.

City of Annapolis Net Position						
	Governmental Activities		Business-type Activities		Total	
	FY2024	FY2023	FY2024	FY2023	FY2024	FY2023
Current assets	\$ 90,055,831	\$ 91,356,467	\$ 65,349,133	\$ 66,955,043	\$ 155,404,964	\$ 158,311,510
Noncurrent assets:						
Lease receivable	6,655,352	7,124,169	410,540	399,347	7,065,892	7,523,516
Restricted water and sewer capital facility assessments	-	-	3,572,293	3,953,216	3,572,293	3,953,216
Net capital assets	<u>171,884,851</u>	<u>159,687,650</u>	<u>143,034,257</u>	<u>137,375,890</u>	<u>314,919,108</u>	<u>297,063,540</u>
Total noncurrent assets	<u>178,540,203</u>	<u>166,811,819</u>	<u>147,017,090</u>	<u>141,728,453</u>	<u>325,557,293</u>	<u>308,540,272</u>
Total assets	<u>268,596,034</u>	<u>258,168,286</u>	<u>212,366,223</u>	<u>208,683,496</u>	<u>480,962,257</u>	<u>466,851,782</u>
Deferred outflows of resources	<u>15,692,857</u>	<u>28,541,906</u>	<u>3,715,026</u>	<u>3,421,648</u>	<u>19,407,883</u>	<u>31,963,554</u>
Current liabilities	30,017,244	33,082,088	11,374,345	12,320,247	41,391,589	45,402,335
Noncurrent liabilities	160,966,081	188,539,351	111,665,650	115,727,340	272,631,731	304,266,691
Total liabilities	<u>190,983,325</u>	<u>221,621,439</u>	<u>123,039,995</u>	<u>128,047,587</u>	<u>314,023,320</u>	<u>349,669,026</u>
Deferred inflows of resources	<u>33,556,621</u>	<u>29,220,500</u>	<u>23,439,832</u>	<u>24,332,346</u>	<u>56,996,453</u>	<u>53,552,846</u>
Net position						
Net investment in capital	107,770,883	87,660,637	29,886,213	27,780,653	137,657,096	115,441,290
Restricted	6,995,276	10,670,917	-	-	6,995,276	10,670,917
Unrestricted	<u>(55,017,214)</u>	<u>(62,463,301)</u>	<u>39,715,209</u>	<u>31,944,558</u>	<u>(15,302,005)</u>	<u>(30,518,743)</u>
Total net position	<u>\$ 59,748,945</u>	<u>\$ 35,868,253</u>	<u>\$ 69,601,422</u>	<u>\$ 59,725,211</u>	<u>\$ 129,350,367</u>	<u>\$ 95,593,464</u>

The net position for business-type activities increased by \$9.9 million. Total business-type assets increased by \$3.7 million due to continuing construction activity and liabilities decreased by \$5.0 million due to continual pay down of existing bonds. The increase in the net position was due to the Parking Fund revenue influx from the new Noah Hillman Garage coming online in June 2023, better enforcement for street parking, and receipt of reserve balances from the P3 debt issuance returned to the City at garage completion.

Revenues from governmental activities by \$5.6 million and business-type activities increased by \$6.6 million. Governmental activities realized increases in Charges for services of \$3.6 million (28%); a decrease of \$2.0 million (23%) in capital grants and an increase in other general revenues of \$2.0 (61%). Additional fees for ambulance services increased from \$3.0 million to \$4.2 million and interest earnings on all deposits increased by \$1.8 million because of the increased interest rates.

The primary cause for the increase in revenues from business-type activities was the opening of the parking garage and other factors affecting the Parking Fund as previously discussed. Parking Fund operating revenue increased from \$6.2 million to \$10.4 million. The remaining increase in revenue was due to modest changes in the revenues of the utility funds.

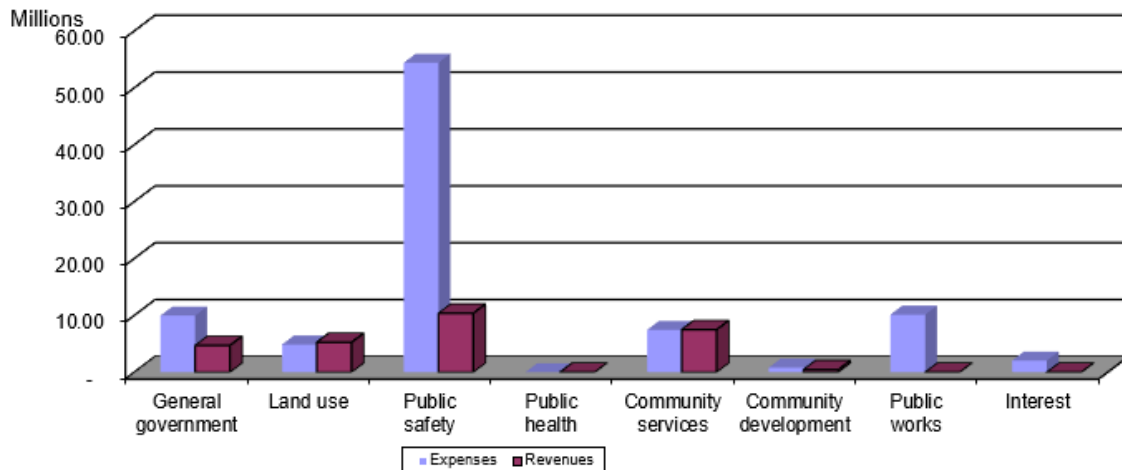
CITY OF ANNAPOLIS, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2024

City of Annapolis
Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	FY2024	FY2023	FY2024	FY2023	FY2024	FY2023
Revenues:						
Program revenues:						
Charges for services	\$ 16,300,180	\$ 12,744,255	\$ 33,674,823	\$ 28,565,650	\$ 49,975,003	\$ 41,309,905
Operating grants and contributions	5,249,342	4,818,232	2,816,227	3,706,295	8,065,569	8,524,527
Capital grants and contributions	6,715,648	8,760,573	773,212	1,093,896	7,488,860	9,854,469
General revenues:						
Property and other taxes	81,201,639	79,498,147	-	-	81,201,639	79,498,147
Other general revenues	5,262,317	3,273,529	3,180,632	472,296	8,442,949	3,745,825
Total revenue	114,729,126	109,094,736	40,444,894	33,838,137	155,174,020	142,932,873
Expenses:						
General government	9,953,553	10,546,689	-	-	9,953,553	10,546,689
Land use	4,877,156	4,735,878	-	-	4,877,156	4,735,878
Public safety	54,406,045	65,336,885	-	-	54,406,045	65,336,885
Community services	7,436,079	8,933,470	-	-	7,436,079	8,933,470
Community development	801,681	403,112	-	-	801,681	403,112
Public works	10,127,555	10,828,333	-	-	10,127,555	10,828,333
Interest	2,050,265	1,938,674	-	-	2,050,265	1,938,674
Sewer	-	-	7,565,300	6,402,438	7,565,300	6,402,438
Water	-	-	7,176,071	6,922,631	7,176,071	6,922,631
Off street parking	-	-	5,588,704	5,919,037	5,588,704	5,919,037
Transportation	-	-	6,278,134	5,783,275	6,278,134	5,783,275
Watershed restoration	-	-	1,524,660	1,483,945	1,524,660	1,483,945
Refuse	-	-	3,631,914	3,387,303	3,631,914	3,387,303
Total expenses	89,652,334	102,723,041	31,764,783	29,898,629	121,417,117	132,621,670
Excess (deficiency) before special items	25,076,792	6,371,695	8,680,111	3,939,508	33,756,903	10,311,203
Special item - concession payment	-	11,961,943	-	-	-	11,961,943
Transfers	(1,196,100)	1,185,690	1,196,100	(1,185,690)	-	-
Changes in net position	23,880,692	19,519,328	9,876,211	2,753,818	33,756,903	22,273,146
Net position at beginning of year	35,868,253	16,348,925	59,725,211	56,971,393	95,593,464	73,320,318
Net position at end of year	\$ 59,748,945	\$ 35,868,253	\$ 69,601,422	\$ 59,725,211	\$ 129,350,367	\$ 95,593,464

Expenses in the governmental activities decreased by \$13.1 million and business type increase by only \$1.9 million. The decline in governmental activities was primarily driven to the decreases in the pension liability (\$13.7 million), OPEB liability (\$3.9 million), and the self-insurance claims liability (\$2.0 million). Market growth was the driver for the Pension and OPEB changes and positive outcomes and adjustment to claims reserves drove the decline in the claims liability. The increase in business-type expenses was driven by an increase in annual depreciation expense for the new Hillman Garage.

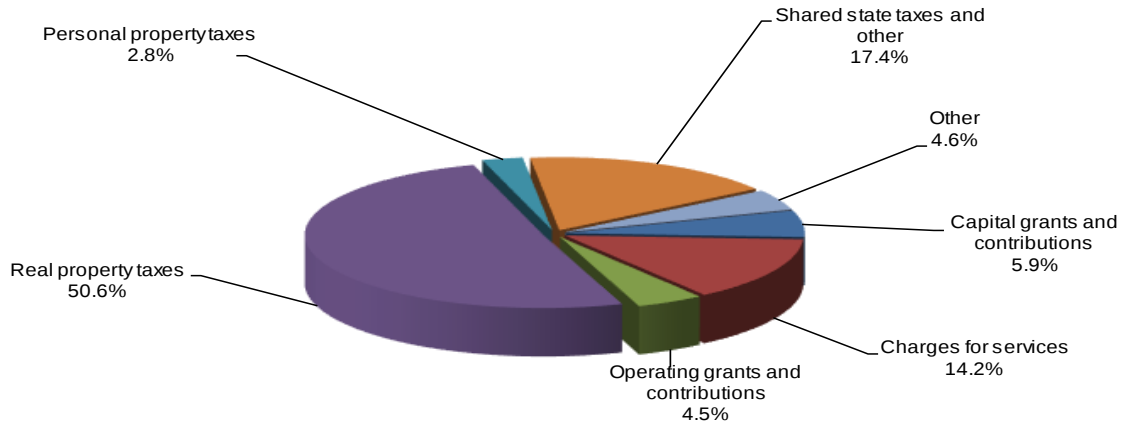
Expenses and Program Revenues - Governmental Activities
For the year ended June 30, 2024



**CITY OF ANNAPOLIS, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2024**

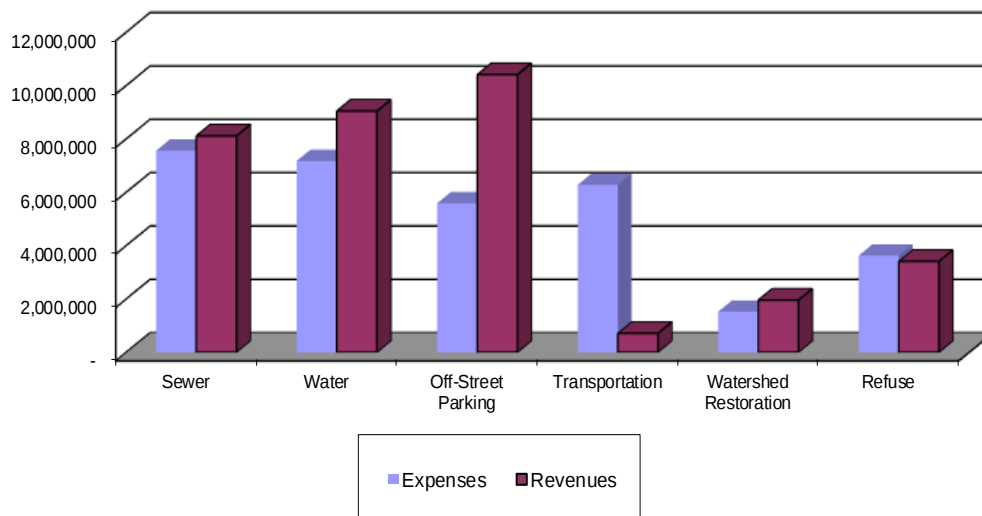
The graph on the previous page compares the expenses within the functions of the City's governmental activities to the program revenues earned within each function. Program revenues are fees, charges, and grants that offset the cost of those functions. Functions that are not supported by program revenues 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, 2024**



The pie chart above shows that capital grants and contributions make up 5.9% of the revenues within the governmental activities compared to 8.0% in fiscal year 2023. Operating grants and contributions represent 4.5% of revenues in fiscal year 2024 up from 4.4% in fiscal year 2023. Charges for services represented 14.2% of governmental activities revenue in fiscal year 2024 and 11.7% for fiscal year 2023. The capital contributions in FY2023 included a \$6.5 million Program Open Space grant from the State of Maryland used to purchase Carr's Beach. There were no comparable large purchase in FY2024. The Charges for Services category increased its portion due to the ambulance fees discussed earlier and a \$1.8 million permit fee received by the Reforestation fee from the City Dock Project.

**Expenses and Program Revenues - Business-type Activities
For the year ended June 30, 2024**

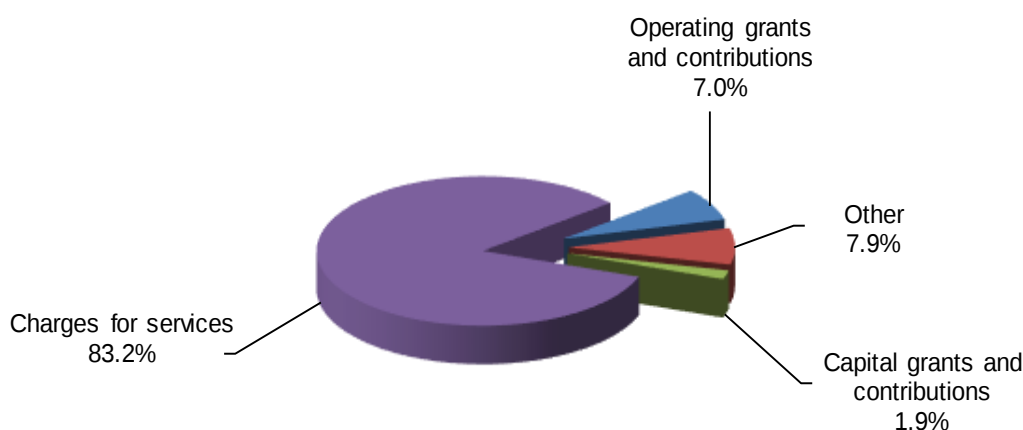


CITY OF ANNAPOLIS, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2024

The chart 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 \$2.8 million in grants but does not include the \$1,498,000 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 2024 of \$200,819. The City has set refuse fees to draw down on the net asset balance thus smoothing out rate increases.

The pie chart below shows that charges for services make up 83.2% of the revenues within the business-type activities compared to 84.3% in the prior year. Charges for services and other revenue increased across all business type funds, especially in Off-Street Parking, which had a \$4.2 million increase. Operating grants and contributions decreased to 7.0% in fiscal year 2024 from 11.0% in fiscal year 2023. This decline was primarily due to Transportation Fund's grants declined in FY2024 from \$3.7 million to \$2.8 million; however, \$825,000 of ARPA funds are coming to the fund in an inter-fund transfer. Other revenues made up 7.9% in FY2024 but only 1.4% in FY2023. The other revenue of \$2.7 million in the Parking Fund is the primary cause. This revenue was a one-time return of trust reserve balances from the P3 bond sale paid to the City upon Hillman garage completion.

Revenues by Source - Business-type Activities
For the year ended June 30, 2024



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 2024, the City's governmental funds reported a combined ending fund balance of \$59,800,652, a decrease of \$99,966. The fund balance has restrictions for public safety, community services, land use, and capital projects totaling \$17,137,618. The City has also committed \$9,386,774 in a capital reserve and \$3,733,098 in a budget stabilization reserve. The nonspendable portion for inventories and leases is a total of \$468,944.

CITY OF ANNAPOLIS, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2024

The General Fund's fund balance increased by \$3.4 million as a result of \$5.7 million in additional revenues largely related to interest earnings and intergovernmental sources each growing by \$1.4 million, and charges for services increasing \$1.1 million. These General Fund revenues were offset by a total increase in expenditures of \$3.1 million or 3.4%. In general, salary and benefits drove the increases, an anticipated outcome of the union contracts implemented in fiscal year 2023 which extended to FY2024.

The Capital Projects Fund balance decreased by \$5.0 million. Capital construction continued; however, revenues included only interest earned on restricted cash of \$2.0 million and \$3.2 million of grant revenues, pay go funds from the General Fund of \$2.7 million, consistent with prior year, and two outside capital contributions. The County contributed \$500,000 to the purchase of the Moore property adjacent to Carr's Beach and BGE contributed \$729,778 to repair roadways damaged by gas main repairs. No new bond issuance resulted in no significant new sources of revenue.

One of the non-major funds received a \$1.8 million permit fee from the City Dock capital projects resulting in an overall increase to the non-major funds' balance of \$1.5 million.

Finally, the City has assigned fund balance of \$1,601,764 for encumbrances outstanding at the end of fiscal year 2024, and set aside \$8,815,286 for contingencies and other one-time purposes as required by the City's fund balance policy. Of the assignment for one-time purposes, \$4,488,900 was allotted for specific uses in FY2025, including an extra transfer to the Self Insurance Fund to shore up the net assets, bonuses for City employees, a reserve for police signing bonuses, other pilot programs and studies, and other initiatives as directed by the City 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 2023 total of \$7,783,730. The City used \$2,780,970 of the CRF for capital projects during fiscal year 2024 and added \$4,525,444 from fiscal year 2024 activity, resulting in \$9,386,774 at June 30, 2024. The BSF increased by \$128,995 during the current year to \$3,733,098, 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 \$9.9 million with an ending balance of \$69.6 million. The net investment in capital assets was \$29.9 million, leaving an unrestricted net position of \$39.7 million. The restricted cash held by trustees or in restricted accounts totals \$18.4 million, which represents Series 2022A unspent bond funding.

In past years the Transportation Fund 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 \$566,935, a decrease of \$1 million from the prior year. 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.

The City uses four internal service funds to account for its self-insurance and fleet activities. The Self Insurance Fund had a \$1.3 million deficit at the end of fiscal year 2024, an improvement from FY2023 which had sharp decline from prior years. The decrease between fiscal year 2022 and fiscal year 2023 was \$5.5 million. The bulk of this deficit was 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 City provided additional contributions to the Self Insurance Fund in FY2024 and the claims reserve declined \$2.0 million at June 30, 2024. The Health Insurance Fund's net position at the end of fiscal year 2023 was \$2.4 million, an increase of \$1.6 million.

CITY OF ANNAPOLIS, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2024

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 2024 by \$1.9 million. This increase represents increases in transfers from other funds throughout the City for the purchase of new vehicles. The accumulation of net position will allow for cash purchases of vehicles instead of incurring debt.

Fleet Operations added \$163,235 to its net position in fiscal year 2024, creating a surplus in this fund for the third 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 \$823,311. This largely reflects the City's decision to use one time fund and capital reserves, which increased budgeted transfers by \$314,500 and use of the contingency budget for unanticipated needs. One-time funds were used to provide funding for Transit Electric Carts (\$32,000), and to the Office of Law to pay for legal services for union negotiations and specialized property research (\$199,200). The Capital Reserves were used for Brewer's Hill Cemetery (\$20,000) and \$262,500 for emergency repairs to Hilltop Culvert. Budgeted contingency of \$256,310 was transferred to Integrated Technology Solutions to pay for increases to software costs.

The City's General Fund spent \$9.1 million less than its total adjusted budget appropriations. City-wide there were significant savings in salary and benefit costs of \$6.5 million, particularly in public safety. The Police Department was under budget in total by \$3.6 million with \$2.8 million deriving from vacancies. The Fire Department underspent by \$2.0 million, with \$1.9 million from salary & benefits savings. Transfers to other funds is over budget by approximately \$363,000 as the General Fund and the Grant Fund had unplanned transferred funds in and out to correct the funding shown in the Grants Fund. The net impact to the General Fund between transfers in and out was zero. 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 2024.

General Fund revenues ended the year \$1.1 million higher than the adjusted anticipated amount of \$104,838,398. Intergovernmental revenue was budgeted to include American Rescue Plan Act (ARPA) funding in fiscal year 2024 of \$3.5 million. The City only used \$409,250 of these funds in fiscal year 2024, which appears on the Detailed Schedules of Revenues Compared to Budget as the largest under budget item. This under realization was offset by over realized amounts in Money and Property (\$1.4 million), Ambulance Fees (\$1.2 million), Rental Fees (\$618,649), administrative overhead from capital projects (\$482,742), transfer in from the Grant Fund discussed earlier and building permits (\$500,000). (See page 89, 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, 2024 is \$314,919,108, net of accumulated depreciation, an increase of \$17.9 million from the prior year. Improvements other than buildings show the greatest increase with an additional \$9.7 million. These changes were caused by governmental activities increase to CIP of \$12.1 million and Land \$1.7 million. The City followed its FY 2023 purchase of Carr's Beach with the purchase of an adjacent property with a cost of \$1.7 million. Other governmental activities projects that incurred significant additions to CIP are Roadways, City Dock Resiliency, and West – East Bike Expressway. Business type activities saw \$12.2 million move from CIP to Improvements and CIP increases of \$9.6 million. Sewer and Water Funds continued updates, repairs, and maintenance its distribution and treatment assets with the completion of improvements and ongoing construction.

CITY OF ANNAPOLIS, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2024

Additional information can be found in the notes to the financial statements, Note 4, Capital Assets and Depreciation.

City of Annapolis Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	FY2024	FY2023	FY2024	FY2023	FY2024	FY2023
Land	\$ 19,434,496	\$ 17,694,496	\$ 3,222,742	\$ 3,222,742	\$ 22,657,238	\$ 20,917,238
Buildings	42,686,839	41,597,722	50,059,870	52,356,748	92,746,709	93,954,470
Improvements/infrastructure other than buildings	68,305,509	68,971,655.00	60,672,848	50,278,786	128,978,357	119,250,441
Equipment	8,077,214	6,604,596	511,505	434,240	8,588,719	7,038,836
Construction in progress	27,449,392	17,849,537	28,526,075	31,073,204	55,975,467	48,922,741
Right-to-use leased assets	4,679,400	5,437,084	5,950	7,649	4,685,350	5,444,733
Right-to-use subscription assets	1,252,001	1,532,560	35,267	2,521	1,287,268	1,535,081
Total	\$ 171,884,851	\$ 159,687,650	\$ 143,034,257	\$ 137,375,890	\$ 314,919,108	\$ 297,063,540

Long-Term Debt

At the end of the current fiscal year, the City had total general bonded debt outstanding of \$149,765,001, excluding premium and refunding losses. This represents a net decrease to total bonded debt of \$9.4 million. As noted earlier, the City continued to pay down existing bonds and did not require additional bonds in FY 2024 as there are still proceeds remaining from the previous bond sale.

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.

At June 30, 2024, other debt outstanding included \$3,535,782 for the equipment financing lease, and \$20,761,079 for a State of Maryland water quality loan. The City has long-term lease financing obligations of \$4.9 million and software subscription liabilities of \$1.2 million.

City of Annapolis
Outstanding Bonds and Loans

	Governmental Activities		Business-type Activities		Total	
	FY2024	FY2023	FY2024	FY2023	FY2024	FY2023
General obligation bonds	\$ 63,566,741	\$ 69,323,340	\$ 86,198,260	\$ 89,848,661	\$ 149,765,001	\$ 159,172,001
Equipment loan	3,535,782	4,689,420	-	-	3,535,782	4,689,420
Maryland Water Quality Loan	-	-	20,761,079	21,758,921	20,761,079	21,758,921
Lease liabilities	4,930,546	5,592,939	6,313	7,800	4,936,859	5,600,739
Subscription liabilities	1,220,155	1,505,961	18,142	2,085	1,238,297	1,508,046
Total	\$ 73,253,224	\$ 81,111,660	\$ 106,983,794	\$ 111,617,467	\$ 180,237,018	\$ 192,729,127

The City's net total debt decreased by \$11.6 million (20.0%) during fiscal year 2024. The City did not issue any new bonded debt or other loans during the fiscal year and paid down existing debt.

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 51-55 of this report.

CITY OF ANNAPOLIS, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2024

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 drew on ARPA Funds in FY2021 through FY 2024, and plans to utilize remaining ARPA funding for new initiatives if funds remain at the end of fiscal year 2025.

At June 30, 2024, inflation levels are not growing as quickly but interest rates remain high. 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. political changes, implementation of numerous changes at the federal level, and international events continue to contribute to economic uncertainty.

Although the City has recently seen an influx of candidates from the federal sphere, 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 union agreements have been renegotiated for FY 2025 and 2026, resulting in some further increases to the base pay of fire and police and the City restructured its employee pay scales.

The focus for fiscal year 2025 is to control expenses within budget limits and use all remaining ARPA funds. The fiscal year 2025 budget was built with the expectation all ARPA will be spent or obligated for purposes designated during the budget proceedings. The performance of new Hillman Garage and parking receipts has made the P3 arrangement a success so far and collections are exceeding expectations. However, the State has flattened the operational grants for transportation which is putting pressure on the Parking Fund to provide a larger subsidy. If the Parking Fund cannot keep up with Transportation needs, the City will have to develop a plan for long term support for transportation or services will have to be restructured.

Local governments are experiencing pressure on grants from the State and Federal levels. The State is addressing a budget shortfall and some programs have already reduced grants allotted to the City. The City received notification on pauses on federal initiatives as well. This could have an impact on funding that the City uses for operations and for the many construction projects currently planned to use grant monies.

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 2024 and 2025. The FY 2025 triennial reassessment resulted in a 20.5% increase on average phased in over 2025, 2026, and 2027. However, that substantial growth will be tempered because many more properties had increases that exceeded the City homestead tax credit cap of 10%.

CITY OF ANNAPOLIS, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2024

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
STATEMENT OF FINANCIAL POSITION
June 30, 2024

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 50,734,082	\$ 35,974,219	\$ 86,708,301
Cash and cash equivalents - restricted	29,818,970	18,350,181	48,169,151
Accrued interest receivable on leases	38,478	-	38,478
Receivables, net of allowances	7,485,252	10,551,079	18,036,331
Leases receivable	724,965	-	724,965
Internal balances	304,435	(304,435)	-
Inventories	230,659	488,720	719,379
Prepaid items	718,990	289,369	1,008,359
Total Current Assets	<u>90,055,831</u>	<u>65,349,133</u>	<u>155,404,964</u>
Non-Current Assets:			
Lease receivable, non-current	6,655,352	410,540	7,065,892
Restricted water and sewer capital facility assessments	-	3,572,293	3,572,293
Right to use lease capital assets, net of amortization	4,679,400	5,950	4,685,350
Right to use subscription capital assets, net of amortization	1,252,001	35,267	1,287,268
Capital assets, not being depreciated	46,883,889	31,748,817	78,632,706
Capital assets, net of depreciation	<u>119,069,561</u>	<u>111,244,223</u>	<u>230,313,784</u>
Total Non-Current Assets	<u>178,540,203</u>	<u>147,017,090</u>	<u>325,557,293</u>
Total Assets	<u>268,596,034</u>	<u>212,366,223</u>	<u>480,962,257</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred outflows related to pensions	13,211,834	2,443,856	15,655,690
Deferred outflows related to OPEB	1,513,864	121,183	1,635,047
Deferred loss on refunding	967,159	1,149,987	2,117,146
Total Deferred Outflow of Resources	<u>15,692,857</u>	<u>3,715,026</u>	<u>19,407,883</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	5,098,912	3,099,526	8,198,438
Accrued payables and other liabilities	2,689,896	1,364,614	4,054,510
Customer deposits	8,000	12,493	20,493
Compensated absences	2,788,644	391,131	3,179,775
Unearned revenue	6,425,225	292,290	6,717,515
Escrowed funds	1,061,238	156,147	1,217,385
Accrued interest	1,065,617	1,335,703	2,401,320
Current portion of claims	2,298,064	-	2,298,064
Current portion long-term debt - Leases	692,353	1,896	694,249
Current portion long-term debt - Subscriptions	247,649	10,000	257,649
Current portion long-term debt	<u>7,641,646</u>	<u>4,710,545</u>	<u>12,352,191</u>
Total Current Liabilities	<u>30,017,244</u>	<u>11,374,345</u>	<u>41,391,589</u>
Non-Current Liabilities:			
OPEB liability	18,525,466	1,482,977	20,008,443
Accrued self insurance costs, net of current portion	6,213,284	-	6,213,284
City pension liability - State pension system	17,375,489	5,436,221	22,811,710
Police & Fire pension liability	52,210,021	-	52,210,021
Long-term debt, net of current portion - Leases	4,238,193	4,417	4,242,610
Long-term debt, net of current portion - Subscriptions	972,506	8,142	980,648
Long-term debt, net of current portion	<u>61,431,122</u>	<u>104,733,893</u>	<u>166,165,015</u>
Total Non-Current Liabilities	<u>160,966,081</u>	<u>111,665,650</u>	<u>272,631,731</u>
Total Liabilities	<u>190,983,325</u>	<u>123,039,995</u>	<u>314,023,320</u>
DEFERRED INFLOW OF RESOURCES			
Leases	7,010,418	368,306	7,378,724
Deferred inflows related to pensions	8,242,846	422,210	8,665,056
Deferred inflows related to OPEB	18,303,357	1,465,199	19,768,556
Deferred inflows related to Hillman Garage & City Dock	-	21,184,117	21,184,117
Total Deferred Inflow of Resources	<u>33,556,621</u>	<u>23,439,832</u>	<u>56,996,453</u>
NET POSITION			
Net investment in capital assets	107,770,883	29,886,213	137,657,096
Restricted for:			
Capital projects	2,201,040	-	2,201,040
Land Use	1,836,984	-	1,836,984
Public Safety	711,379	-	711,379
Community services	2,245,873	-	2,245,873
Unrestricted	<u>(55,017,214)</u>	<u>39,715,209</u>	<u>(15,302,005)</u>
Total Net Position	<u>\$ 59,748,945</u>	<u>\$ 69,601,422</u>	<u>\$ 129,350,367</u>

See notes to financial statements.

CITY OF ANNAPOLIS, MARYLAND
STATEMENT OF ACTIVITIES
Year ended June 30, 2024

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	Governmental Activities	Business-Type Activities	
Governmental Activities:							
General Government	\$ 9,953,553	\$ 1,395,149	\$ 1,234,250	\$ 2,081,402	\$ (5,242,752)	\$ -	\$ (5,242,752)
Land Use and Permits	4,877,156	5,256,677	-	-	379,521	-	379,521
Public Safety	54,406,045	6,588,259	3,781,497	-	(44,036,289)	-	(44,036,289)
Community Services	7,436,079	3,060,095	133,595	4,285,728	43,339	-	43,339
Community Development	801,681	-	100,000	348,518	(353,163)	-	(353,163)
Public Works	10,127,555	-	-	-	(10,127,555)	-	(10,127,555)
Interest on Long Term Debt	2,050,265	-	-	-	(2,050,265)	-	(2,050,265)
Total Governmental Activities	89,652,334	16,300,180	5,249,342	6,715,648	(61,387,164)	-	(61,387,164)
Business-Type Activities:							
Sewer	7,565,300	8,118,028	-	-	-	552,728	552,728
Water	7,176,071	9,048,109	-	-	-	1,872,038	1,872,038
Off-Street Parking	5,588,704	10,414,283	-	773,212	-	5,598,791	5,598,791
Transportation	6,278,134	716,992	2,816,227	-	-	(2,744,915)	(2,744,915)
Watershed Restoration	1,524,660	1,961,014	-	-	-	436,354	436,354
Refuse	3,631,914	3,416,397	-	-	-	(215,517)	(215,517)
Total Business-Type Activities	31,764,783	33,674,823	2,816,227	773,212	-	5,499,479	5,499,479
Total	121,417,117	49,975,003	8,065,569	7,488,860	(61,387,164)	5,499,479	(55,887,685)
General Revenues:							
Property Taxes					61,264,382	-	61,264,382
Shared state taxes and other					19,937,257	-	19,937,257
Interest and investment earnings					4,174,816	2,706,124	6,880,940
Miscellaneous					1,087,501	474,508	1,562,009
Transfers					(1,196,100)	1,196,100	-
Total general revenues and transfers					85,267,856	4,376,732	89,644,588
Change in net position					23,880,692	9,876,211	33,756,903
Net position as of beginning of year					35,868,253	59,725,211	95,593,464
Net position at end of year					\$ 59,748,945	\$ 69,601,422	\$ 129,350,367

See notes to financial statements.

FUND FINANCIAL STATEMENTS

CITY OF ANNAPOLIS, MARYLAND
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2024

	General	Capital Projects	Non-Major Governmental Funds	Totals
ASSETS				
Cash and cash equivalents	\$ 33,323,641	\$ -	\$ 4,647,326	\$ 37,970,967
Cash and cash equivalents - restricted	-	24,025,901	5,793,069	29,818,970
Receivables, net of allowances	5,226,621	300,085	1,644,907	7,171,613
Due from other funds	11,357,412	-	-	11,357,412
Leases Receivable	7,380,317	-	-	7,380,317
Accrued Interest Receivable - Leases	38,478	-	-	38,478
Inventories	97,045	-	-	97,045
Total assets	<u>\$ 57,423,514</u>	<u>\$ 24,325,986</u>	<u>\$ 12,085,302</u>	<u>\$ 93,834,802</u>
LIABILITIES				
Accounts payable	2,353,706	1,696,085	178,419	4,228,210
Accrued expenses and other liabilities	2,475,204	127,460	62,328	2,664,992
Customer deposits	8,000	-	-	8,000
Due to Other Funds	262,500	9,789,697	1,000,780	11,052,977
Unearned revenue	-	556,191	5,869,034	6,425,225
Escrowed funds	1,061,238	-	-	1,061,238
Total liabilities	<u>6,160,648</u>	<u>12,169,433</u>	<u>7,110,561</u>	<u>25,440,642</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	1,583,090	-	-	1,583,090
Leases	7,010,418	-	-	7,010,418
Total deferred inflows of resources	<u>8,593,508</u>	<u>-</u>	<u>-</u>	<u>8,593,508</u>
FUND BALANCE				
Non Spendable:				
Inventories	97,045	-	-	97,045
Leases	369,899	-	-	369,899
Restricted for:				
Public Safety	-	-	711,379	711,379
Community Services	-	-	2,245,873	2,245,873
Land Use			1,836,984	1,836,984
Capital Projects		12,156,553	186,829	12,343,382
Committed for:				
Capital Reserve Fund	9,386,774	-	-	9,386,774
Budget Stabilization Fund	3,733,098	-	-	3,733,098
Assigned for:				
Encumbrances:				
General Government	220,959	-	-	220,959
Land Use and Permits	90,315	-	-	90,315
Public Safety	750,212	-	-	750,212
Public Works	393,978	-	-	393,978
Community Services	145,800	-	-	145,800
Community Development	500	-	-	500
Other One-Time Costs	8,815,286	-	-	8,815,286
Unassigned	18,665,492	-	(6,324)	18,659,168
Total fund balances	<u>42,669,358</u>	<u>12,156,553</u>	<u>4,974,741</u>	<u>59,800,652</u>
Total liabilities, deferred inflow of resources, and fund balances	<u>\$ 57,423,514</u>	<u>\$ 24,325,986</u>	<u>\$ 12,085,302</u>	<u>\$ 93,834,802</u>

See notes to financial statements.

CITY OF ANNAPOLIS, MARYLAND
RECONCILIATION OF THE BALANCE SHEETS OF THE GOVERNMENTAL
FUNDS TO NET POSITION OF GOVERNMENTAL ACTIVITIES
June 30, 2024

Total Governmental Fund Balances		\$ 59,800,652
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.		165,744,097
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds		1,583,090
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds		
Compensated absences	\$ (2,715,855)	
Accrued interest	(1,020,896)	
Lease Liability	(4,930,546)	
Subscription Liability	(1,220,155)	
OPEB	(18,368,505)	
Net pension liability	<u>(69,010,129)</u>	
		(97,266,086)
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	(65,536,986)	
Loss on refunding deferred outflow	<u>967,159</u>	
		(64,569,827)
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.		4,755,014
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.		(16,647,241)
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>6,349,246</u>
Net position of Governmental Activities		<u><u>\$ 59,748,945</u></u>

See notes to financial statements.

CITY OF ANNAPOLIS, MARYLAND
STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
Year ended June 30, 2024

	General	Capital Projects	Non-Major Governmental Funds	Totals
REVENUES				
Property taxes	\$ 61,264,382	\$ -	\$ -	\$ 61,264,382
Licenses and permits	3,876,125	-	-	3,876,125
Fines and forfeitures	549,743	-	-	549,743
Money and property	4,381,350	1,952,775	-	6,334,125
Intergovernmental	20,087,362	3,184,577	5,357,186	28,629,125
Charges for services	9,500,512	-	1,886,023	11,386,535
Other revenue	811,009	-	103,933	914,942
Total revenues	<u>100,470,483</u>	<u>5,137,352</u>	<u>7,347,142.00</u>	<u>112,954,977</u>
EXPENDITURES				
Current:				
General Government	9,360,916	-	-	9,360,916
Land Use and Permits	5,117,474	-	25,244	5,142,718
Public Safety	53,157,209	-	3,851,202	57,008,411
Community Services	6,654,573	-	803,148	7,457,721
Community Development	450,217	-	403,815	854,032
Public Works	8,971,378	-	-	8,971,378
Debt service:				
Principal	5,756,599	-	-	5,756,599
Interest	2,235,636	-	-	2,235,636
Debt service leases:				
Principal	631,314	-	31,079	662,393
Interest	114,767	-	2,187	116,954
Debt service subscriptions:				
Principal	338,156	-	-	338,156
Interest	43,022	-	-	43,022
Capital outlays	1,080,235	14,029,142	31,308	15,140,685
Total expenditures	<u>93,911,496</u>	<u>14,029,142</u>	<u>5,147,983</u>	<u>113,088,621</u>
Excess (deficiency) or revenues over expenditures	<u>6,558,987</u>	<u>(8,891,790)</u>	<u>2,199,159</u>	<u>(133,644)</u>
OTHER FINANCING SOURCES (Uses)				
Capital Contribution	-	1,229,778	-	1,229,778
Transfers in	856,782	2,659,150	946,782	4,462,714
Transfers out	(3,977,782)	-	(1,681,032)	(5,658,814)
Total other financing sources (uses)	<u>(3,121,000)</u>	<u>3,888,928</u>	<u>(734,250)</u>	<u>33,678</u>
Net change in fund balance	3,437,987	(5,002,862)	1,464,909	(99,966)
Fund balance at beginning of year	39,231,371	17,159,415	3,509,832	59,900,618
Fund balance at end of year	<u>\$ 42,669,358</u>	<u>\$12,156,553</u>	<u>\$ 4,974,741</u>	<u>\$ 59,800,652</u>

See notes to 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, 2024

Net Change in Fund Balance - Total Governmental Funds \$ (99,966)

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	\$ 15,236,638	
Depreciation Expense	(3,446,269)	
Loss on disposition of Fixed Assets	(1,944)	
Amortization Expense	<u>(1,090,595)</u>	
		10,697,830

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. 245,590

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Debt issued or incurred:		
Amortization of premium	\$ 505,174	
Amortization of loss on refunding	(143,180)	
Principal repayments:		
General obligation bonds	5,756,599	
Capital leases	662,393	
Subscriptions	<u>338,156</u>	
		7,119,142

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.

Increases in compensated absences	40,204	
Increase in accrued interest payable	<u>66,589</u>	
		106,793

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.	(4,361,753)
Net effect of the expenses for recording OPEB liability from the other post-employee benefit plan.	4,243,215

Internal service funds are used by management to change 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.

Change in Net Position of Governmental Activities	<u><u>\$ 23,880,692</u></u>
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See notes to financial statements.

CITY OF ANNAPOLIS, MARYLAND
STATEMENTS OF NET POSITION
PROPRIETARY FUNDS
June 30, 2024

	Business-Type Activities					Governmental Activities
	Sewer Fund	Water Fund	Off-Street Parking Fund	Transportation Fund	Non-Major Enterprise Funds	Internal Service Funds Total
					Total	
ASSETS						
Current Assets:						
Cash and cash equivalents	\$ 13,976,898	\$ 13,494,245	\$ 5,798,302	\$ 50	\$ 2,704,724	\$ 35,974,219
Cash and cash equivalents - Restricted	4,053,153	3,157,073	10,639,955	-	500,000	18,350,181
Leases receivable	-	-	-	-	410,540	410,540
Due from General Fund	-	-	-	-	262,500	262,500
Accounts receivable:						
Service charges and penalties	2,100,928	1,877,021	1,976,620	749,359	1,152,220	7,856,148
Other	-	-	2,694,306	-	625	2,694,931
Capital and other charges	-	-	-	-	-	-
Total accounts receivable, net	2,100,928	1,877,021	4,670,926	749,359	1,152,845	10,551,079
Inventories	-	359,098	-	129,622	-	488,720
Prepaid expenses	237,543	30,060	7,566	14,200	-	289,369
Total Current Assets	20,368,522	18,917,497	21,116,749	893,231	5,030,609	66,326,608
Noncurrent Assets:						
Restricted water and sewer capital facility assessments	1,765,292	1,807,001	-	-	-	3,572,293
Net capital assets	18,637,527	65,805,723	50,010,982	2,310,860	6,227,948	142,993,040
Net leased asset	-	1,952	-	3,998	-	5,950
Net subscription assets	295	-	-	34,972	-	35,267
Total Noncurrent Assets	20,403,114	67,614,676	50,010,982	2,349,830	6,227,948	146,606,550
Total Assets	40,771,636	86,532,173	71,127,731	3,243,061	11,258,557	212,933,158
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows related to pensions	251,058	635,371	-	1,156,030	401,397	2,443,856
Deferred outflows related to OPEB	12,449	31,506	-	57,326	19,902	121,183
Deferred loss on refunding	66,144	513,019	569,528	92	1,204	1,149,987
Total deferred outflows of resources	329,651	1,179,896	569,528	1,213,448	422,503	3,715,026
LIABILITIES						
Current Liabilities:						
Accounts payable	1,632,064	884,929	7,566	76,711	498,256	3,099,526
Accrued expenses and other liabilities	714,091	115,171	28,889	117,404	389,059	1,364,614
Accrued self insurance costs - current portion	-	-	-	-	-	-
Accrued interest	212,000	527,561	576,216	232	19,694	1,335,703
Due to General Fund	-	-	-	566,935	-	566,935
Compensated absences	28,693	162,026	-	128,610	71,802	391,131
Unearned revenue	-	-	286,505	5,388	397	292,290
Escrowed funds	101,617	50,089	-	-	4,441	156,147
Customer deposits	-	-	12,493	-	-	12,493
Current portion of long-term debt - leases	-	632	-	1,264	-	1,896
Current portion of long-term debt - subscriptions	-	-	-	10,000	-	10,000
Current portion of long-term debt	616,207	2,338,713	1,668,532	2,165	84,928	4,710,545
Total Current Liabilities	3,304,672	4,079,121	2,580,201	908,709	1,068,577	11,941,280
Noncurrent Liabilities:						
Accrued self insurance costs, net of current portion	-	-	-	-	-	-
Net OPEB Liability	152,347	385,555	-	701,500	243,575	1,482,977
Net Pension Liability	558,465	1,413,349	-	2,571,523	892,884	5,436,221
Long-term debt, net of current portion - leases	-	1,508	-	2,909	-	4,417
Long-term debt, net of current portion - subscriptions	-	-	-	8,142	-	8,142
Long-term debt, net of current portion	16,303,827	55,984,970	31,164,081	15,830	1,265,185	104,733,893
Total Noncurrent Liabilities	17,014,639	57,785,382	31,164,081	3,299,904	2,401,644	111,665,650
Total Liabilities	20,319,311	61,864,503	33,744,282	4,208,613	3,470,221	123,606,930
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows related to leases	-	-	-	-	368,306	368,306
Deferred inflows related to pensions	43,374	109,769	-	199,720	69,347	422,210
Deferred inflows related to OPEB	150,520	380,936	-	693,089	240,654	1,465,199
Deferred inflows related to Hillman Garage & City Dock	-	-	21,184,117	-	-	21,184,117
Total deferred inflows of resources	193,894	490,705	21,184,117	892,809	678,307	23,439,832
NET POSITION						
Net investment in capital assets	5,125,595	10,366,092	7,203,735	2,309,612	4,881,179	29,886,213
Unrestricted	15,462,487	14,990,769	9,565,125	(2,954,525)	2,651,353	39,715,209
Total net position	\$ 20,588,082	\$ 25,356,861	\$ 16,768,860	\$ (644,913)	\$ 7,532,532	\$ 69,601,422
						\$ 6,349,246

See notes to financial statements.

CITY OF ANNAPOLIS, MARYLAND
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year ended June 30, 2024

	Business-Type Activities						Governmental Activities
	Sewer Fund	Water Fund	Off-Street Parking Fund	Transportation Fund	Non-Major Enterprise Funds	Total	Internal Service Funds Total
Operating revenues:							
Charges for services	\$ 8,118,028	\$ 9,048,109	\$ 10,414,283	\$ 716,992	\$ 5,362,346	\$ 33,659,758	\$ 17,461,597
Grants	-	-	-	2,816,227	-	2,816,227	-
Other	171,228	120,501	-	179,899	2,880	474,508	3,692,190
Total operating revenues	8,289,256	9,168,610	10,414,283	3,713,118	5,365,226	36,950,493	21,153,787
Operating expenses:							
Salaries and benefits	983,471	2,383,009	-	4,201,515	1,453,351	9,021,346	977,028
Utilities	122,254	304,432	140,489	22,394	8,664	598,233	14,231
Repairs and maintenance	196,126	550,839	24,972	203,240	60,446	1,035,623	692,503
Contractual services	48,140	623,929	2,586,307	77,671	2,881,918	6,217,965	9,890
Materials and supplies	4,452,826	323,488	-	330,981	116,204	5,223,499	844,976
Administrative charge from General Fund	599,000	654,000	190,000	1,288,000	553,000	3,284,000	-
Depreciation	708,854	1,099,689	1,894,879	113,586	37,962	3,854,970	2,429,206
Amortization	322	1,036	-	8,006	-	9,364	-
Claim payments	-	-	-	-	-	-	10,758,911
Other	3,923	11,929	-	31,626	11,865	59,343	428,540
Total operating expenses	7,114,916	5,952,351	4,836,647	6,277,019	5,123,410	29,304,343	16,155,285
Operating (loss) income	1,174,340	3,216,259	5,577,636	(2,563,901)	241,816	7,646,150	4,998,502
Non-operating revenues (expenses)							
Leases	-	-	-	-	15,065	15,065	-
Interest income and other	-	-	2,694,306	-	11,818	2,706,124	298,781
Interest expense	(450,384)	(1,223,720)	(752,057)	(1,115)	(33,164)	(2,460,440)	(83,236)
Total non-operating revenues (expenses), net	(450,384)	(1,223,720)	1,942,249	(1,115)	(6,281)	260,749	215,545
Income (loss) before contributions and transfers	723,956	1,992,539	7,519,885	(2,565,016)	235,535	7,906,899	5,214,047
Capital contributions	-	-	773,212	-	-	773,212	715,794
Transfers in	-	-	-	2,431,600	262,500	2,694,100	-
Transfers out	-	-	(1,498,000)	-	-	(1,498,000)	-
Changes in net position	723,956	1,992,539	6,795,097	(133,416)	498,035	9,876,211	5,929,841
Net position at beginning of year	19,864,126	23,364,322	9,973,763	(511,497)	7,034,497	59,725,211	419,405
Net position at end of year	\$ 20,588,082	\$ 25,356,861	\$ 16,768,860	\$ (644,913)	\$ 7,532,532	\$ 69,601,422	\$ 6,349,246

See notes to financial statements.

CITY OF ANNAPOLIS, MARYLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year ended June 30, 2024

	Business-Type Activities						Governmental Activities
	Sewer Fund	Water Fund	Off-Street Parking Fund	Transportation Fund	Non-Major Enterprise Funds	Total	Internal Service Funds Total
Cash flows from operating activities							
Receipts from customers and users	\$ 8,306,834	\$ 9,105,491	\$ 10,180,884	\$ 1,119,325	\$ 5,196,403	\$ 33,908,937	\$ 20,865,640
Receipts from contributions and other sources	-	-	-	3,597,124	-	3,597,124	-
Payments to suppliers for goods and services	(5,376,533)	(1,927,277)	(3,928,365)	(662,503)	(2,989,562)	(14,884,240)	(12,986,119)
Payments to employees for services	(995,734)	(2,435,043)	-	(4,089,396)	(1,439,099)	(8,959,272)	(1,958,249)
Payments for interfund service uses	(599,000)	(654,000)	(190,000)	(1,288,000)	(553,000)	(3,284,000)	(1,001,823)
Net cash provided by (used for) operating activities	1,335,567	4,089,171	6,062,519	(1,323,450)	214,742	10,378,549	4,919,449
Cash flows from noncapital financing activities							
Effect of change from due from General Fund	-	-	-	(1,018,317)	-	(1,018,317)	-
Transfer from other funds	-	-	-	2,431,600	-	2,431,600	-
Transfer to other funds	-	-	(1,498,000)	-	-	(1,498,000)	-
Net cash provided by (used for) noncapital financing activities	-	-	(1,498,000)	1,413,283	-	(84,717)	-
Cash flows from capital and related financing activities							
Acquisition of capital assets	(2,336,932)	(5,054,662)	(91,855)	(68,298)	(1,031,619)	(8,583,366)	(3,029,882)
Loss from the sale of capital assets	-	-	-	(6,743)	-	(6,743)	77,634
Principal payments of long-term debt	(516,885)	(2,131,670)	(1,949,724)	(13,677)	(70,239)	(4,682,195)	(1,153,638)
Interest paid	(534,987)	(1,354,423)	(937,743)	(1,115)	(45,032)	(2,873,300)	(97,807)
Net cash used for capital and related financing	(3,388,804)	(8,540,755)	(2,979,322)	(89,833)	(1,146,890)	(16,145,604)	(4,203,693)
Cash flows from investing activities							
Interest received	-	-	-	-	12,650	12,650	192,849
Net cash provided by investing activities	-	-	-	-	12,650	12,650	192,849
Net increase (decrease) in cash and cash equivalents	(2,053,237)	(4,451,584)	1,585,197	-	(919,498)	(5,839,122)	908,605
Cash, cash equivalents, and restricted cash at beginning of year	20,083,288	21,102,902	14,853,060	50	4,124,222	60,163,522	11,854,510
Cash, cash equivalents, and restricted cash at end of year	\$ 18,030,051	\$ 16,651,318	\$ 16,438,257	\$ 50	\$ 3,204,724	\$ 54,324,400	\$ 12,763,115

See notes to financial statements.

CITY OF ANNAPOLIS, MARYLAND
STATEMENT OF CASH FLOWS (Continued)
PROPRIETARY FUNDS
Year ended June 30, 2024

	Business-Type Activities						Governmental Activities
	Sewer Fund	Water Fund	Off-Street Parking Fund	Transportation Fund	Non-Major Enterprise Funds	Total	Internal Service Funds Total
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities							
Operating income (loss)	\$ 1,174,340	\$ 3,216,259	\$ 5,577,636	\$ (2,586,195)	\$ 241,816	\$ 7,623,856	\$ 4,998,502
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:							
Depreciation	708,854	1,099,689	1,894,879	113,586	37,962	3,854,970	2,429,206
Amortization	322	1,036	-	8,006	-	9,364	-
Effects of changes on non-cash operating assets and liabilities:							
Accounts receivable	(169,335)	(192,910)	(529,411)	1,003,331	(168,849)	(57,174)	(288,147)
Restricted water and sewer capital facility assessments	186,850	194,073	-	-	-	380,923	-
Inventories	-	95,917	(7,566)	(19,488)	-	68,863	(70,848)
Prepaid Expenses	(237,543)	(30,060)	-	(14,200)	-	(281,803)	(321,428)
Accounts payable	(156,470)	(178,517)	(1,169,031)	48,695	89,535	(1,365,788)	222,285
Accrued expenses and other liabilities	(156,724)	44,188	-	(9,535)	(419)	(122,490)	1,769
Compensated absences	3,810	22,256	-	11,147	836	38,049	14,796
Unearned revenue	-	-	285,871	-	(18)	285,853	-
Escrowed funds	63	(64,282)	10,141	-	43	(54,035)	-
Deferred outflows	(44,900)	(89,973)	-	(275,253)	(86,224)	(496,350)	(38,906)
Net pension liability	78,150	145,799	-	510,416	156,668	891,033	64,359
Deferred inflows	(21,089)	(76,637)	-	(29,715)	(19,520)	(146,961)	(28,960)
Other post employment benefits	(30,761)	(97,667)	-	(84,245)	(37,088)	(249,761)	(37,853)
Claims payable	-	-	-	-	-	-	(2,025,326)
Total adjustments	161,227	872,912	484,883	1,262,745	(27,074)	2,754,693	(79,053)
Net cash provided by (used for) operating activities	<u>\$ 1,335,567</u>	<u>\$ 4,089,171</u>	<u>\$ 6,062,519</u>	<u>\$ (1,323,450)</u>	<u>\$ 214,742</u>	<u>\$ 10,378,549</u>	<u>\$ 4,919,449</u>
Noncash investing, capital and financing activities							
Contributed capital	\$ -	\$ -	\$ 773,212	\$ -	\$ -	\$ 773,212	\$ 715,794
Total noncash transactions	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 773,212</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 773,212</u>	<u>\$ 715,794</u>

See notes to financial statements.

CITY OF ANNAPOLIS, MARYLAND
STATEMENT OF FIDUCIARY NET POSITION
BENEFIT TRUST FUNDS
June 30, 2024

ASSETS

Cash	\$ 312,511
Other receivables	273,394
Investments, at fair value:	
Pooled investments	13,170,941
Corporate bonds	852,152
Money market	11,153,929
U.S. Agency securities	11,973,943
Limited partnerships and alternative investments	40,592,327
Common and Collective Funds	127,314,633
Real estate	22,076,344
Total investments	<u>227,134,269</u>
Total assets	<u>227,720,174</u>

LIABILITIES

Accounts payable	<u>17,288</u>
Total liabilities	<u>17,288</u>

NET POSITION

Net position restricted for pensions	214,236,722
Net position restricted for OPEB	<u>13,466,164</u>
Total net position	<u><u>\$ 227,702,886</u></u>

See notes to financial statements.

CITY OF ANNAPOLIS, MARYLAND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
BENEFIT TRUST FUNDS
Year ended June 30, 2024

ADDITIONS

Contributions:

Employer	\$ 11,605,050
Plan member	1,921,879
Total Contributions	<u>13,526,929</u>

Investment Income:

Interest and Dividends	3,035,315
Net appreciation in fair value of investments	21,191,524
Other income	13,528
	<u>24,240,367</u>

Less: Investment expense	<u>(1,808,145)</u>
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Total investment income	<u>22,432,222</u>
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Total additions	<u>35,959,151</u>
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DEDUCTIONS

Benefits	15,671,606
Administrative expenses	299,456
Total deductions	<u>15,971,062</u>

Change in net position	19,988,089
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Net position as of beginning of year	<u>207,714,797</u>
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Net position as of end of year	<u><u>\$ 227,702,886</u></u>
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See notes to financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

BASIS OF PRESENTATION - FUND ACCOUNTING

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

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

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.

BASIS OF ACCOUNTING

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, 2024

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.

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.
- Opioid Fund – The Opioid Fund pools funds received from case settlements issued by courts against pharmaceutical industry and related distributors, City contributions, and County grants earmarked for opioid related programs. The City manages several addiction and overdose programs using these funds.

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Government 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.

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.

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are 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. 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.

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 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, 2024 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.
- 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.

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2024

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 \$823,311, increasing the original budget from \$111,175,950 to a revised budget of \$111,999,260.

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, 2024:

The City did not budget for Capital Lease or Subscription principal payments for the fiscal year 2024 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's Self Insurance Fund had a net deficit of \$1.3 million in fiscal year 2024. As a result of outstanding litigation, it was necessary to increase contributions in fiscal year 2024 and 2025. The City will address the deficit in fiscal year 2025.

The City's Transportation Fund ended the year with a \$644,913 deficit. The City continues to assist Transportation with available ARPA monies and Parking Fund subsidies.

The City's County Grant Fund overspent budgetary expenses by \$6,324. The fund ended the year with a small deficit. The City will address this deficit in fiscal year 2025

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.

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.

**CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and Depreciation (Continued)

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)	\$ 488
General Fund (Real Estate)	53
	<u>\$ 541</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.

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City records vested vacation benefits as earned. All vacation benefits are accrued when incurred in the government-wide and proprietary fund financial statements. The amount earned and unused is recorded as a liability in the respective funds of the City when notification of termination is received prior to year-end. In accordance with GASB Statement Number 16, *Accounting for Compensated Absences*, the City also recorded the related social security and Medicare taxes as a liability as of June 30, 2024.

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.

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 \$7,882,397,786 and \$158,618,090, 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.

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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 \$1,919,234; and the bank balances were \$1,142,909 as of June 30, 2024. As of June 30, 2024, 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 \$5,160 at June 30, 2024.

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 \$11,064,601 as of June 30, 2024. These funds are unrated.

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

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

The Retiree Health Trust investments are invested in the Maryland Association of Counties Pooled OPEB Trust (MACO Trust). The MACO Trust is administered by Davenport & Company LLC, and is a wholly-owned instrumentality of its members. The assets of the Trust are managed by a Board of Trustees and consist of U.S. Treasury obligations, U.S. government agencies, corporate and foreign bonds, municipal obligations, taxable fixed income securities, mutual funds, global funds, and international equity securities. The City's investment in the MACO Trust was \$13,170,941 as of June 30, 2024.

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 \$122,200,968 as of June 30, 2024.

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

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

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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

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

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

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

	Balance June 30, 2024
Investments measured at net assets value (NAV)	
MACO OPEB Trust	\$ 13,170,941
Total Investment at NAV	13,170,941
Cash and Cash Equivalents carried at amortized cost	
Cash on hand	5,160
Deposits	1,919,234
Money Market Mutual Funds	11,064,601
MLGIP	122,200,968
Total Cash and Cash Equivalents at amortized cost	135,189,963
Total Cash and Investments	\$ 148,360,904

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, 2024

NOTE 4 - CAPITAL ASSETS AND DEPRECIATION/AMORTIZATION

Capital assets at June 30, 2024 consist of the following:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 17,694,496	\$ 1,740,000	\$ -	\$ 19,434,496
Construction in progress	17,849,537	12,144,172	(2,544,317)	27,449,392
Total capital assets not being depreciated	<u>35,544,033</u>	<u>13,884,172</u>	<u>(2,544,317)</u>	<u>46,883,888</u>
Capital assets being depreciated/amortized				
Buildings	64,258,188	1,982,870	-	66,241,058
Improvements/infrastructure	121,297,036	1,089,661	-	122,386,697
Equipment	28,164,065	4,932,844	(765,855)	32,331,054
Right-to-use leased assets (buildings)	6,689,820	-	-	6,689,820
Right-to-use subscription assets	1,850,354	52,350	(37,682)	1,865,022
Subtotal	<u>222,259,463</u>	<u>8,057,725</u>	<u>(803,537)</u>	<u>229,513,651</u>
Less accumulated depreciation:				
Buildings	(22,660,467)	(893,752)	-	(23,554,219)
Improvements/infrastructure	(52,325,381)	(1,755,807)	-	(54,081,188)
Equipment	(21,559,469)	(3,396,591)	702,220	(24,253,840)
Less accumulated amortization:				
Right-to-use leased assets (buildings)	(1,252,736)	(757,684)	-	(2,010,420)
Right-to-use subscription assets	(317,794)	(295,227)	-	(613,021)
Subtotal	<u>(98,115,847)</u>	<u>(7,099,061)</u>	<u>702,220</u>	<u>(104,512,688)</u>
Total capital assets being depreciated	<u>124,143,616</u>	<u>958,664</u>	<u>(101,317)</u>	<u>125,000,963</u>
Net capital assets	<u>\$ 159,687,649</u>	<u>\$ 14,842,836</u>	<u>\$ (2,645,634)</u>	<u>\$ 171,884,851</u>
Business-type Activities:				
Capital assets not being depreciated				
Land	\$ 3,222,742	\$ -	\$ -	\$ 3,222,742
Construction in progress	31,073,204	9,644,431	(12,191,560)	28,526,075
Total capital assets not being depreciated	<u>34,295,946</u>	<u>9,644,431</u>	<u>(12,191,560)</u>	<u>31,748,817</u>
Capital assets being depreciated/amortized				
Buildings	86,165,358	42,726	-	86,208,084
Improvements/infrastructure	73,133,987	11,790,021	-	84,924,008
Equipment	6,444,928	213,428	(46,722)	6,611,634
Right-to-use leased assets (equipment)	8,499	-	-	8,499
Right-to-use subscription assets	4,087	40,410	-	44,497
Subtotal	<u>165,756,859</u>	<u>12,086,585</u>	<u>(46,722)</u>	<u>177,796,722</u>
Less accumulated depreciation:				
Buildings	(33,808,610)	(2,339,604)	-	(36,148,214)
Improvements/infrastructure	(22,855,201)	(1,395,959)	-	(24,251,160)
Equipment	(6,010,688)	(136,163)	46,722	(6,100,129)
Less accumulated amortization:				
Right-to-use leased assets (equipment)	(850)	(1,699)	-	(2,549)
Right-to-use subscription assets	(1,566)	(7,664)	-	(9,230)
Subtotal	<u>(62,676,915)</u>	<u>(3,881,089)</u>	<u>46,722</u>	<u>(66,511,282)</u>
Total capital assets being depreciated	<u>103,079,944</u>	<u>8,205,496</u>	<u>-</u>	<u>111,285,440</u>
Net capital assets	<u>\$ 137,375,890</u>	<u>\$ 17,849,927</u>	<u>\$ (12,191,560)</u>	<u>\$ 143,034,257</u>

Note: Additions to accumulated depreciation include transfers of certain assets between funds.

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 4 - CAPITAL ASSETS AND DEPRECIATION/AMORTIZATION (Continued)

Governmental Activities:

General Government	\$ 722,914
Public Safety	1,162,460
Public Works	1,938,520
Community Services	707,442
Land Use	5,528
Fleet	2,429,206
Total depreciation expense	<u>\$ 6,966,070</u>

Business-type Activities:

Water	\$ 1,100,725
Sewer	709,176
Off Street Parking	1,894,879
Transportation	121,592
Non Major Funds	37,962
Total depreciation expense	<u>\$ 3,864,334</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, 2024 was \$17,739,406 for the 2016 and 2020 issuances.

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

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, 2024:

	Beginning Balance	Additions and Adjustments	Reductions	Ending Balance	Amount due within one year
Governmental Activities:					
General obligation bonds	\$ 69,323,340	\$ -	\$ (5,756,599)	\$ 63,566,741	\$ 6,219,950
Unamortized premium	2,475,419	-	(505,174)	1,970,245	421,713
Other Debt/Financing Lease	4,689,420	-	(1,153,638)	3,535,782	999,982
Lease Liabilities	5,592,939	-	(662,393)	4,930,546	692,353
Subscription Liabilities	1,505,961	52,350	(338,156)	1,220,155	247,649
Total long-term debt	83,587,079	52,350	(8,415,960)	75,223,469	8,581,647
Net OPEB liability	22,385,112	-	(3,859,646)	18,525,466	-
Compensated absences	2,814,052	4,724,431	(4,749,839)	2,788,644	2,788,644
Net pension liability	83,327,421	2,762,263	(16,504,174)	69,585,510	-
Total long-term liabilities	<u>\$ 192,113,664</u>	<u>\$ 7,539,044</u>	<u>\$ (33,529,619)</u>	<u>\$ 166,123,089</u>	<u>\$ 11,370,291</u>
Business-type Activities:					
General obligation bonds	\$ 89,848,661	\$ -	\$ (3,650,401)	86,198,260	\$ 3,325,050
Unamortized premium	2,907,031	-	(421,932)	2,485,099	378,673
MDE Loan	21,758,921	-	(997,842)	20,761,079	1,006,823
Lease Liabilities	7,800	-	(1,487)	6,313	1,896
Subscription Liabilities	2,085	27,250	(11,193)	18,142	10,000
Total long-term debt	114,524,498	27,250	(5,082,855)	109,468,893	4,722,442
Net OPEB liability	1,732,738	-	(249,761)	1,482,977	-
Compensated absences	375,376	736,670	(720,915)	391,131	391,131
Net pension liability	4,545,188	891,033	-	5,436,221	-
Total long-term liabilities	<u>\$ 121,177,800</u>	<u>\$ 1,654,953</u>	<u>\$ (6,053,531)</u>	<u>\$ 116,779,222</u>	<u>\$ 5,113,573</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. As of June 30, 2024, the debt margin of the City was as follows:

Assessed value of taxable real and personal property, July 1, 2023	\$ 8,041,015,876
Debt limit: 10% of assessable basis	804,101,588
Debt subject to limitation	170,526,080
Debt margin	<u>\$ 633,575,508</u>

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 5 - DEBT (Continued)

Long-term debt comprises the following amounts as of June 30, 2024:

Governmental Activities:

General obligation bonds:

Public Improvement Bonds of 2015: \$11,500,000; interest 4.0%; due serially to 2024	\$ 540,000
Public Refunding Bonds of 2015: \$15,088,643; interest 3.0% to 4.0%; due serially to 2028	6,605,296
Public Refunding Bonds of 2017: \$8,969,907; interest 3.625% to 5.0%; due serially to 2036	6,470,000
Public Refunding Bonds of 2017: \$3,337,750; interest 2.06%; due serially to 2024	434,426
Public Improvement Refunding Bonds of 2017, Series B & C: \$11,030,000 interest 2.68% to 5.0%; due serially to 2040	10,155,000
Public Refunding Bonds of 2019: \$1,680,000; interest 2.0% to 5%; due serially to 2040	1,386,650
Public Refunding Bonds of 2019: \$3,783,182; interest 2.0% to 3%; due serially to 2036	1,694,828
Public Improvement Bonds of 2021, Series A: \$9,180,000; interest 1.875% to 5.0%; due serially to 2050	9,742,770
Public Improvement Refunding Bonds of 2021, Series B: \$16,674,472; interest 1.450% to 2.3%; due serially to 2035	15,672,771
Public Improvement Bonds of 2022, Series A: \$11,150,000; interest 3.0% to 5.0%; due serially to 2042	10,865,000
Total general obligation bonds	<u>63,566,741</u>

Other debt:

Equipment Financing Lease 2018 - Tranche 1: interest 3.0440%, due 2029	2,200,622
Equipment Financing Lease 2019 - Tranche 2: interest 1.7330%; due 2029	1,015,923
Equipment Financing Lease 2020 - Tranche 3: interest 1.5196%; due 2030	319,237
Total other debt	3,535,782
Total governmental activities long-term debt	<u>\$ 67,102,523</u>

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 5 - DEBT (Continued)

Business-type Activities:

General obligation bonds:

Public Refunding Bonds of 2015: \$4,876,357; interest 3.0% to 4.0%; due serially to 2028	\$ 2,134,704
Public Refunding Bonds of 2017: \$197,250; interest 2.06%; due serially to 2024	100,574
Public Improvement Refunding Bonds of 2017, Series B & C: \$14,520,000 interest 2.68% to 5.0%; due serially to 2033	11,440,000
Public Improvement Refunding Bonds of 2019, Series A: \$7,400,000 interest 2.00% to 5.0%; due serially to 2049	6,878,350
Public Improvement Refunding Bonds of 2019B, Series B & C: \$1,360,000 interest 2.00% to 3.00%; due serially to 2036	735,172
Public Improvement Bonds of 2021, Series A: \$4,700,000; interest 1.875% to 5.0%; due serially to 2041	3,297,230
Public Improvement Refunding Bonds of 2021, Series B: \$32,240,528; interest 1.450% to 2.8%; due serially to 2045	30,547,230
Public Improvement Bonds of 2022, Series A: \$34,425,000; interest 3.0% to 5.0%; due serially to 2052	22,875,000
Public Improvement Refunding Bonds of 2021, Series B: \$8,260,000; interest 4.50% to 6.0%; due serially to 2052	8,190,000
Total general obligation bonds	<u>86,198,260</u>

Other debt:

State of Maryland Water Quality loan: \$28,500,000; interest 0.900%; due semiannually to 2043	20,761,079
Total business-type activities debt	<u>\$ 106,959,339</u>

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 5 - DEBT (Continued)

Interest incurred on general obligation bonds allocated to governmental and business-type activities were \$2,050,265 and \$2,460,440 respectively for the year ended June 30, 2024.

Long-term debt maturities, excluding the unamortized loss on refunding of \$967,159 and \$1,149,987 in governmental and business-type activities, respectively, are scheduled as follows:

	General Obligation Bonds		Equipment Financing Leases		Total
	Principal	Interest	Principal	Interest	
Governmental activities:					
2025	\$ 6,219,950	\$ 1,977,009	\$ 1,094,175	\$ 85,651	\$ 9,376,785
2026	5,982,581	1,780,604	1,058,809	58,900	8,880,894
2027	5,667,797	1,589,043	623,866	32,460	7,913,166
2028	6,390,131	1,381,982	343,121	20,448	8,135,682
2029	5,086,900	1,190,360	347,460	10,713	6,635,433
2030 - 2034	18,516,094	3,894,775	68,351	930	22,480,150
2035 - 2039	10,022,194	1,663,455	-	-	11,685,649
2040 - 2044	5,469,611	362,429	-	-	5,832,040
2045 - 2049	147,435	16,507	-	-	163,941
2050 - 2054	64,048	1,530	-	-	65,577
	<u>\$ 63,566,741</u>	<u>\$ 13,857,694</u>	<u>\$ 3,535,782</u>	<u>\$ 209,102</u>	<u>\$ 81,169,317</u>

	General Obligation Bonds		MDE Water Quality Loan		Total
	Principal	Interest	Principal	Interest	
Business-type activities:					
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	3,378,100	2,452,708	1,043,561	150,112	7,024,481
2030 - 2034	18,148,906	10,429,698	5,360,386	607,977	34,546,965
2035 - 2039	16,747,806	7,554,470	5,605,984	362,378	30,270,637
2040 - 2044	17,970,389	4,722,123	4,669,162	105,527	27,467,200
2045 - 2049	11,042,565	2,136,873	-	-	13,179,439
2050 - 2054	5,035,953	498,939	-	-	5,534,892
	<u>\$ 86,198,260</u>	<u>\$ 38,845,045</u>	<u>\$ 20,761,079</u>	<u>\$ 1,918,697</u>	<u>\$ 147,723,079</u>

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 6 - LEASES

City as Lessor

For the year ended June 30, 2024 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, 2024 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 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 2024 base annual rent was \$6,624. 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 2024, total rent recognized in the General Fund was \$123,623 and \$12,025 in the Refuse Fund.

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 6 - LEASES (Continued)

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 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, 2024 total revenue recognized under the term of the lease was \$36,197.

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 2024 total revenue under the term of the lease were \$550,242.

City as a Lessee

Details of the City's lease liabilities at June 30, 2024 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%.

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 6 - LEASES (Continued)

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, 2024 the value of the lease liability is \$142,082. 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, 2024 the value of the lease liability is \$1,647,624. 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 recorded at January 1, 2023 in the amount of \$137,795. As of June 30, 2024 the value of the lease liability is \$102,346. 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:

Governmental Activities			Business Type Activities		
For Year Ending June 30,	Principal	Interest	For Year Ending June 30,	Principal	Interest
2025	\$ 692,353	\$ 102,368	2025	\$ 1,896	\$ 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	741	25
2029	754,037	39,697	2029	-	-
2030 - 2033	1,231,977	45,462	2030 - 2033	-	-
	<u>\$ 4,930,546</u>	<u>\$ 400,364</u>		<u>\$ 6,313</u>	<u>\$ 998</u>

**CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

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 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.

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 7 - BENEFIT PLANS (Continued)

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, 2024, was 11.32% 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 \$2,703,809, during the year ended June 30, 2024.

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

At June 30, 2024, the City reported a liability of \$22,811,710 for its proportionate share of the net pension liability of the System. 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 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, 2023. The contributions were increased to adjust for differences between actuarial determined contributions and actual contributions by the State of Maryland. As of June 30, 2023, the City's proportionate share was 0.09905%, up from 0.09575% in the prior year.

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 7 - BENEFIT PLANS (Continued)

For the year ended June 30, 2024, the City recognized pension expense of \$3,636,311. At June 30, 2024, 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	\$ 801,764	\$ (914,787)
Changes in assumptions	1,432,782	(62,002)
Change in proportion	3,120,506	(794,867)
Net difference between projected and actual earnings on pension plan investments	2,196,205	
Change in proportionate share of contribution	(52)	(43)
City contributions subsequent to the measurement date	2,703,809	-
Total	<u>\$ 10,255,014</u>	<u>\$ (1,771,699)</u>

City contributions made after the measurement date but before the end of fiscal year 2024 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:

Year ended June 30,	Amount
2025	\$ 1,397,607
2026	1,074,087
2027	2,442,454
2028	730,239
2029	135,119
	<u>\$ 5,779,506</u>

Actuarial assumptions. The total pension liability in the June 30, 2023, 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 11.50%, 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 fully generational mortality improvement scale.

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 7 - BENEFIT PLANS (Continued)

The economic and demographic actuarial assumptions used in the June 30, 2023 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 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	8.50
Rate Sensitive	20.00	2.40
Credit Opportunity	9.00	5.40
Real Assets	15.00	5.50
Absolute Return	6.00	3.90
Total	<u>100.00 %</u>	

The above was the System's Board of Trustees adopted asset allocation policy and best estimate of geometric real rates for each major asset class as of June 30, 2023.

For the year ended June 30, 2023, the annual money-weighted rate of return on pension plan investments, net of the pension plan expense was 3.11%. 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.

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 7 - BENEFIT PLANS (Continued)

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

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	\$ 33,825,147	\$ 22,811,710	\$ 13,672,469

B) General Information about the Police and Fire Pension Plan

Single Employer Plan

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

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

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, 2024, the City had an actuarially determined contribution of \$8,183,660 or 34.24% of covered payroll, and the City made a contribution of \$9,328,545, which is in accordance with the actuary's recommendation.

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 7 - BENEFIT PLANS (Continued)

Basis of Accounting. The City's contribution was 39.04% 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.

Interest Rate Risk. 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	\$ 852,152	\$ -	\$ -	\$ 852,152	\$ -
U.S. Agency securities	11,973,943	-	5,719,773	2,650,737	3,603,433
	<u>\$ 12,826,095</u>	<u>\$ -</u>	<u>\$ 5,719,773</u>	<u>\$ 3,502,889</u>	<u>\$ 3,603,433</u>

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

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

As of June 30, 2024, the System's fixed income investments had the following risk characteristics:

SP Rating or Comparable	Percent of Total Investments	Fair Value
A	42.55%	\$ 5,457,619
AA	0.99	127,568
AAA	3.86	495,308
BBB	2.78	356,844
Not Rated	49.81	6,388,756
	<u>100.00%</u>	<u>\$ 12,826,095</u>

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 7 - BENEFIT PLANS (Continued)

Custodial Credit Risk - Wilmington Trust invests in a money market fund on behalf of the Plan. As of June 30, 2024, the amount in the money market fund was \$11,153,929. 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, 2024
Investments by fair value level:				
Debt securities:				
Corporate bonds	\$ -	\$ 852,152	\$ -	\$ 852,152
U.S. agency securities	11,973,943	-	-	11,973,943
Total Debt Securities	11,973,943	852,152	-	12,826,095
Equity Securities:				
Common stocks	-	-	-	-
Total investments measured at fair value level	\$ 11,973,943	\$ 852,152	\$ -	12,826,095
Investments measured at the net asset value (NAV)				
Limited partnerships & Alternative investments ¹				40,592,327
Common and Collective Funds ²				127,314,633
Real estate investment trust ³				22,076,344
Total investments measured at the NAV				189,983,304
Total investments measured at fair value				202,809,399
Cash and investments carried at amortized cost:				
Interest and Dividends Receivables				273,394
Money market mutual funds				11,153,929
Total Cash and Investments at amortized cost				11,427,323
Total Cash and Investments				\$ 214,236,722

¹ 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.

² 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.

³ 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.

Plan Membership

Non-active Members	
Retirees and beneficiaries receiving benefits	275
Terminated employees not yet receiving benefits	53
Total nonactive members	328
Active members	227
Total	555

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 7 - BENEFIT PLANS (Continued)

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, 2024:

<u>Asset Class</u>	<u>Minimum</u>	<u>Maximum</u>	<u>Target</u>
Equities	34%	64%	49%
Fixed Income	5	15	10
GTAA	6	12	9
Private Debt/Equity	5	15	10
Real Estate	5	11	8
Alternatives	7	17	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, 2024:

<u>Investments</u>	<u>% of Pension Fiduciary Net Position</u>	<u>Fair Value</u>
Fidelity Total Market Index	24.7%	\$ 52,968,521
Fidelity Mid Cap SMID	7.8%	16,644,530
Loomis Sayles SMID	5.0%	10,654,822
Wellington CTF Global Opportunities	9.5%	20,377,787
PIMCO Tactical Opportunities	6.1%	13,090,130
Total		<u>\$ 113,735,790</u>

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 7 - BENEFIT PLANS (Continued)

Net Pension Liability

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2023.

Total pension liability	\$ 266,446,743
Plan fiduciary net position	<u>(214,236,722)</u>
Net pension liability	<u><u>\$ 52,210,021</u></u>

Plan fiduciary net position as a percentage of the total pension liability	80.4%
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For the year ended, June 30, 2024, the City recognized pension expense of \$3,636,311. The City's two pension plans recognized a combined pension expense of \$3,739,754 in fiscal year 2024.

At June 30, 2024, 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	\$ 3,935,817	\$ (6,430,981)
Net difference between projected and actual earnings on pension plan investments	-	(462,380)
Changes in actuarial assumptions	1,464,859	-
Total	<u><u>\$ 5,400,676</u></u>	<u><u>\$ (6,893,361)</u></u>

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

Year ended June 30,	Amount
2025	\$ (108,889)
2026	5,192,001
2027	(3,581,031)
2028	(2,994,766)
Total	<u><u>\$ (1,492,685)</u></u>

Actuarial assumptions. The total pension liability in the July 1, 2023, actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 7 - BENEFIT PLANS (Continued)

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 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, 2024, is as follows:

<u>Asset Class/Style</u>	<u>Target</u>	<u>Return</u>
Equity - U.S.	40.00 %	6.20 %
Equity - Global (Developed)	10.00	6.35
Equity - Global (Emerging)	5.00	8.25
Alternatives - Marketable Alts	5.00	3.00
Alternatives - Private Real Estate	5.00	4.55
Alternatives - Commodities	5.00	3.20
Alternatives - Private Equity	14.00	8.25
Fixed Income - U.S.	16.00	2.30
Fixed Income - Cash	-	0.75
Total	<u>100% %</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.

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 7 - BENEFIT PLANS (Continued)

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balance at June 30, 2023	\$ 265,308,487	\$ 196,594,292	\$ 68,714,195
Changes for the year			
Service Cost	4,573,723	-	4,573,723
Interest	19,046,452	-	19,046,452
Difference between expected and actual experience	(7,881,417)	-	(7,881,417)
Contributions - City	-	9,328,545	(9,328,545)
Contributions - Employee	-	1,847,638	(1,847,638)
Net investment income	-	21,217,407	(21,217,427)
Benefit payments	(14,600,482)	(14,600,482)	-
Administrative expenses	-	(150,678)	150,678
Net changes	<u>1,138,276</u>	<u>17,642,430</u>	<u>(16,504,174)</u>
Balance at June 30, 2024	<u>\$ 266,446,763</u>	<u>\$ 214,236,722</u>	<u>\$ 52,210,021</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:

	<u>Discount Rate</u>		
	<u>1% Decrease (6.25%)</u>	<u>Current (7.25%)</u>	<u>1% Increase (8.25%)</u>
Net Pension Liability	<u>\$ 84,904,250</u>	<u>\$ 52,210,021</u>	<u>\$ 25,037,093</u>
Percentage of the Total Pension Liability	<u>71.6%</u>	<u>80.4%</u>	<u>89.5%</u>

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, 2024 was 10.9%. 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.

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 7 - BENEFIT PLANS (Continued)

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, 2023, rolled forward to June 30, 2024.

The components of the net OPEB liability of the City at June 30, 2024, were as follows:

Total OPEB Liability	\$ 33,474,607
Plan fiduciary net position	<u>(13,466,164)</u>
City's net OPEB liability	<u><u>\$ 20,008,443</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	40.2%

Employees covered by benefit terms. At June 30, 2024, the following employees were covered by the benefit terms:

	Police and Fire	General	Total
Active	187	124	311
Retired/Beneficiaries	86	17	103
Spouses	46	3	49
Total	<u><u>319</u></u>	<u><u>144</u></u>	<u><u>463</u></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 amount budgeted each year to reduce unfunded OPEB contributions. Total employer contributions for fiscal year 2024 were \$2,276,505.

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 7 - BENEFIT PLANS (Continued)

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, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2023 rolled forward to June 30, 2024. The total OPEB liability in the June 30, 2023 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 3.5%
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, headcount weighted

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, 2024, are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Weight</u>
Domestic Equity	6.20%	36.00%
Non-US Equity	6.50	24.00
Fixed Income - U.S.	2.30	35.00
Real Estate	4.55	5.00
Total Weighted Average Real Return	4.82	100.00%
Plus Inflation	2.50	
Total Return Without Adjustment	7.32	
Risk Adjustment	(0.32)%	
Total Expected Return	7.00%	

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 7 - BENEFIT PLANS (Continued)

The discount rate used to measure the total OPEB liability was 5.89%. 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.

Therefore, the expected trust return of 7.00% is blended with the 20-year Aa bond rate of 4.00% resulting in a blended rate of 5.89%. 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, 2023	\$ 35,238,356	\$ 11,120,506	\$ 24,117,850
Changes for the year			
Service Cost	803,766	-	803,766
Interest	2,017,193	-	2,017,193
Net investment income	-	1,214,815	(1,214,815)
Difference between expected and actual experience	(2,872,784)	-	(2,872,784)
Contributions	-	2,350,746	(2,350,746)
Changes in assumptions	(640,800.00)	-	(640,800)
Benefit payments, including implicit subsidy	(1,071,124)	(1,071,124)	-
Administrative expense	-	(148,779)	148,779
Net changes	(1,763,749)	2,345,658	(4,109,407)
Balance at June 30, 2024	<u>\$ 33,474,607</u>	<u>\$ 13,466,164</u>	<u>\$ 20,008,443</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 (4.89%) or one percentage point higher (6.89%) than the current discount rate:

	Discount Rate		
	1% Decrease (4.89%)	Current (5.89%)	1% Increase (6.89%)
Total OPEB Liability	\$ 36,774,907	\$ 33,474,607	\$ 30,573,499
Plan Net Position	13,466,164	13,466,164	13,466,164
Net OPEB Liability	<u>\$ 23,308,743</u>	<u>\$ 20,008,443</u>	<u>\$ 17,107,335</u>
Ratio of Plan Net Position to Total OPEB Liability	<u>36.6%</u>	<u>40.2%</u>	<u>44.0%</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:

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 7 - BENEFIT PLANS (Continued)

	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	\$ 30,185,742	\$ 33,474,607	\$ 37,277,972
Plan Net Position	13,466,164	13,466,164	13,466,164
Net OPEB Liability	<u>\$ 16,719,578</u>	<u>\$ 20,008,443</u>	<u>\$ 23,811,808</u>
Ratio of Plan Net Position to Total OPEB Liability	<u>44.6%</u>	<u>40.2%</u>	<u>36.1%</u>

Deferred Outflows/Inflows of Resources Related to OPEB:

For the year ended June 30, 2024, the City recognized OPEB expense of (\$2,250,725). At June 30, 2024, 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	\$ 61,525	\$ -
Net difference between expected and actual experience	20,940	(15,211,866)
Changes in actuarial assumptions	1,552,582	(4,556,690)
Total	<u>\$ 1,635,047</u>	<u>\$ (19,768,556)</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 June 30,	Amount
2025	\$ (4,411,116)
2026	(4,162,167)
2027	(4,282,491)
2028	(3,449,550)
2029	(1,828,185)
	<u>\$ (18,133,509)</u>

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 7 - BENEFIT PLANS (Continued)

C) Summarized Financial Information for Benefit Plans

Condensed Statements of Fiduciary Net Position

	Pension Trust Fund	OPEB Trust Fund	Total Benefit Trust Funds
Assets			
Cash and cash equivalents	\$ 273,394	\$ 312,511	\$ 585,905
Investments, at fair value	213,963,328	13,170,941	227,134,269
Total assets	<u>214,236,722</u>	<u>13,483,452</u>	<u>227,720,174</u>
Liabilities			
Current liabilities	-	17,288	17,288
Total liabilities	<u>-</u>	<u>17,288</u>	<u>17,288</u>
Net Position	<u>\$ 214,236,722</u>	<u>\$ 13,466,164</u>	<u>\$ 227,702,886</u>

Condensed Statements of Changes in Fiduciary Net Position

	Pension Trust Fund	OPEB Trust Fund	Total Benefit Trust Funds
Additions			
Contributions	\$ 11,176,183	\$ 2,350,746	\$ 13,526,929
Investment income	21,217,407	1,214,815	22,432,222
Total Additions	<u>32,393,590</u>	<u>3,565,561</u>	<u>35,959,151</u>
Deductions			
Benefits	14,600,482	1,071,124	15,671,606
Administrative expenses	150,678	148,778	299,456
Surplus to health insurance	-	-	-
Total Deductions	<u>14,751,160</u>	<u>1,219,902</u>	<u>15,971,062</u>
Change in Net Position	<u>\$ 17,642,430</u>	<u>\$ 2,345,659</u>	<u>\$ 19,988,089</u>

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

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, 2024:

Receivable Fund	Payable Fund				
	General Fund	Grants	Capital Projects	Transportation	Total
General Fund	\$ -	\$ 1,000,780	\$ 9,789,697	\$ 566,935	\$ 11,357,412
Watershed Fund	262,500	-	-	-	262,500
Total	<u>\$ 262,500</u>	<u>\$ 1,000,780</u>	<u>\$ 9,789,697</u>	<u>\$ 566,935</u>	<u>\$ 11,619,912</u>

Transfers between other funds and the general fund consist of the following as of June 30, 2024:

Transfers In	Transfers To				Transfers In
	General Fund	Capital Projects	Grants	Off-street Parking	
Governmental					
General Fund	\$ -	\$ 750	\$ 856,032	\$ -	\$ 856,782
Grants Fund	446,782	-	-	-	446,782
Capital Projects	2,659,150	-	-	-	2,659,150
Sprinkler Assistance	500,000	-	-	-	500,000
Enterprise					
Transportation	108,600	-	825,000	1,498,000	2,431,600
Watershed Restoration	262,500	-	-	-	262,500
Transfer Out	<u>\$ 3,977,032</u>	<u>\$ 750</u>	<u>\$ 1,681,032</u>	<u>\$ 1,498,000</u>	<u>\$ 7,156,814</u>

The General Fund transferred \$2,659,900 to the Capital Projects fund as required in the FY2024 Capital Budget, \$446,782 to the Grants Fund to support programs during FY 2024, \$500,000 to the Housing Trust Fund as a one-time transfer for funds designated for the Landlord Maintenance Program and \$262,500 to the Watershed Restoration Fund for capital reserve funds as required in the FY 2024 Capital Budget.

The City transferred \$856,032 from the Grants Fund to the General Fund for programs in FY 2024 and \$825,000 to the Transportation fund for ARPA grant funds used for transportation efforts.

Off Street Parking provided \$1,498,000 in funds to the Transportation Fund part of the budgeted annual transfer from Parking to support transportation operations.

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

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 2024 and 2023 were as follows:

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 11 - RISK MANAGEMENT (Continued)

	<u>FY2024</u>	<u>FY2023</u>
Beginning accrued payables and other liabilities	\$ 10,536,674	\$ 5,453,822
Incurred claims and changes in estimates	551,281	7,701,123
Claim payments	(2,576,607)	(2,618,271)
Ending accrued payables and other liabilities	<u>\$ 8,511,348</u>	<u>\$ 10,536,674</u>

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

NOTE 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.

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 13 - HILLMAN GARAGE AND CITY DOCK PUBLIC/PRIVATE PARTNERSHIP (Continued)

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.

The City is depreciating the asset over 30 years, paying the debt over its life, and amortizing the deferred inflow over 30 years. In FY 2024 the City recognized depreciation expense of \$1,088,086, paid debt principal of \$125,000, and recognized amortization on the deferred inflow of \$730,488.

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, 2024 are as follows:

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 14 - SUBSCRIPTION BASED INFORMATION-TECHNOLOGY AGREEMENTS (Continued)

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, 2024, the value of the subscription liability is zero. 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, 2024 of \$3,507 with accumulated amortization of \$21,044.

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, 2024, the value of the subscription liability is zero. The City is required to make annual fixed payments of \$54,654. The subscription has an interest rate of 2.19%. The value of the right to use asset as of June 30, 2024 of \$7,935 with accumulated amortization of \$95,222.

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, 2024, the value of the subscription liability is \$256,551. The City is required to make annual fixed payments of \$62,140. The subscription has an interest rate of 2.70%. The value of the right to use asset as of June 30, 2024 of \$251,897 with accumulated amortization of \$114,066. 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, 2024, the value of the subscription liability is \$29,361. The City is required to make annual fixed payments of \$9,361. The subscription has an interest rate of 2.70%. The value of the right to use asset as of June 30, 2024 of \$29,093 with accumulated amortization of \$16,326. 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, 2024, the value of the subscription liability is \$63,653. 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, 2024 of \$60,659 with accumulated amortization of \$34,662. 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, 2024, the value of the subscription liability is \$82,394. The City is required to make annual fixed payments of \$20,447. The subscription has an interest rate of 2.70%. The value of the right to use asset as of June 30, 2024 of \$75,671 with accumulated amortization of \$42,900. 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, 2024, the value of the subscription liability is zero.

CITY OF ANNAPOLIS, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 14 - SUBSCRIPTION BASED INFORMATION-TECHNOLOGY AGREEMENTS (Continued)

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, 2024 of \$15,882 with accumulated amortization of \$34,650.

The City entered into a 77-month subscription for the use endpoint security software purchased from ZOH0 Corporation. An initial subscription liability was recorded in the amount of \$51,105. As of June 30, 2024, the value of the subscription liability is \$34,440. The City is required to make annual fixed payments of \$9,198. The subscription has an interest rate of 2.70%. The value of the right to use asset as of June 30, 2024 of \$35,197 with accumulated amortization of \$15,908. 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, 2024, the value of the subscription liability is \$13,506. 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, 2024 of \$15,337 with accumulated amortization of \$24,926. The City has three 12-month 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, 2024, the value of the subscription liability is \$740,237. Annapolis, Maryland 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, 2024 of \$720,736 with accumulated amortization of \$201,136. The City has one extension option for 60 months.

The City entered into a 36-month subscription for the use of intelligent transportation software from IT CURVES. An initial subscription liability was recorded in the amount of \$27,250. As June 30, 2024, the value of the subscription liability is \$18,142. The City is required to make annual fixed payments of \$9,400. The subscription has an interest rate of 2.41%. The value of the right to use asset as of June 30, 2024 of \$34,311 with accumulated amortization of \$6,099. The City has one extension option for 12 months.

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

Governmental Activities			Business Type Activities		
For Year Ending June 30,	Principal	Interest	For Year Ending June 30,	Principal	Interest
2025	\$ 205,782	\$ 35,432	2025	\$ 8,963	\$ 437
2026	201,451	29,581	2026	9,179	221
2027	211,029	23,859		<u>\$ 18,142</u>	<u>\$ 658</u>
2028	209,648	17,869			
2029	93,704	11,908			
2030-2033	298,541	18,307			
	<u>\$ 1,220,155</u>	<u>\$ 136,956</u>			

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ANNAPOLIS, MARYLAND
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
June 30, 2024

	Measurement Date									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
City's proportion of the collective net pension liability	0.09905080%	0.09575120%	0.09052240%	0.07756600%	0.07582970%	0.07427040%	0.07101440%	0.07505470%	0.07855730%	0.07421533%
City's proportion share of the collective net pension liability	\$ 22,811,710	\$ 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	\$ 23,885,239	\$ 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	95.51%	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	73.81%	76.27%	81.84%	70.72%	72.34%	68.36%	66.71%	62.97%	68.78%	71.87%

**CITY OF ANNAPOLIS, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY CONTRIBUTIONS
MARYLAND STATE RETIREMENT AND PENSION SYSTEM
Year ended June 30, 2024**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$2,703,809	\$ 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>(2,703,809)</u>	<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>	<u>\$ -</u>
City's covered payroll	\$23,885,239	\$ 22,102,177	\$ 20,674,865	\$ 20,398,825	\$ 19,180,210	\$ 18,324,152	\$ 17,316,068	\$ 16,562,319	\$ 17,477,390
Contributions as a percentage of covered payroll	11.32%	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 FUNDS
Year ended June 30, 2024

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability										
Service cost	\$ 4,573,723	\$ 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
Interest (includes interest on service cost)	19,046,452	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
Changes of benefit items	-	-	-	-	-	852,740	-	-	-	(5,211,445)
Differences between expected and actual experience	(7,881,417)	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	(14,600,482)	(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)
Net change in total pension liability	1,138,276	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
Total pension liability - beginning	265,308,467	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
Total pension liability - ending	<u>\$ 266,446,743</u>	<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>
Plan Fiduciary Net Position										
Contributions - employer	\$ 9,328,545	\$ 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
Contributions - member	1,847,638	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
Net investment income	21,217,407	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
Benefit payments, including refunds of member contributions	(14,600,482)	(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)
Administrative expense	(150,678)	(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	17,642,430	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)
Plan fiduciary net position - beginning	196,594,292	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
Plan fiduciary net position - ending	<u>\$ 214,236,722</u>	<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>
Net pension liability - ending	<u>\$ 52,210,021</u>	<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>
Plan fiduciary net position as a percentage of the total pension liability	80.4%	74.1%	73.9%	87.0%	74.4%	83.7%	87.1%	87.8%	83.7%	90.0%
Covered payroll	\$ 23,893,898	\$ 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
Net pension liability as a percentage of covered employee payroll	218.5%	316.9%	340.5%	151.7%	290.7%	177.1%	136.8%	128.3%	186.2%	108.6%

CITY OF ANNAPOLIS, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS (CONTINUED)
POLICE AND FIRE RETIREMENT PENSION FUNDS
Year ended June 30, 2024

Notes to Schedule

Valuation Date July 1, 2024

Timing	Actuarially determined contribution rates are calculated based on the actuarial valuation at the beginning of the plan year.
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Key Methods and Assumptions Used to Determine Contribution Rates

Actuarial cost method	Entry Age
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Asset valuation method	5-Year Smoothing
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Amortization method	The UAL is amortized as a level percentage over a 30-year period (21 years remaining as of July 1, 2023)
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Discount rate	7.25%
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Amortization growth rate	0.00%
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Price inflation	2.50%
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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.
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**CITY OF ANNAPOLIS, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF EMPLOYER CONTRIBUTIONS AND INVESTMENT RETURNS
POLICE AND FIRE RETIREMENT PENSION FUNDS
Year ended June 30, 2024**

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
2024	\$ 8,183,660	\$ 9,328,545	\$ (1,144,885)	\$ 23,893,898	39.04%
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	6,352,696	(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%

Schedule of Investment Returns*

Year Ended June 30,	Investment Return
2024	10.9%
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

*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, 2024

	2024	2023	2022	2021	2020	2019	2018	2017
Total Net OPEB Liability								
Service cost	\$803,766	\$ 891,357	\$ 1,345,103	\$ 1,487,863	\$ 1,683,092	\$ 1,768,122	\$ 1,535,462	\$ 1,495,451
Interest	2,017,193	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	(2,872,784)	(2,644,179)	(4,477,491)	(10,164,803)	(7,201,249)	(1,421,369)	94,223	-
Changes in assumptions	(640,800)	-	(5,463,151)	1,381,078	1,328,654	1,091,394	(2,736,973)	-
Benefit payments, including implicit subsidy	(1,071,124)	(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	(1,763,749)	(593,935)	(8,490,556)	(6,162,593)	(2,956,026)	2,117,909	(1,051,946)	1,713,121
Total OPEB liability - beginning	35,238,356	35,832,291	44,322,847	50,485,440	53,441,466	51,323,557	52,375,503	50,662,382
Total OPEB liability - ending	<u>\$ 33,474,607</u>	<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>
Plan Fiduciary Net Position								
Contributions - employer	\$2,276,505	\$ 2,061,346	\$ 2,838,321	\$ 2,320,300	\$ 2,648,995	\$ 2,962,725	\$ 3,053,624	\$ 2,552,284
Contributions - member	74,241	65,114	49,432	44,980	37,670	31,119	21,162	-
Net investment income	1,214,815	974,592	(1,385,488)	1,739,269	88,672	289,523	216,547	175,799
Benefit payments, including refunds of member contributions	(1,071,124)	(901,760)	(1,762,988)	(1,184,315)	(1,369,136)	(1,743,697)	(2,112,144)	(1,882,596)
Administrative expense	(148,778)	(132,811)	(103,098)	(210,425)	(349,507)	(342,827)	(305,948)	(10,480)
Net change in plan fiduciary net position	2,345,659	2,066,481	(363,821)	2,709,809	1,056,694	1,196,843	873,241	835,007
Plan fiduciary net position - beginning	11,120,505	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>13,466,164</u>	<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	24,117,851	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>\$20,008,443</u>	<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	40.2%	31.6%	25.3%	21.2%	13.3%	10.6%	8.7%	6.8%
Covered employee payroll	\$24,910,378	\$ 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	80.3%	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, 2024

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.
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Key Methods and Assumptions Used to Determine Contribution Rates

Actuarial cost method	Entry Age method, with a closed level dollar amortization (26 years remaining)
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Amortization method	Level dollar, closed (26 years remaining)
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Discount rate	5.89%
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Amortization growth rate	0.00%
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Price inflation	2.50%
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Salary increases	3.5%
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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.
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CITY OF ANNAPOLIS, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS - OTHER POST-EMPLOYMENT BENEFITS
Year ended June 30, 2024

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
2024	\$2,096,000	\$2,277,000	\$ (180,000)	\$24,910,000	9.10%
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%

Schedule of Investment Returns*	
Year Ended June 30,	Investment Return
2024	10.6%
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 requirements 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, 2024

	Adopted Budget	Amended Budget	Actual Revenue/ Expenditures & Encumbrances	Under/ (Over) Budget
Revenues				
Taxes				
Real property	\$ 58,400,000	\$ 58,400,000	\$ 57,826,422	\$ 573,578
Personal	3,670,000	3,670,000	3,169,570	500,430
Penalties and Interest	227,000	227,000	268,390	(41,390)
Total Taxes	62,297,000	62,297,000	61,264,382	1,032,618
Local Receipts				
Licenses and Permits	3,356,600	3,356,600	3,876,125	(519,525)
Fines and Forfeitures	610,000	610,000	549,744	60,256
Money and Property	2,951,000	2,951,000	4,381,349	(1,430,349)
Charges for Services	7,699,600	7,699,600	9,500,513	(1,800,913)
Total Local Receipts	14,617,200	14,617,200	18,307,731	(3,690,531)
Other Revenues				
Intergovernmental	23,425,450	23,425,450	20,496,613	2,928,837
Transfers and other sources	4,201,500	4,498,748	5,917,041	(1,418,293)
Total Other Revenues	27,626,950	27,924,198	26,413,654	1,510,544
Total Revenues	104,541,150	104,838,398	105,985,767	(1,147,369)
Expenditures				
General Government				
City Council	218,500	235,500	175,995	59,505
Mayor	1,749,700	1,749,700	1,549,674	200,026
Office of Law	1,844,900	2,043,600	1,964,041	79,560
City Manager's Office	5,258,600	5,555,660	5,036,714	518,946
Finance and Purchasing	3,689,200	3,688,200	3,120,003	568,197
Total General Government	12,760,900	13,272,660	11,846,427	1,426,234
Land Use and Permits	5,444,200	5,461,709	4,895,003	566,706
Public Safety				
Police	28,429,500	28,427,940	24,845,370	3,582,570
Fire	26,060,500	26,059,000	24,086,975	1,972,025
Emergency Management	612,900	627,900	576,701	51,200
Total Public Safety	55,102,900	55,114,840	49,509,046	5,605,795
Public Works				
Bureau of Administration	1,012,400	932,400	794,665	137,735
Engineering and Construction	1,592,600	1,768,600	1,625,644	142,956
Roadways	4,377,100	4,377,100	4,009,028	368,072
Traffic Control	368,400	368,400	268,347	100,053
Snow and Ice Removal	130,000	130,000	100,943	29,057
Buildings and Maintenance	2,368,600	2,368,600	1,603,646	764,954
Total Public Works	9,849,100	9,945,100	8,402,273	1,542,827
Community Services				
Recreation and Parks	6,125,700	6,154,950	5,701,429	453,521
Harbor Master	846,000	857,923	813,950	43,973
Community Services	736,100	736,100	627,867	108,233
Community Assistance Grants	370,750	370,750	348,978	21,772
Total Community Services	8,078,550	8,119,723	7,492,224	627,499
Other Expenditures				
Non Allocated	5,261,800	5,092,229	4,522,230	569,997
Debt Service	8,223,000	8,223,000	9,119,494	(896,494)
Transfers Out	6,455,500	6,770,000	7,133,782	(363,782)
Total Other Expenditures	19,940,300	20,085,229	20,775,506	(690,279)
Total Expenditures	111,175,950	111,999,261	102,920,479	9,078,782
(Excess) Deficiencies of				
Revenues over Expenditures	\$ (6,634,800)	\$ (7,160,863)	\$ 3,065,288	\$ (10,226,151)

CITY OF ANNAPOLIS, MARYLAND
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
June 30, 2024

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 as revenues; however, these administrative charges are a reduction of expenditures for GAAP purposes.
- Encumbrances are considered expenditures in the budgetary statements; however, they 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)	\$ 101,327,265
Interfund Reimbursements reducing GAAP Expenditures	4,406,742
Add: Prior year encumbrances liquidated in Fiscal Year 2023	<u>251,758</u>
Revenues and other financing sources (GAAP basis)	<u>\$ 105,985,765</u>

Budget Basis Expenditures at year end (non-GAAP budgetary basis)	\$ 97,889,278
Interfund Reimbursements reducing GAAP Expenditures	4,406,742
Add: Current year encumbrances outstanding at year end	1,289,816
Less: Current year encumbrances outstanding at year end	<u>(665,357)</u>
Expenditures and other financing sources (GAAP basis)	<u>\$ 102,920,479</u>

COMBINING AND INDIVIDUAL FUND STATEMENTS

**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
(NON-GAAP BUDGETARY BASIS)
Year ended June 30, 2024

	Adopted Budget	Amended Budget	Actual Revenue	Under/ (Over) Budget
Revenues				
Real and personal property				
Real property	\$ 58,400,000	\$ 58,400,000	\$ 57,826,420	\$ 573,578
Personal	3,670,000	3,670,000	3,169,570	500,430
Total	62,070,000	62,070,000	60,995,990	1,074,008
Penalties and interest	227,000	227,000	268,390	(41,390)
Total Taxes	62,297,000	62,297,000	61,264,380	1,032,618
Licenses and Permits				
Street Use				
Street privileges	240,000	240,000	118,583	121,417
Business				
Alcoholic beverages	480,000	480,000	512,582	(32,582)
Traders	64,000	64,000	69,738	(5,738)
Vendors	60,000	60,000	81,550	(21,550)
Total Business	844,000	844,000	782,453	61,547
Other				
Building	1,480,000	1,480,000	1,980,000	(500,000)
Real property transfer fee	60,000	60,000	68,900	(8,900)
Use permits	50,000	50,000	29,533	20,467
Cable television franchise fees	700,000	700,000	755,841	(55,841)
Towing	600	600	200	400
Other	222,000	222,000	259,198	(37,198)
Total Other	2,512,600	2,512,600	3,093,672	(581,072)
Total Licenses and Permits	3,356,600	3,356,600	3,876,125	(519,525)
Fines and Forfeitures				
Municipal infractions	50,000	50,000	46,200	3,800
Speed enforcement program	300,000	300,000	253,553	46,447
Auto traffic signal	250,000	250,000	240,888	9,112
Other fines	10,000	10,000	9,103	897
Total Fines and Forfeitures	610,000	610,000	549,744	60,256
Money and Property				
Interest and dividends	2,220,000	2,220,000	3,876,035	(1,656,035)
Rents and concessions	328,000	328,000	176,867	151,133
Payments in lieu of taxes	403,000	403,000	322,590	80,410
Other revenue	-	-	5,857	(5,857)
Total Money and Property	2,951,000	2,951,000	4,381,349	(1,430,349)

**CITY OF ANNAPOLIS, MARYLAND
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES COMPARED TO BUDGET
(NON-GAAP BUDGETARY BASIS)
Year ended June 30, 2024**

	Adopted Budget	Amended Budget	Actual Revenue	Under/ (Over) Budget
Intergovernmental				
American Recovery Plan	\$ 3,520,150	\$ 3,520,150	\$ 409,250	\$ 3,110,900
Utility tax	332,800	332,800	372,988	(40,188)
Occupancy	3,500,000	3,500,000	3,823,452	(323,452)
Admissions	1,600,000	1,600,000	1,100,534	499,466
Income	11,650,000	11,650,000	11,938,185	(288,185)
Highway	2,821,500	2,821,500	2,850,115	(28,615)
Fuel	1,000	1,000	2,089	(1,089)
Other	-	-	-	-
Total Intergovernmental	<u>23,425,450</u>	<u>23,425,450</u>	<u>20,496,613</u>	<u>2,928,837</u>
Charges for Services				
Ambulance fees	3,000,000	3,000,000	4,158,504	(1,158,504)
Recreation fees	1,673,000	1,673,000	1,865,157	(192,157)
Filing fees	130,000	130,000	59,219	70,781
Rental fees	800,000	800,000	1,418,649	(618,649)
Dock charges & Boat Show fees	1,206,500	1,206,500	1,039,917	166,583
Other	890,100	890,100	959,067	(68,967)
Total Charges for Services	<u>7,699,600</u>	<u>7,699,600</u>	<u>9,500,513</u>	<u>(1,800,913)</u>
Other Revenues				
Transfers and administrative charges	3,924,000	3,924,000	4,854,274	(930,274)
Other miscellaneous	277,500	574,748	1,062,767	(488,019)
Total Other Revenues	<u>4,201,500</u>	<u>4,498,748</u>	<u>5,917,041</u>	<u>(1,418,293)</u>
Total Revenues	<u>\$ 104,541,150</u>	<u>\$ 104,838,398</u>	<u>\$ 105,985,765</u>	<u>\$ (1,147,369)</u>
Fiscal Year 2024 Revenues (GAAP Basis)				\$ 101,327,265
Prior Year Encumbrances Liquidated in Fiscal Year 2024				251,758
Interfund Reimbursements Reducing Expenditures in GAAP				4,406,742
				<u>\$ 105,985,765</u>

CITY OF ANNAPOLIS, MARYLAND
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES COMPARED TO BUDGET
(NON-GAAP BUDGETARY BASIS)
Year ended June 30, 2024

	<u>Adopted Budget</u>	<u>Amended Budget</u>	<u>Actual Expenditures & Encumbrances</u>	<u>Under/ (Over) Budget</u>
General Government				
City Council				
Salaries	\$ 142,300	\$ 142,300	\$ 143,000	\$ (700)
Employee benefits	19,400	19,400	14,797	4,603
Contractual Services	40,800	40,800	(46)	40,846
Materials and supplies	-	25,000	9,353	15,647
Other	16,000	8,000	8,891	(891)
Total City Council	<u>218,500</u>	<u>235,500</u>	<u>175,995</u>	<u>59,505</u>
Mayor's Office				
Salaries	789,400	789,400	748,650	40,750
Employee benefits	260,900	260,900	252,924	7,976
Utilities	11,100	11,100	6,842	4,258
Contractual services	288,200	283,200	281,963	1,237
Materials and supplies	42,100	127,100	96,386	30,714
Other	352,000	271,580	156,489	115,091
Capital outlay	6,000	6,420	6,420	-
Total Mayor's Office	<u>1,749,700</u>	<u>1,749,700</u>	<u>1,549,674</u>	<u>200,026</u>
Office of Law				
Legal Office				
Salaries	1,143,000	1,143,000	1,147,662	(4,662)
Employee benefits	409,700	409,700	364,720	44,980
Utilities	6,000	6,000	5,393	607
Contractual services	164,400	358,100	387,056	(28,956)
Materials and supplies	25,700	35,700	31,132	4,568
Other	35,000	30,000	25,888	4,112
Total Legal Office	<u>1,783,800</u>	<u>1,982,500</u>	<u>1,961,851</u>	<u>20,649</u>
Elections				
Salaries	23,000	23,000	858	22,143
Employee benefits	1,800	1,800	66	1,734
Contractual services	29,000	29,000	1,063	27,937
Rents and leases	500	500	-	500
Materials and supplies	6,800	6,800	203	6,597
Total Legal Office	<u>61,100</u>	<u>61,100</u>	<u>2,190</u>	<u>58,911</u>
Total Office of Law	<u>1,844,900</u>	<u>2,043,600</u>	<u>1,964,041</u>	<u>79,560</u>
City Manager's Office				
City Manager				
Salaries	788,400	771,400	683,647	87,753
Employee benefits	248,300	248,300	207,305	40,995
Utilities	2,900	2,900	3,731	(831)
Contractual services	50,000	50,000	-	50,000
Repairs and maintenance	4,600	4,600	4,600	-
Materials and supplies	15,000	15,000	23,834	(8,834)
Other	203,500	253,500	87,532	165,968
Total City Manager	<u>1,312,700</u>	<u>1,345,700</u>	<u>1,010,649</u>	<u>335,051</u>

CITY OF ANNAPOLIS, MARYLAND
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES COMPARED TO BUDGET
(NON-GAAP BUDGETARY BASIS) (Continued)
Year ended June 30, 2024

	<u>Adopted Budget</u>	<u>Amended Budget</u>	<u>Actual Expenditures & Encumbrances</u>	<u>Under/ (Over) Budget</u>
Human Resources				
Salaries	\$ 777,500	\$ 777,500	\$ 799,005	\$ (21,505)
Employee benefits	320,600	320,600	277,100	43,500
Utilities	1,800	1,800	795	1,005
Contractual services	126,700	126,700	92,348	34,352
Repair and maintenance	200	200	-	200
Materials and supplies	16,300	16,300	8,735	7,565
Capital outlay	95,500	103,750	57,844	45,906
Total Mayor's Office	<u>1,338,600</u>	<u>1,346,850</u>	<u>1,235,827</u>	<u>111,023</u>
MIT				
Salaries	1,210,800	1,135,800	1,116,754	19,046
Employee benefits	374,200	374,200	368,018	6,182
Utilities	2,900	4,500	4,234	266
Contractual services	634,000	977,310	966,284	11,026
Repair and maintenance	60,300	60,300	49,545	10,755
Materials and supplies	31,100	31,100	14,624	16,476
Capital outlay	294,000	279,900	270,779	9,121
Total MIT	<u>2,607,300</u>	<u>2,863,110</u>	<u>2,790,238</u>	<u>72,872</u>
Total City Manager's Office	<u>5,258,600</u>	<u>5,555,660</u>	<u>5,036,714</u>	<u>518,946</u>
Finance & Purchasing				
Salaries	2,235,100	2,180,600	1,996,788	183,812
Employee benefits	851,400	851,400	589,450	261,950
Utilities	7,400	7,400	5,079	2,321
Contractual services	506,700	523,700	359,753	163,947
Repair and maintenance	7,600	7,200	5,027	2,173
Materials and supplies	78,000	89,900	84,648	5,252
Capital outlay	3,000	28,000	79,258	(51,258)
Total Finance & Purchasing	<u>3,689,200</u>	<u>3,688,200</u>	<u>3,120,003</u>	<u>568,197</u>
Total General Government	<u>12,760,900</u>	<u>13,272,660</u>	<u>11,846,427</u>	<u>1,426,234</u>
Land Use and Permits				
Plannnig and Zoning				
Salaries	3,528,500	3,527,500	3,363,100	164,400
Employee benefits	1,127,300	1,127,300	1,000,689	126,611
Utilities	33,600	33,600	32,045	1,555
Contractual services	178,700	196,209	172,472	23,737
Repair and maintenance	32,400	32,400	32,400	-
Materials and supplies	293,200	309,200	286,249	22,951
Other	245,500	230,500	8,048	222,452
Capital outlay	5,000	5,000	-	5,000
Total Planning and Zoning	<u>5,444,200</u>	<u>5,461,709</u>	<u>4,895,003</u>	<u>566,706</u>
Total Land Use and Permits	<u>5,444,200</u>	<u>5,461,709</u>	<u>4,895,003</u>	<u>566,706</u>

CITY OF ANNAPOLIS, MARYLAND
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES COMPARED TO BUDGET
(NON-GAAP BUDGETARY BASIS) (Continued)
Year ended June 30, 2024

	Adopted Budget	Amended Budget	Actual Expenditures & Encumbrances	Under/ (Over) Budget
Public Safety				
Police				
Salaries	\$ 15,594,500	\$ 15,430,300	\$ 13,984,315	\$ 1,445,985
Employee benefits	8,591,800	8,591,800	7,207,428	1,384,372
Utilities	301,900	301,900	279,231	22,669
Contractual services	792,300	864,340	802,514	61,826
Rents and leases	43,000	43,000	38,290	4,710
Repair and maintenance	1,152,700	1,152,700	1,145,715	6,985
Materials and supplies	1,178,800	1,242,800	695,140	547,660
Other	98,300	98,300	-	98,300
Capital outlay	676,200	702,800	692,737	10,063
Total Police	<u>28,429,500</u>	<u>28,427,940</u>	<u>24,845,370</u>	<u>3,582,570</u>
Fire				
Salaries	15,894,000	15,894,000	14,874,943	1,019,057
Employee benefits	8,342,000	8,342,000	7,505,363	836,637
Utilities	152,900	158,900	146,608	12,292
Contractual services	292,600	292,600	263,250	29,350
Rents and leases	15,000	15,000	15,000	-
Repair and maintenance	786,900	786,900	782,052	4,848
Materials and supplies	509,100	501,600	424,936	76,664
Capital outlay	68,000	68,000	74,823	(6,823)
Total Fire	<u>26,060,500</u>	<u>26,059,000</u>	<u>24,086,975</u>	<u>1,972,025</u>
Emergency Management				
Salaries	358,900	359,225	367,934	(8,709)
Employee benefits	158,200	157,875	138,538	19,337
Utilities	2,600	3,025	213	2,812
Contractual services	38,400	52,380	16,173	36,207
Repair and maintenance	20,500	20,500	20,500	-
Materials and supplies	7,300	7,895	6,343	1,553
Other	27,000	27,000	27,000	-
Total Emergency Management	<u>612,900</u>	<u>627,900</u>	<u>576,701</u>	<u>51,200</u>
Total Public Safety	<u>55,102,900</u>	<u>55,114,840</u>	<u>49,509,046</u>	<u>5,605,795</u>
Public Works				
Bureau of Administration				
Salaries	638,700	638,700	592,128	46,572
Employee benefits	197,300	197,300	180,478	16,822
Utilities	2,600	2,600	1,584	1,016
Contractual services	164,800	81,200	17,691	63,509
Repair and maintenance	200	200	-	200
Materials and supplies	8,800	12,400	2,784	9,616
Total Bureau of Administration	<u>1,012,400</u>	<u>932,400</u>	<u>794,665</u>	<u>137,735</u>

CITY OF ANNAPOLIS, MARYLAND
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES COMPARED TO BUDGET
(NON-GAAP BUDGETARY BASIS) (Continued)
Year ended June 30, 2024

	Adopted Budget	Amended Budget	Actual Expenditures & Encumbrances	Under/ (Over) Budget
Engineering and Construction				
Salaries	\$ 921,700	\$ 921,700	\$ 934,365	\$ (12,665)
Employee benefits	290,600	290,600	263,137	27,463
Utilities	9,500	9,500	6,336	3,164
Contractual services	222,500	398,500	281,973	116,527
Repair and maintenance	29,600	29,600	27,600	2,000
Materials and supplies	18,700	18,700	12,233	6,467
Other	100,000	100,000	100,000	-
Total Engineering and Construction	<u>1,592,600</u>	<u>1,768,600</u>	<u>1,625,644</u>	<u>142,956</u>
Roadways				
Salaries	2,206,200	2,206,200	2,224,357	(18,157)
Employee benefits	854,500	854,500	795,926	58,574
Utilities	511,800	511,800	500,397	11,403
Contractual services	293,400	293,400	33,828	259,572
Repair and maintenance	355,300	355,300	317,812	37,488
Materials and supplies	85,900	85,900	66,708	19,192
Capital outlay	70,000	70,000	70,000	-
Total Roadways	<u>4,377,100</u>	<u>4,377,100</u>	<u>4,009,028</u>	<u>368,072</u>
Traffic Control				
Salaries	184,900	159,900	124,425	35,475
Employee benefits	76,300	76,300	48,961	27,339
Contractual services	8,300	8,300	2,339	5,961
Repair and maintenance	42,700	42,700	37,857	4,843
Materials and supplies	48,700	73,700	54,765	18,935
Capital outlay	7,500	7,500	-	7,500
Total Traffic Control	<u>368,400</u>	<u>368,400</u>	<u>268,347</u>	<u>100,053</u>
Snow and Ice Removal				
Salaries	35,000	35,000	26,229	8,771
Employee benefits	6,500	6,500	5,888	612
Contractual services	30,000	30,000	29,997	3
Repair and maintenance	5,500	5,500	5,500	-
Materials and supplies	53,000	53,000	33,329	19,671
Total Snow and Ice Removal	<u>130,000</u>	<u>130,000</u>	<u>100,943</u>	<u>29,057</u>
Buildings and Maintenance				
Salaries	472,300	376,700	266,905	109,795
Employee benefits	172,200	172,200	106,235	65,965
Utilities	228,300	228,300	223,864	4,436
Contractual services	478,400	574,000	582,244	(8,244)
Rents and leases	562,000	562,000	74,900	487,100
Repair and maintenance	258,100	258,100	253,503	4,597
Materials and supplies	7,300	7,300	6,320	980
Capital outlay	190,000	190,000	89,675	100,325
Total Buildings and Maintenance	<u>2,368,600</u>	<u>2,368,600</u>	<u>1,603,646</u>	<u>764,954</u>
Total Public Works	<u>9,849,100</u>	<u>9,945,100</u>	<u>8,402,273</u>	<u>1,542,827</u>

CITY OF ANNAPOLIS, MARYLAND
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES COMPARED TO BUDGET
(NON-GAAP BUDGETARY BASIS) (Continued)
Year ended June 30, 2024

	<u>Adopted Budget</u>	<u>Amended Budget</u>	<u>Actual Expenditures & Encumbrances</u>	<u>Under/ (Over) Budget</u>
Community Services				
Recreation and Parks				
Salaries	\$ 3,767,600	\$ 3,782,600	\$ 3,552,196	\$ 230,404
Employee benefits	842,300	842,300	824,848	17,452
Utilities	229,900	231,270	213,011	18,259
Contractual services	550,700	544,530	507,640	36,890
Rents and leases	51,400	51,400	49,754	1,646
Repair and maintenance	242,700	242,950	197,733	45,217
Materials and supplies	270,100	282,000	259,157	22,843
Other	71,200	78,100	40,997	37,103
Capital outlay	99,800	99,800	56,093	43,707
Total Recreation and Parks	<u>6,125,700</u>	<u>6,154,950</u>	<u>5,701,429</u>	<u>453,521</u>
Harbor Master				
Salaries	554,900	554,900	517,283	37,617
Employee benefits	79,600	79,600	73,690	5,910
Utilities	49,200	49,200	38,739	10,461
Contractual services	39,100	39,200	55,093	(15,893)
Repair and maintenance	84,800	96,723	97,363	(640)
Materials and supplies	38,400	38,300	31,782	6,518
Total Harbor Master	<u>846,000</u>	<u>857,923</u>	<u>813,950</u>	<u>43,973</u>
Community Services				
Salaries	301,800	301,800	246,001	55,799
Employee benefits	71,100	71,100	57,317	13,783
Utilities	2,400	2,400	847	1,553
Contractual services	37,500	37,500	2,048	35,452
Repair and maintenance	7,300	7,300	7,300	-
Materials and supplies	9,000	9,000	7,720	1,280
Other	307,000	307,000	306,634	366
Total Community Services	<u>736,100</u>	<u>736,100</u>	<u>627,867</u>	<u>108,233</u>
Community Assistance Grants	<u>370,750</u>	<u>370,750</u>	<u>348,978</u>	<u>21,772</u>
Total Community Services	<u>8,078,550</u>	<u>8,119,723</u>	<u>7,492,224</u>	<u>627,499</u>
Nonallocated	5,261,800	5,092,229	4,522,230	569,997

CITY OF ANNAPOLIS, MARYLAND
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES COMPARED TO BUDGET
(NON-GAAP BUDGETARY BASIS) (Continued)
Year ended June 30, 2024

	<u>Adopted Budget</u>	<u>Amended Budget</u>	<u>Actual Expenditures & Encumbrances</u>	<u>Under/ (Over) Budget</u>
Debt Service				
Bond principal	\$ 5,724,000	\$ 5,724,000	\$ 5,756,599	\$ (32,599)
Lease principal	-	-	507,191	(507,191)
Subscription principal	-	-	338,156	(338,156)
Total Principal Debt Service	<u>5,724,000</u>	<u>5,724,000</u>	<u>6,601,946</u>	<u>(877,946)</u>
 Bond interest	 2,449,000	 2,449,000	 2,235,636	 213,364
Lease principal	-	-	238,890	(238,890)
Subscription interest	-	-	43,022	(43,022)
Bond issuance	50,000	50,000	-	50,000
Total Interest on Debt Service	<u>2,499,000</u>	<u>2,499,000</u>	<u>2,517,548</u>	<u>(18,548)</u>
 Total Debt Service	 <u>8,223,000</u>	 <u>8,223,000</u>	 <u>9,119,494</u>	 <u>(896,494)</u>
 Transfers out	 6,455,500	 6,770,000	 7,133,782	 (363,782)
Total Expenditures & Encumbrances	<u>111,175,950</u>	<u>111,999,261</u>	<u>102,920,479</u>	<u>9,078,782</u>
 Fiscal Year 2024 Expenditures (GAAP Basis)				\$ 97,889,278
Interfund Reimbursements Reducing Expenditures in GAAP				4,406,742
Fiscal Year 2024 Encumbrances Open at Year End				1,289,816
Less: Prior Year Encumbrances Expended in Fiscal Year 2024				<u>(665,357)</u>
				<u><u>\$ 102,920,479</u></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, 2024**

	Special Revenue Funds							Capital Projects Funds			
	Community Development Block Grant	Grants	Opioid	Community Legacy	Arts in Public Places	Police Forfeiture & Asset Seizure	Sprinkler Loan Assistance	Reforestation	PEG	Affordable Housing Trust	Total
ASSETS											
Cash and cash equivalents	\$ 41,824	\$ -	\$ 112,752	\$ 41,204	\$ 173,670	\$ 477,408	\$ 366,233	\$ 1,836,984	\$ 176,582	\$ 1,420,669	\$ 4,647,326
Cash and cash equivalents - Restricted		5,793,069	-	-	-	-	-	-	-	-	5,793,069
Receivables, net of allowances	44,665	1,583,120	-	-	1,000	-	4,646	-	11,476	-	1,644,907
Total assets	<u>\$ 86,489</u>	<u>\$ 7,376,189</u>	<u>\$ 112,752</u>	<u>\$ 41,204</u>	<u>\$ 174,670</u>	<u>\$ 477,408</u>	<u>\$ 370,879</u>	<u>\$ 1,836,984</u>	<u>\$ 188,058</u>	<u>\$ 1,420,669</u>	<u>\$ 12,085,302</u>
LIABILITIES											
Accounts payable	\$ 44,665	\$ 55,851	\$ 831	\$ 25,532	\$ 17,850	\$ 8,887	\$ -	\$ -	\$ 1,229	\$ 23,574	\$ 178,419
Accrued payables and other liabilities	-	48,397	1,146	-	-	12,785	-	-	-	-	62,328
Due to General Fund	-	1,000,780	-	-	-	-	-	-	-	-	1,000,780
Unearned revenue	-	5,864,388	-	-	-	-	4,646	-	-	-	5,869,034
Total liabilities	<u>44,665</u>	<u>6,969,416</u>	<u>1,977</u>	<u>25,532</u>	<u>17,850</u>	<u>21,672</u>	<u>4,646</u>	<u>-</u>	<u>1,229</u>	<u>23,574</u>	<u>7,110,561</u>
FUND BALANCE											
Restricted for:											
Public Safety	-	255,643	-	-	-	455,736	-	-	-	-	711,379
Community Services	41,824	157,454	110,775	15,672	156,820	-	366,233	-	-	1,397,095	2,245,873
Land Use	-	-	-	-	-	-	-	1,836,984	-	-	1,836,984
Capital Projects	-	-	-	-	-	-	-	-	186,829	-	186,829
Unrestricted	-	(6,324)	-	-	-	-	-	-	-	-	(6,324)
Total fund balances	<u>41,824</u>	<u>406,773</u>	<u>110,775</u>	<u>15,672</u>	<u>156,820</u>	<u>455,736</u>	<u>366,233</u>	<u>1,836,984</u>	<u>186,829</u>	<u>1,397,095</u>	<u>4,974,741</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 86,489</u>	<u>\$ 7,376,189</u>	<u>\$ 112,752</u>	<u>\$ 41,204</u>	<u>\$ 174,670</u>	<u>\$ 477,408</u>	<u>\$ 370,879</u>	<u>\$ 1,836,984</u>	<u>\$ 188,058</u>	<u>\$ 1,420,669</u>	<u>\$ 12,085,302</u>

**CITY OF ANNAPOLIS, MARYLAND
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
Year ended June 30, 2024**

	Special Revenue Funds							Capital Projects Funds			
	Community Development Block Grant	Grants	Opioid	Community Legacy	Arts in Public Places	Police Forfeiture & Asset Seizure	Sprinkler Loan Assistance	Reforestation	PEG	Affordable Housing Trust	Total
REVENUES											
Intergovernmental	\$ 326,227	\$ 4,624,216	\$ 96,701	\$ -	\$ 155,021	\$ -	\$ -	\$ -	\$ -	\$ 155,021	\$ 5,357,186
Charges for services	-	-	-	-	-	-	19,218	1,817,065	49,740	-	1,886,023
Other revenue	22,291	-	-	-	-	81,642	-	-	-	-	103,933
Total revenues	348,518	4,624,216	96,701	-	155,021	81,642	19,218	1,817,065	49,740	155,021	7,347,142
EXPENDITURES											
Current:											
Land Use	-	-	-	-	-	-	-	25,244	-	-	25,244
Public Safety	-	3,714,036	-	-	-	137,166	-	-	-	-	3,851,202
Community Development	403,815	-	-	-	-	-	-	-	-	-	403,815
Community Services	-	236,584	66,216	101,170	120,458	-	11,686	-	-	267,034	803,148
Capital Outlay	-	-	-	-	-	-	-	-	31,308	-	31,308
Debt Service:											
Principal	-	-	-	-	-	31,079	-	-	-	-	31,079
Interest and other charges	-	-	-	-	-	2,187	-	-	-	-	2,187
Total expenditures	403,815	3,950,620	66,216	101,170	120,458	170,432	11,686	25,244	31,308	267,034	5,147,983
Excess (deficiency) of revenues over expenditures	(55,297)	673,596	30,485	(101,170)	34,563	(88,790)	7,532	1,791,821	18,432	(112,013)	2,199,159
OTHER FINANCING SOURCES (USES)											
Transfers in	-	446,782	-	-	-	-	-	-	-	500,000	946,782
Transfers out	-	(1,681,032)	-	-	-	-	-	-	-	-	(1,681,032)
Total other financing sources (uses)	-	(1,234,250)	-	-	-	-	-	-	-	500,000	(734,250)
Net change in fund balance	(55,297)	(560,654)	30,485	(101,170)	34,563	(88,790)	7,532	1,791,821	18,432	387,987	1,464,909
Fund balance at beginning of year	97,121	967,427	80,290	116,842	122,257	544,526	358,701	45,163	168,397	1,009,108	3,509,832
Fund balance at end of year	\$ 41,824	\$ 406,773	\$ 110,775	\$ 15,672	\$ 156,820	\$ 455,736	\$ 366,233	\$ 1,836,984	\$ 186,829	\$ 1,397,095	\$ 4,974,741

CITY OF ANNAPOLIS, MARYLAND
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND ENCUMBRANCES
COMPARED TO BUDGET (BUDGETARY BASIS)
Year ended June 30, 2024

	Adopted Budget	Amended Budget	Cumulative Expenditures from Prior Years	Fiscal Year 2024 Expenditures	Fiscal Year 2024 Encumbrances	Cumulative Expenditures and Encumbrances	Available Balance
General City Projects							
Acton Cove Waterfront Park	\$ 105,000	\$ 105,000	\$ -	\$ 80,411	\$ 16,418	\$ 96,829	\$ 8,171
Annapolis Gateway Park	178,700	178,700	-	11,281	756	12,037	166,663
Annapolis Solar Park Pollinator Garden	52,500	52,500	-	-	-	-	52,500
Annapolis Walk Park Improvements	528,800	528,800	488	113,940	-	114,428	414,372
Barbud Lane	1,493,700	1,493,700	198,207	2,303	15,064	215,574	1,278,126
Bay Ridge Avenue Sidewalk	178,815	178,815	-	-	-	-	178,815
Brewer's Hill Cemetery Stream Restoration	-	105,000	-	8,750	25,460	34,210	70,790
Burtis House	330,173	330,173	-	-	-	-	330,173
Carr's Beach Park	9,208,250	9,833,250	6,699,395	2,859,877	3,610	9,562,882	270,368
Cedar Park Sidewalks	543,700	543,700	55,434	27,236	35,758	118,429	425,271
City Dock Resilience and Revitalization	52,980,797	52,980,797	1,326,726	4,843,062	1,554,763	7,724,552	45,256,245
City Facility Improvements	4,130,305	4,130,305	2,605,202	344,426	135,036	3,084,664	1,045,641
City Facility Security Upgrades	1,800,750	2,300,750	1,577,146	556,103	40,005	2,173,254	127,496
City Harbor Flood Mitigation	31,011,218	31,011,218	2,503,502	131,320	1,092,374	3,727,196	27,284,022
Citywide Public Water Access Improvements	146,200	146,200	-	19,475	21,684	41,159	105,041
College Creek Connector Trail	393,750	393,750	-	-	-	-	393,750
CRAB Boating Facility	2,270,475	2,270,475	2,270,475	-	-	2,270,475	-
Duke of Gloucester Floating Pier	105,000	105,000	-	14,622	4,895	19,516	85,484
Electric Annapolis Mobility Plan	5,534,789	5,534,789	91,729	21,000	252,217	364,946	5,169,843
Farragut Road Sidewalk - Howison Road to Rowe Boulev	78,750	78,750	-	-	-	-	78,750
Fitness Equipment Replacement	207,500	207,500	150,599	52,872	-	203,471	4,029
Forest Drive Fire Station Renovations	437,050	437,050	-	6,358	12,110	18,468	418,582
General Existing Waterfront Access Infrastructure	84,000	99,000	-	80,462	8,507	88,970	10,030
General Roadways	15,324,830	15,324,830	9,042,821	2,514,668	2,649,782	14,207,271	1,117,559
General Sidewalks	3,250,000	3,250,000	2,311,975	436,601	129,817	2,878,393	371,607
Gibraltar Avenue	6,300	6,300	-	-	-	-	6,300
Hawkins Cove	661,500	661,500	6,855	79,103	1,908	87,867	573,633
Maintenance Facilities	16,996,857	16,996,857	16,194,798	459,958	9,724	16,664,480	332,377
Maynard Burgess House	1,374,309	1,374,309	1,263,598	48,472	15,680	1,327,750	46,559
Melvin Avenue Traffic Calming	58,800	58,800	58,800	-	-	58,800	-
Moyer Park Sidewalk Enhancements	488,250	488,250	-	-	-	-	488,250
Parks Maintenance Facility	115,500	115,500	-	-	-	-	115,500
Pedestrian Activated Crosswalk Signals on Cedar Park R	93,250	93,250	-	7,436	6,698	14,134	79,116
Pickleball Court Lights	210,000	210,000	-	-	-	-	210,000
Robert Eades Park	605,300	605,300	70,777	19,552	46,632	136,961	468,339
Russell Street	781,000	781,000	-	-	-	-	781,000

CITY OF ANNAPOLIS, MARYLAND
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND ENCUMBRANCES
COMPARED TO BUDGET (BUDGETARY BASIS)
Year ended June 30, 2024

	Adopted Budget	Amended Budget	Cumulative Expenditures from Prior Years	Fiscal Year 2024 Expenditures	Fiscal Year 2024 Encumbrances	Cumulative Expenditures and Encumbrances	Available Balance
S. Southwood Sidewalk and Stormwater Management	420,000	420,000	-	2,037	231,910	233,947	186,053
Spa Road Sidewalk - Forest Drive to Hilltop Lane	78,750	78,750	-	-	-	-	78,750
Standard Specifications and Construction Details	320,250	320,250	143,747	668	40,016	184,430	135,820
Stanton Center Renovations	1,253,000	1,253,000	40,775	29,771	167,188	237,734	1,015,267
Taylor Avenue Traffic Improvements	310,000	310,000	-	-	-	-	310,000
Traffic Safety Improvements	131,250	131,250	-	-	-	-	131,250
Traffic Signal Rehabilitation	2,298,255	2,298,255	1,598,000	109,035	70,578	1,777,613	520,642
Trail Connections	1,159,016	1,159,016	229,423	104,522	256,021	589,966	569,050
Truxtun Heights Storm Drainage Improvements	3,298,846	3,298,846	121,120	44,606	153,799	319,526	2,979,320
Truxtun Park Improvements	659,670	659,670	2,454	191,619	18,881	212,954	446,716
Truxtun Park Swimming Pool	4,871,788	4,871,788	4,865,338	-	6,450	4,871,788	-
Truxtun Park Tennis Courts and Fence	1,089,661	1,089,661	1,089,661	-	-	1,089,661	-
Tucker Street Boat Ramp	376,800	376,800	27,800	39,989	21,838	89,627	287,173
Underground Service Historic District	762,500	762,500	44,548	49,341	139,792	233,681	528,819
Upgrade City Coordinate System	460,100	460,100	8,938	2,979	-	11,918	448,182
Waterway Improvement Project - 6th Street	429,450	429,450	8,421	40,793	17,118	66,332	363,118
Waterway Improvement Project - Amos Garrett Blvd	52,500	52,500	-	-	-	-	52,500
Waterway Improvement Project - Cheston Ave	478,250	478,250	5,170	358,527	3,189	366,887	111,363
Waterway Improvement Project - Thompson Street	52,500	52,500	-	-	-	-	52,500
Waterworks Buildings and Parking Improvements	262,500	262,500	-	-	-	-	262,500
Weems-Whelan Field	782,500	782,500	28,826	37,042	16,485	82,353	700,147
West East Express Bikeway	1,410,000	1,410,000	47,304	278,926	141,046	467,276	942,724
	<u>\$ 172,723,704</u>	<u>\$ 173,968,704</u>	<u>\$ 54,690,055</u>	<u>\$ 14,029,142</u>	<u>\$ 7,363,210</u>	<u>\$ 76,082,408</u>	<u>\$ 97,886,296</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, 2024

Community Development Block Grant

	Adopted Budget	Amended Budget & Prior Year Roll Forward	Actual Revenues	Under (Over) Budget
Revenue				
CDBG Program Income	\$ (65,850)	\$ (65,850)	\$ (55,296)	\$ 10,554
General Admin - Fair Housing BNI	11,341	11,341	4,000	7,341
Light House Shelter	7,000	7,000	7,000	-
OIC	10,505	10,505	10,505	-
Restoration Community Dev Corp	10,199	10,000	8,139	1,861
Center Of Help	8,500	8,500	8,500	-
Community Action Agency	5,030	5,029	5,030	(1)
Housing Rehab Advisory Services	50,000	50,000	-	50,000
Blessed In Tech	6,000	6,000	6,000	-
Housing Rehab - Construction	38,464	38,464	38,478	(14)
Arundel Lodge	33,180	32,500	-	32,500
ARC of the Chesapeake	85,770	85,770	75,030	10,740
Robinwood HVAC	100,000	100,000	100,000	-
Arundel Lodge CV3	29,593	29,593	29,380	213
Superior Future	6,353	6,353	6,353	-
Roof Replacement - Homes at the Glen	17,867	15,987	17,867	(1,880)
Bowman Security Gate	52,000	52,000	52,000	-
Rebuilding Together Home Repair	100,828	100,828	37,626	63,202
	<u>\$ 506,780</u>	<u>\$ 504,020</u>	<u>\$ 350,612</u>	<u>\$ 174,516</u>

	Adopted Budget	Amended Budget (incl Prior Year Roll Forward)	Actual Expenditures & Encumbrances	Under (Over) Budget
Expenditures				
General Admin - Fair Housing BNI	\$ 11,341	\$ 11,341	\$ 4,000	\$ 7,341
Light House Shelter	7,000	7,000	7,000	-
OIC	10,505	10,505	10,505	-
Restoration Community Dev Corp	10,199	10,000	10,000	-
Center Of Help	8,500	8,500	8,500	-
Community Action Agency	4,000	4,000	4,000	-
Housing Rehab Advisory Services	50,000	50,000	50,000	-
Blessed In Tech	6,000	6,000	6,000	-
Arundel Lodge	33,180	32,500	32,500	-
ARC of the Chesapeake	25,770	36,510	25,770	10,740
Robinwood HVAC	100,000	100,000	100,000	-
Arundel Lodge - CV-3	-	29,593	29,380	213
Roof Replacement - Homes at the Glen	1,880	-	-	-
Rebuilding Together Home Repair	100,828	100,828	37,626	63,202
	<u>\$ 369,203</u>	<u>\$ 406,777</u>	<u>\$ 325,281</u>	<u>\$ 81,496</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, 2024**

Federal Grants				
	Adopted Budget	Amended Budget	Actual Revenues	Under (Over) Budget
Revenue				
Cops De-Escalation	\$ 71,971	\$ 2,571	\$ 49,670	\$ (47,099)
Bullet Proof Vest	-	3,383	1,197	2,186
BRIC	-	-	3,575	(3,575)
Emergency Management Performance Grant	278,979	252,265	96,052	156,213
Flood Mitigation Assistance	638	638	2,918	(2,280)
Hazardous Materials Emergency Preparedness	78,596	58,346	14,932	43,414
State Homeland Security Program	1,025,552	992,599	225,645	766,954
Urban Areas Security Initiative	3,157,658	2,972,167	711,349	2,260,818
Emergency Food & Shelter	-	10,000	10,000	-
Pumpout Boat	66,000	66,000	59,530	6,470
OEM Bus Shields	-	20,734	20,734	-
Military Installation Resili-Naval	-	-	27	(27)
	<u>\$ 4,679,394</u>	<u>\$ 4,378,703</u>	<u>\$ 1,195,629</u>	<u>\$ 3,183,074</u>
			Actual Expenditures & Encumbrances	Under (Over) Budget
Expenditures				
Cops De-Escalation	\$ 71,971	\$ 2,571	\$ 49,670	\$ (47,099)
Bullet Proof Vest	-	3,383	1,197	2,186
Emergency Management Performance Grant	261,113	234,399	71,538	162,861
Flood Mitigation Assistance	638	638	638	-
Hazardous Materials Emergency Preparedness	75,825	55,575	14,932	40,643
State Homeland Security Program	901,247	868,294	204,144	664,150
Urban Areas Security Initiative	2,684,138	2,498,647	534,658	1,963,989
Emergency Food & Shelter	-	10,000	10,000	-
Pumpout Boat	66,000	66,000	74,280	(8,280)
OEM Bus Shields	-	20,734	20,732	2
	<u>\$ 4,060,932</u>	<u>\$ 3,760,241</u>	<u>\$ 981,789</u>	<u>\$ 2,778,452</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, 2024

State Grants

	Adopted Budget	Amended Budget	Actual Revenues	Under (Over) Budget
Revenue				
Advance Life Support Training	\$ 13,000	\$ 13,000	\$ -	\$ 13,000
Monitor Defib	30,000	30,000	1,118	28,882
Opioid	215,000	-	4,104	(4,104)
MCIN - MD Criminal Intel Network	10,000	10,000	7,706	2,294
Auto Larceny Education Reduces Theft	22,000	22,000	16,988	5,012
Year Round Community Outreach	-	8,700	8,699	1
Gun Violence Reduction	25,000	-	-	-
PACT	380,000	361,200	359,507	1,693
PRAR - Police Recruitment & Retention	50,000	25,000	31,000	(6,000)
State Aid for Police Protection	1,500,000	1,523,173	1,305,687	217,486
Warrant Apprehension & Abscond	-	149,445	92,189	57,256
Debris & Derelict Removal	29,000	25,000	4,890	20,110
Pumpout Boat - State	22,000	22,000	19,843	2,157
MD DNR Mooring Covers	-	5,000	5,000	-
R&P Open Space Master Plan	270,000	270,000	-	270,000
CLG Education & Training	-	1,500	100	1,400
MD Historical District CLG Funds	-	20,000	-	20,000
Waterway Improv-Citywide	-	-	44,413	(44,413)
	<u>\$ 2,566,000</u>	<u>\$ 2,486,018</u>	<u>\$ 1,901,244</u>	<u>\$ 584,774</u>

	Adopted Budget	Amended Budget	Actual Expenditures & Encumbrances	Under (Over) Budget
Expenditures				
Advance Life Support Training	\$ 13,000	\$ 13,000	\$ -	\$ 13,000
Monitor Defib	30,000	30,000	1,118	28,882
Health Outreach/MD Latinos Unidos	-	-	5,607	(5,607)
Opioid	215,000	-	(176)	176
MCIN - MD Criminal Intel Network	10,000	10,000	-	10,000
Auto Larceny Education Reduces Theft	22,000	22,000	15,982	6,018
Year Round Community Outreach	-	8,700	8,699	1
Gun Violence Reduction	25,000	-	-	-
PACT	380,000	361,200	359,507	1,693
PRAR - Police Recruitment & Retention *	50,000	25,000	31,000	(6,000)
State Aid for Police Protection	1,500,000	1,523,173	1,305,687	217,486
State Aid for Police Protection **	-	-	1,074,865	(1,074,865)
Warrant Apprehension & Abscond	-	149,445	92,189	57,256
Debris & Derelict Removal	29,000	25,000	4,890	20,110
Pumpout Boat - State	22,000	22,000	30,079	(8,079)
MD DNR Mooring Covers	-	5,000	5,000	-
R&P Open Space Master Plan	270,000	270,000	-	270,000
CLG Education & Training	-	1,500	600	900
MD Historical District CLG Funds	-	20,000	-	20,000
Waterway Improv-Citywide	-	-	31,308	(31,308)
	<u>\$ 2,566,000</u>	<u>\$ 2,486,018</u>	<u>\$ 2,966,355</u>	<u>\$ (480,337)</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, 2024

County Grants

	Adopted Budget	Amended Budget	Actual Revenues	Under (Over) Budget
Revenue				
911 Funds	\$ 300,000	\$ 300,000	\$ 528,948	\$ (228,948)
Alcohol Sales Compliance Check	10,000	10,000	2,025	7,975
Tobacco Sales Compliance Check	10,000	10,000	(124)	10,124
Senator Amoss	158,366	151,545	73,020	78,525
Substance Abuse	8,750	-	-	-
OIT - Mayor	8,750	-	-	-
Overdose Free Annapolis	8,750	34,000	34,000	-
Your Life Matters	8,750	-	-	-
	<u>\$ 513,366</u>	<u>\$ 505,545</u>	<u>\$ 637,869</u>	<u>\$ (132,324)</u>

	Adopted Budget	Amended Budget	Actual Expenditures & Encumbrances	Under (Over) Budget
Expenditures				
911 Funds	\$ 300,000	\$ 300,000	\$ 82,090	\$ 217,910
Alcohol Sales Compliance Check	10,000	10,000	3,600	6,400
Tobacco Sales Compliance Check	10,000	10,000	-	10,000
Senator Amoss	208,857	202,036	64,262	137,774
Substance Abuse	8,750	-	-	-
OIT - Mayor	8,750	-	-	-
Overdose Free Annapolis	8,750	34,000	34,000	-
Your Life Matters	8,750	-	-	-
	<u>\$ 563,857</u>	<u>\$ 556,036</u>	<u>\$ 183,952</u>	<u>\$ 372,084</u>

Opioid Restitution Fund

	Adopted Budget	Amended Budget	Actual Revenues	Under (Over) Budget
Revenues				
Opioid Settlements	\$ 116,000	\$ 116,000	\$ 96,701	\$ 19,299
	<u>\$ 116,000</u>	<u>\$ 116,000</u>	<u>\$ 96,701</u>	<u>\$ 19,299</u>

	Adopted Budget	Adjusted Budget	Actual Expenditures & Encumbrances	Under (Over) Budget
Expenditures				
Community Legacy	\$ 116,000	\$ 116,000	\$ 66,216	\$ 49,784
	<u>\$ 116,000</u>	<u>\$ 116,000</u>	<u>\$ 66,216</u>	<u>\$ 49,784</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, 2024**

Other Grants

	Adopted Budget	Amended Budget	Actual Revenues	Under (Over) Budget
Revenue				
American Board of Internal Medicine	\$ -	\$ -	\$ 17,106	\$ (17,106)
Choice Neighborhood	-	133,922	104,468	29,454
No Harm VIP	-	2,500	716	1,784
	<u>\$ -</u>	<u>\$ 136,422</u>	<u>\$ 122,290</u>	<u>\$ 14,132</u>
	Adopted Budget	Amended Budget	Actual Expenditures & Encumbrances	Under (Over) Budget
Expenditures				
American Board of Internal Medicine	\$ -	\$ 22,375	\$ 19,482	\$ 2,893
Choice Neighborhood	-	133,922	101,606	32,316
No Harm VIP	-	2,500	715	1,785
	<u>\$ -</u>	<u>\$ 158,797</u>	<u>\$ 121,803</u>	<u>\$ 36,994</u>

Community Legacy Fund

	Adopted Budget	Amended Budget	Actual Revenues	Under (Over) Budget
Revenues				
Community Legacy	\$ -	\$ -	\$ -	\$ -
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	Adopted Budget	Adjusted Budget	Actual Expenditures & Encumbrances	Under (Over) Budget
Expenditures				
Community Legacy	\$ -	\$ 38,300	\$ 25,532	\$ 12,768
	<u>\$ -</u>	<u>\$ 38,300</u>	<u>\$ 25,532</u>	<u>\$ 12,768</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, 2024**

Arts in Public Places (AIPPC) Fund

	Adopted Budget	Amended Budget	Actual Revenues	Under (Over) Budget
Revenues				
Occupancy tax	\$ 141,900	\$ 141,900	\$ 155,021	\$ (13,121)
Other	\$ 141,900	\$ 141,900	\$ 155,021	\$ (13,121)

	Adopted Budget	Adjusted Budget	Actual Expenditures & Encumbrances	Under (Over) Budget
Expenditures				
Community Services	\$ 156,562	\$ 264,157	\$ 120,458	\$ 143,699
	\$ 156,562	\$ 264,157	\$ 120,458	\$ 143,699

Police Forfeiture and Asset Seizure Fund

	Adopted Budget	Amended Budget	Actual Revenues	Under (Over) Budget
Revenues				
Fines and forfeitures	\$ 74,300	\$ 74,300	\$ 91,199	\$ (16,899)
	\$ 74,300	\$ 74,300	\$ 91,199	\$ (16,899)

	Adopted Budget	Amended Budget	Actual Expenditures & Encumbrances	Under (Over) Budget
Expenditures				
Public safety	\$ 500,000	\$ 500,000	\$ 141,818	\$ 358,182
	\$ 500,000	\$ 500,000	\$ 141,818	\$ 358,182

**CITY OF ANNAPOLIS, MARYLAND
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND ENCUMBRANCES
COMPARED TO BUDGET (BUDGETARY BASIS) (Continued)
Year ended June 30, 2024**

Sprinkler Loan Assistance Fund				
	Adopted Budget	Amended Budget	Actual Revenues	Under (Over) Budget
Revenues				
Loan payments	\$ 25,000	\$ 25,000	\$ 19,218	\$ 5,782
	<u>\$ 25,000</u>	<u>\$ 25,000</u>	<u>\$ 19,218</u>	<u>\$ 5,782</u>
	Adopted Budget	Amended Budget	Actual Expenditures & Encumbrances	Under (Over) Budget
Expenditures				
Programs and activities	\$ 368,701	\$ 368,701	\$ 11,686	\$ 357,015
	<u>\$ 368,701</u>	<u>\$ 368,701</u>	<u>\$ 11,686</u>	<u>\$ 357,015</u>
Reforestation Fund				
	Adopted Budget	Amended Budget	Actual Revenue	Under (Over) Budget
Revenues				
Charges for services	\$ 17,000	\$ 17,000	\$ 1,832,035	\$ (1,815,035)
	<u>\$ 17,000</u>	<u>\$ 17,000</u>	<u>\$ 1,832,035</u>	<u>\$ (1,815,035)</u>
	Adopted Budget	Amended Budget	Actual Expenditures & Encumbrances	Under (Over) Budget
Expenditures				
Contract services	\$ 69,043	\$ 69,043	\$ 22,994	\$ 46,049
	<u>\$ 69,043</u>	<u>\$ 69,043</u>	<u>\$ 22,994</u>	<u>\$ 46,049</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, 2024**

Peg Fund				
	Adopted Budget	Amended Budget	Actual Revenues	Under (Over) Budget
Revenues				
Licenses and permits	\$ 52,000	\$ 52,000	\$49,740	\$ 2,260
	<u>\$ 52,000</u>	<u>\$ 52,000</u>	<u>\$ 49,740</u>	<u>\$ 2,260</u>
	Adopted Budget	Amended Budget	Actual Expenditures & Encumbrances	Under (Over) Budget
Expenditures				
Other	\$ 198,706	\$ 198,706	\$33,207	\$ 165,499
	<u>\$ 198,706</u>	<u>\$ 198,706</u>	<u>\$ 33,207</u>	<u>\$ 165,499</u>
Affordable Housing Trust				
	Adopted Budget	Amended Budget	Actual Revenue	Under (Over) Budget
Revenue				
Grants	\$ 141,900	\$ 141,900	\$ 155,021	\$ (13,121)
Occupancy tax	500,000	500,000	681,000	1,681,000
	<u>\$ 641,900</u>	<u>\$ 641,900</u>	<u>\$ 836,021</u>	<u>\$ 1,667,879</u>
	Adopted Budget	Adjusted Budget	Actual Expenditures & Encumbrances	Under (Over) Budget
Expenditures				
Homeowner assistance	\$ 547,261	\$ 728,261	\$ 540,099	\$ 188,162
Rental assistance	154,537	166,637	156,888	9,749
Rental rehabilitation	500,000	500,000	-	500,000
	<u>\$ 1,201,798</u>	<u>\$ 1,394,898</u>	<u>\$ 696,987</u>	<u>\$ 697,911</u>

CITY OF ANNAPOLIS, MARYLAND ENTERPRISE FUNDS

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

Enterprise funds are used to account for those activities of the City: (1) that are financed and operated in a manner similar to private business enterprises in that costs and expenses, including depreciation, are recovered principally through user charges, or (2) for which the City Council has determined that revenues, expenses, and 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, 2024

	Watershed Restoration Fund	Refuse Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,150,520	1,554,204	\$ 2,704,724
Restricted cash	500,000	-	500,000
Lease receivable	-	410,540	410,540
Due from General Fund	262,500	-	262,500
Accounts receivable			
Service charges and penalties	410,910	741,310	1,152,220
Other Receivables	-	625	625
Total accounts receivable, net	410,910	741,935	1,152,845
Total current assets	2,323,930	2,706,679	5,030,609
Noncurrent assets:			
Net capital assets	5,214,568	1,013,380	6,227,948
Total noncurrent assets	5,214,568	1,013,380	6,227,948
Total assets	7,538,498	3,720,059	11,258,557
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	284,363	117,034	401,397
Deferred outflows related to OPEB	14,100	5,802	19,902
Deferred loss on refunding	1,204	-	1,204
Total deferred outflows of resources	299,667	122,836	422,503
LIABILITIES			
Current liabilities:			
Accounts payable	215,759	282,497	498,256
Accrued expenses and other liabilities	378,078	10,981	389,059
Accrued interest	12,590	7,104	19,694
Compensated absences	34,492	37,310	71,802
Unearned revenue	-	397	397
Escrowed funds	4,441	-	4,441
Current portion of long-term debt	49,139	35,789	84,928
Total current liabilities	694,499	374,078	1,068,577
Noncurrent liabilities:			
Net OPEB liability	172,557	71,018	243,575
Net pension liability	632,550	260,334	892,884
Long-term debt, net of current portion	764,115	501,070	1,265,185
Total noncurrent liabilities	1,569,222	832,422	2,401,644
Total liabilities	2,263,721	1,206,500	3,470,221
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	49,128	20,219	69,347
Deferred infows related to OPEB	170,488	70,166	240,654
Deferred inflows related to leases	-	368,306	368,306
Total deferred outflows of resources	219,616	458,691	678,307
Net Position			
Net investment in capital assets	4,404,658	476,521	4,881,179
Unrestricted	950,170	1,701,183	2,651,353
Total net position	\$ 5,354,828	\$ 2,177,704	\$ 7,532,532

**CITY OF ANNAPOLIS, MARYLAND
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
Year ended June 30, 2024**

	Watershed Restoration Fund	Refuse Fund	Non-Major Enterprise Total
Operating revenues			
Charges for services	\$ 1,961,014	\$ 3,401,332	\$ 5,362,346
Licenses and permits	-	2,880	2,880
Total operating revenues	<u>1,961,014</u>	<u>3,404,212</u>	<u>5,365,226</u>
Operating expenses			
Salaries	988,843	464,508	1,453,351
Utilities	515	8,149	8,664
Repairs and maintenance	17,546	42,900	60,446
Contractual services	256,176	2,625,742	2,881,918
Materials and supplies	38,791	77,413	116,204
Administrative charge from General Fund	189,000	364,000	553,000
Depreciation	9,554	28,408	37,962
Other	2,183	9,682	11,865
Total operating expenses	<u>1,502,608</u>	<u>3,620,802</u>	<u>5,123,410</u>
Operating (loss) income	<u>458,406</u>	<u>(216,590)</u>	<u>241,816</u>
Non-operating revenues (expenses)			
Leases	-	15,065	15,065
Interest income	-	11,818	11,818
Interest expense	(22,052)	(11,112)	(33,164)
Total non-operating revenues (expenses), net	<u>(22,052)</u>	<u>15,771</u>	<u>(6,281)</u>
Income (loss) before contributions and transfers	<u>436,354</u>	<u>(200,819)</u>	<u>235,535</u>
Transfers out	262,500	-	262,500
Change in net position	698,854	(200,819)	498,035
Net position at beginning of year	4,655,974	2,378,523	7,034,497
Net position at end of year	<u>\$ 5,354,828</u>	<u>\$ 2,177,704</u>	<u>\$ 7,532,532</u>

**CITY OF ANNAPOLIS, MARYLAND
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Year ended June 30, 2024**

	Watershed Restoration Fund	Refuse Fund	Total
Cash flows from operating activities			
Receipts from customers and users	\$ 1,906,330	\$ 3,290,073	\$ 5,196,403
Payments to suppliers for goods and services	(269,084)	(2,720,478)	(2,989,562)
Payments to employees for services	(961,603)	(477,496)	(1,439,099)
Payments for interfund services	(189,000)	(364,000)	(553,000)
Net cash provided by (used for) operating activities	<u>486,643</u>	<u>(271,901)</u>	<u>214,742</u>
Cash flows from capital and related financing activities			
Acquisition of capital assets	(1,031,619)	-	(1,031,619)
Transfer to City capital projects	-	-	-
Proceeds from issuance of long-term debt	-	-	-
Principal payments of long-term debt	(35,150)	(35,089)	(70,239)
Refunding and transfers of long-term debt	-	-	-
Interest on long-term debt	(33,381)	(11,651)	(45,032)
Bond issuance fees	-	-	-
Net cash used for capital and related financing activities	<u>(1,100,150)</u>	<u>(46,740.00)</u>	<u>(1,146,890)</u>
Cash flows from investing activities			
Interest received	-	12,650	12,650
Net cash provided by investing activities	<u>-</u>	<u>12,650</u>	<u>12,650</u>
Net increase (decrease) in cash and cash equivalents	(613,507)	(305,991)	(919,498)
Cash and cash equivalents at beginning of year	2,264,027	1,860,195	4,124,222
Cash and cash equivalents at end of year	<u>\$ 1,650,520</u>	<u>\$ 1,554,204</u>	<u>\$ 3,204,724</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities			
Operating income (loss)	\$ 458,406	\$ (216,590)	\$ 241,816
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	9,554	28,408	37,962
Effect of changes in non-cash operating assets and liabilities:			
Accounts receivable	(54,728)	(114,121)	(168,849)
Accounts payable	46,127	43,408	89,535
Accrued expenses and other liabilities	960	(1,379)	(419)
Compensated absences	(1,771)	2,607	836
Unearned revenue	-	(18)	(18)
Escrowed funds	43	-	43
Deferred outflows	(67,130)	(19,094)	(86,224)
Net pension liability	124,274	32,394	156,668
Deferred inflows	(7,882)	(11,638)	(19,520)
Other post employment benefits	(21,210)	(15,878)	(37,088)
Total adjustments	<u>28,237</u>	<u>(55,311)</u>	<u>(27,074)</u>
Net cash provided by (used for) operating activities	<u>\$ 486,643</u>	<u>\$ (271,901)</u>	<u>\$ 214,742</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, 2024

Sewer Fund - Operating

	Adopted Budget	Amended Budget	Actual Revenue	Under (Over) Budget
Revenues				
Charges for services	\$ 7,589,000	\$ 7,589,000	\$ 7,882,917	\$ (293,917)
Capital facilities charges	239,700	239,700	183,619	56,081
Licenses and permits	99,000	99,000	51,492	47,508
Other	156,100	156,100	181,716	(25,616)
	<u>\$ 8,083,800</u>	<u>\$ 8,083,800</u>	<u>\$ 8,299,744</u>	<u>\$ (215,944)</u>
	Adopted Budget	Amended Budget	Actual Expenditures & Encumbrances	Under (Over) Budget
Expenditures				
Salaries and benefits	\$ 1,232,600	\$ 1,232,600	\$ 983,471	\$ 249,129
Contractual services				
Utilities	140,500	140,500	122,254	18,246
Repairs and maintenance	307,800	307,800	143,101	164,699
Contractual services	3,971,100	3,971,100	4,254,884	(283,784)
Supplies & Other				
Materials and supplies	61,000	61,000	(73,698)	134,698
Other	4,100	4,100	3,923	177
Debt Service				
Bond issuance	20,000	20,000	-	20,000
Principal	525,000	525,000	-	525,000
Interest expense	671,000	671,000	450,373	220,627
Subscriptions	-	-	11	(11)
Transfers & Other				
Administrative charge from General Fund	599,000	599,000	599,000	-
Paygo and other transfers	613,200	613,200	375,000	238,200
Amortization*	-	-	322	(322)
Depreciation*	-	-	708,854	(708,854)
	<u>\$ 8,145,300</u>	<u>\$ 8,145,300</u>	<u>\$ 7,567,495</u>	<u>\$ 577,805</u>

*Not a budgeted item.

CITY OF ANNAPOLIS, MARYLAND
ENTERPRISE FUNDS
SCHEDULE OF REVENUES, EXPENDITURES, AND ENCUMBRANCES
COMPARED TO BUDGET (BUDGETARY BASIS)
Year ended June 30, 2024

Water Fund - Operating

	Adopted Budget	Amended Budget	Actual Revenue	Under (Over) Budget
Revenues				
Water usage	\$ 8,265,000	\$ 8,265,000	\$ 8,383,698	\$ (118,698)
Capital facility charges	699,200	699,200	664,411	34,789
Other	150,400	150,400	122,726	27,674
	<u>\$ 9,114,600</u>	<u>\$ 9,114,600</u>	<u>\$ 9,170,835</u>	<u>\$ (56,235)</u>
	Adopted Budget	Amended Budget	Actual Expenditures & Encumbrances	Under (Over) Budget
Expenditures				
Salaries	\$ 2,710,700	\$ 2,710,700	\$ 2,383,009	\$ 327,691
Contractual services				
Utilities	324,600	324,600	304,432	20,168
Repairs and maintenance	566,900	566,900	574,620	(7,720)
Contractual services	452,300	448,300	703,466	(255,166)
Supplies & Other				
Materials and supplies	399,400	399,400	332,712	66,688
Other	10,500	14,500	11,929	2,571
Debt Service				
Bond issuance	20,000	20,000	-	20,000
Principal	3,625,000	3,625,000	974,003	2,650,997
Interest	-	-	249,716	(249,716)
Transfers & Other				
Administrative charge from General Fund	654,000	654,000	654,000	-
Internal fund transfers from (to)	1,680,000	1,680,000	1,680,000	-
Paygo and other transfers	204,100	204,100	-	204,100
Amortization*	-	-	1,099,689	(1,099,689)
Depreciation*	-	-	1,036	(1,036)
	<u>\$ 10,647,500</u>	<u>\$ 10,647,500</u>	<u>\$ 8,968,612</u>	<u>\$ 1,678,888</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, 2024

Parking Fund - Operating				
	Adopted Budget	Amended Budget	Actual Revenue	Under (Over) Budget
Revenues				
Charges for services	\$ 7,288,400	\$ 7,288,400	\$ 10,414,283	\$ (3,125,883)
Other	-	-	3,467,518	(3,467,518)
	<u>\$ 7,288,400</u>	<u>\$ 7,288,400</u>	<u>\$ 13,881,801</u>	<u>\$ (6,593,401)</u>
	Adopted Budget	Amended Budget	Actual Expenditures & Encumbrances	Under (Over) Budget
Expenditures				
Contractual services				
Utilities	\$ 50,100	\$ 50,100	\$ 140,489	\$ (90,389)
Repairs and maintenance	33,000	33,000	48,273	(15,273)
Contractual services	2,880,500	2,880,500	2,687,924	192,576
Debt Service				
Principal	1,781,000	1,781,000	-	1,781,000
Interest	1,563,000	1,563,000	752,057	810,943
Transfers & Other				
Administrative charge from General Fund	190,000	190,000	190,000	-
Paygo and other transfers	1,545,500	1,613,500	1,613,500	-
Depreciation*	-	-	1,894,879	(1,894,879)
	<u>\$ 8,043,100</u>	<u>\$ 8,111,100</u>	<u>\$ 7,327,122</u>	<u>\$ 783,978</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, 2024

Transportation Fund - Operating and Grants

	Adopted Budget	Amended Budget	Actual Revenue	Under (Over) Budget
Revenues				
Charges for services	\$594,000	\$594,000	\$631,992	\$ (37,992)
Grants	5,801,104	5,801,104	3,726,227	2,074,877
Other	80,000	80,000	200,948	(120,948)
Transfer from other funds	1,506,600	1,606,600	1,606,600	-
	<u>\$ 7,981,704</u>	<u>\$ 8,081,704</u>	<u>\$ 6,165,767</u>	<u>\$ 1,915,937</u>
	Adopted Budget	Amended Budget	Actual Expenditures & Encumbrances	Under (Over) Budget
Expenditures				
Salaries	\$4,583,321	\$4,679,321	\$4,201,515	\$ 477,806
Contractual services				
Utilities	26,300	26,300	22,394	3,906
Repairs and maintenance	299,232	295,732	215,240	80,492
Contractual services	208,161	208,161	66,624	141,537
Supplies & Other				
Materials and supplies	486,579	494,079	331,123	162,956
Other	115,000	205,000	43,566	161,434
Capital Outlay	1,162,039	1,162,039	-	1,162,039
Debt Service				
Principal	3,000	3,000	-	3,000
Interest	14,000	14,000	1,115	12,885
Transfers & Other				
Administrative charge from General Fund	1,288,000	1,288,000	1,288,000	-
Depreciation*	-	-	121,592	(121,592)
	<u>\$ 8,185,632</u>	<u>\$ 8,375,632</u>	<u>\$ 6,291,169</u>	<u>\$ 2,084,463</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, 2024

Watershed Restoration Fund - Operating

	Adopted Budget	Amended Budget	Actual Revenue	Under (Over) Budget
Revenues				
Charges for services	\$ 1,919,000	\$ 1,919,000	\$ 1,919,000	\$ -
Transfers	1,150,000	\$ 1,150,000	\$ 1,150,000	-
Other	-	-	320	(320)
	<u>\$ 3,069,000</u>	<u>\$ 3,069,000</u>	<u>\$ 3,069,320</u>	<u>\$ (320)</u>
	Adopted Budget	Amended Budget	Actual Expenditures & Encumbrances	Under (Over) Budget
Expenditures				
Salaries	\$ 945,000	\$ 945,000	\$ 988,843	\$ (43,843)
Contractual services				
Utilities	600	600	1,093	(493)
Repairs and maintenance	22,300	22,300	17,546	4,754
Contractual services	267,400	292,400	32,180	260,220
Supplies & Other				
Materials and supplies	65,000	40,000	38,672	1,328
Other	6,900	6,900	2,183	4,717
Debt Service				
Principal	43,000	43,000	-	43,000
Interest	53,000	53,000	22,052	30,948
Transfers & Other				
Administrative charge from General Fund	189,000	189,000	189,000	-
Depreciation*	-	-	9,554	(9,554)
	<u>\$ 1,592,200</u>	<u>\$ 1,592,200</u>	<u>\$ 1,301,123</u>	<u>\$ 291,077</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, 2024

Refuse Fund - Operating				
	Adopted Budget	Amended Budget	Actual Revenue	Under (Over) Budget
Revenues				
Charges for services	\$ 3,393,000	\$ 3,393,000	\$ 3,401,332	\$ (8,332)
Licenses and permits	4,300	4,300	2,880	1,420
Transfer from Cap Projects	-	-	11,535	(11,535)
Other	-	-	73,928	(73,928)
	<u>\$ 3,397,300</u>	<u>\$ 3,397,300</u>	<u>\$ 3,489,675</u>	<u>\$ (92,375)</u>
	Adopted Budget	Amended Budget	Actual Expenditures & Encumbrances	Under (Over) Budget
Expenditures				
Salaries	\$ 504,100	\$ 504,100	\$ 464,508	\$ 39,592
Contractual services				
Utilities	10,400	10,400	8,149	2,251
Repairs and maintenance	45,000	45,000	42,900	2,100
Contractual services	2,941,800	2,941,800	2,798,310	143,490
Supplies & Other				
Materials and supplies	101,000	101,000	80,142	20,858
Other	27,600	27,600	9,682	17,918
Debt Service	17,000	17,000	11,112	5,888
Transfers				
Administrative charge from General Fund	364,000	364,000	364,000	-
Contributions to Fleet Funds	17,000	17,000	17,000	-
Depreciation*	-	-	28,408	(28,408)
	<u>\$ 4,027,900</u>	<u>\$ 4,027,900</u>	<u>\$ 3,824,211</u>	<u>\$ 203,689</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, 2024

Capital Projects - Enterprise Funds

	Adopted Budget	Amended Budget	Cumulative Expenditures from Prior Years	Fiscal Year 2024 Expenditures	Fiscal Year 2024 Encumbrances	Cumulative Expenditures and Encumbrances	Available Balance
Sewer Fund Projects							
Sewer Rehabilitation and Improvements	\$ 18,306,000	\$ 18,306,000	\$ 7,260,428	\$ 2,809,331	\$ 2,284,275	\$ 12,354,034	\$ 5,951,966
	<u>18,306,000</u>	<u>18,306,000</u>	<u>7,260,428</u>	<u>2,809,331</u>	<u>2,284,275</u>	<u>12,354,034</u>	<u>5,951,966</u>
Water Fund Projects							
Water Distribution Rehabilitation	30,360,420	30,360,420	16,598,101	5,296,179	1,040,218	22,934,498	7,425,922
Water Treatment Plant	35,539,775	35,539,775	34,937,677	4,030	15,932	34,957,639	582,136
Water Tank Rehabilitation	4,515,500	4,515,500	2,729,045	42,670	404,264	3,175,979	1,339,521
Water Treatment Plant Improvements	1,155,000	1,155,000	-	11,550	103,058	114,608	1,040,392
	<u>71,570,695</u>	<u>71,570,695</u>	<u>54,264,823</u>	<u>5,354,429</u>	<u>1,563,472</u>	<u>61,182,724</u>	<u>10,387,971</u>
Parking Fund Projects							
Multispace Parking Meter Kiosks	116,200	116,200	116,200	-	-	116,200	-
Gott's Garage Elevator Replacement	567,000	567,000	-	-	-	-	567,000
Parking Access Control Management System	329,700	329,700	28,400	14,200	-	42,600	287,100
Parking Garage and Lot Improvements	115,500	139,796	-	94,686	-	94,686	45,110
	<u>1,128,400</u>	<u>1,152,696</u>	<u>144,600</u>	<u>108,886</u>	<u>-</u>	<u>253,486</u>	<u>899,210</u>
Watershed Restoration Projects							
Stormwater MS4 Permit Compliance	8,172,500	8,172,500	3,136,184	1,005,276	866,433	5,007,893	3,164,607
Stormwater Management Retrofit	1,026,368	1,026,368	223,407	158,609	178,752	560,768	465,600
	<u>9,198,868</u>	<u>9,198,868</u>	<u>3,359,591</u>	<u>1,163,885</u>	<u>1,045,185</u>	<u>5,568,661</u>	<u>3,630,207</u>
Refuse Projects							
Landfill Gas Mitigation	988,465	988,465	988,465	-	-	988,465	-
	<u>988,465</u>	<u>988,465</u>	<u>988,465</u>	<u>-</u>	<u>-</u>	<u>988,465</u>	<u>-</u>
Transit Projects							
Transportation Charging Infrastructure	556,500	556,500	-	-	-	-	556,500
Transportation Roof Replacement	420,000	420,000	-	-	-	-	420,000
	<u>976,500</u>	<u>976,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>976,500</u>
Grand Total All Projects	<u>\$ 102,168,928</u>	<u>\$ 102,193,224</u>	<u>\$ 66,017,907</u>	<u>\$ 9,436,531</u>	<u>\$ 4,892,931</u>	<u>\$ 80,347,369</u>	<u>\$ 21,845,855</u>

CITY OF ANNAPOLIS, MARYLAND
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
June 30, 2024

	<u>Self Insurance</u>	<u>Health Insurance</u>	<u>Fleet Replacement</u>	<u>Fleet Operations</u>	<u>Total</u>
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ 7,319,650	\$ 2,329,689	\$ 1,909,854	\$ 1,203,922	\$ 12,763,115
Accounts Receivable:					
Capital and other charges	-	313,639	-	-	313,639
Accounts receivable, net	-	313,639	-	-	313,639
Inventories	-	-	-	133,614	133,614
Prepays	278,938	42,490	397,562	-	718,990
Total Current Assets	<u>7,598,588</u>	<u>2,685,818</u>	<u>2,307,416</u>	<u>1,337,536</u>	<u>13,929,358</u>
Noncurrent Assets:					
Net Capital Assets	-	-	6,140,754	-	6,140,754
Total Noncurrent Assets	<u>-</u>	<u>-</u>	<u>6,140,754</u>	<u>-</u>	<u>6,140,754</u>
Total Assets	<u>7,598,588</u>	<u>2,685,818</u>	<u>8,448,170</u>	<u>1,337,536</u>	<u>20,070,112</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to pensions	-	-	-	258,662	258,662
Deferred outflows related to OPEB	-	-	-	12,827	12,827
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>271,489</u>	<u>271,489</u>
LIABILITIES					
Current Liabilities:					
Accounts Payable	416,348	238,766	112,253	103,335	870,702
Accrued expenses and other liabilities	-	-	-	24,904	24,904
Accrued self insurance costs - current portion	2,298,064	-	-	-	2,298,064
Accrued interest	-	-	44,721	-	44,721
Compensated absences - current portion	-	-	-	72,789	72,789
Current portion of long-term debt	-	-	999,983	-	999,983
Total Current Liabilities	<u>2,714,412</u>	<u>238,766</u>	<u>1,156,957</u>	<u>201,028</u>	<u>4,311,163</u>
Noncurrent Liabilities:					
Accrued self insurance costs, net of current portion	6,213,284	-	-	-	6,213,284
Net OPEB Liability	-	-	-	156,961	156,961
Net Pension Liability	-	-	-	575,381	575,381
Long-term debt, net of current portion	-	-	2,535,799	-	2,535,799
Total Noncurrent Liabilities	<u>6,213,284</u>	<u>-</u>	<u>2,535,799</u>	<u>732,342</u>	<u>9,481,425</u>
Total Liabilities	<u>8,927,696</u>	<u>238,766</u>	<u>3,692,756</u>	<u>933,370</u>	<u>13,792,588</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflow related to pensions	-	-	-	44,688	44,688
Deferred inflow related to OPEB	-	-	-	155,079	155,079
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>199,767</u>	<u>199,767</u>
NET POSITION					
Net investment in capital assets	-	-	2,604,972	-	2,604,972
Unrestricted	(1,329,108)	2,447,052	2,150,442	475,888	3,744,274
Total Net Position	<u>\$ (1,329,108)</u>	<u>\$ 2,447,052</u>	<u>\$ 4,755,414</u>	<u>\$ 475,888</u>	<u>\$ 6,349,246</u>

CITY OF ANNAPOLIS, MARYLAND
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
Year ended June 30, 2024

	Self Insurance	Health Insurance	Fleet Replacement	Fleet Operations	Total
Operating revenues					
Charges for services	\$ 2,816,687	\$ 8,404,047	\$ 3,617,563	\$ 2,623,300	\$ 17,461,597
Reserve adjustment	-	3,692,190	-	-	3,692,190
Total operating revenues	<u>2,816,687</u>	<u>12,096,237</u>	<u>3,617,563</u>	<u>2,623,300</u>	<u>21,153,787</u>
Operating expenses					
Salaries	100,739	-	-	876,289	977,028
Utilities	-	-	-	14,231	14,231
Repairs and maintenance	-	-	-	692,503	692,503
Contractual services	-	-	-	9,890	9,890
Materials and supplies	-	-	-	844,976	844,976
Depreciation	-	-	2,429,206	-	2,429,206
Claim Payments	2,576,607	10,207,630	-	-	12,784,237
Reserve adjustment	(2,025,326)	-	-	-	(2,025,326)
Other	162,521	243,843	-	22,176	428,540
Total operating expenses	<u>814,541</u>	<u>10,451,473</u>	<u>2,429,206</u>	<u>2,460,065</u>	<u>16,155,285</u>
Operating (loss) income	<u>2,002,146</u>	<u>1,644,764</u>	<u>1,188,357</u>	<u>163,235</u>	<u>4,998,502</u>
Non-operating revenues (expenses)					
Interest income and other	192,849	-	105,932	-	298,781
Interest expense and debt issuance	-	-	(83,236)	-	(83,236)
Total non-operating revenues (expenses), net	<u>192,849</u>	<u>-</u>	<u>22,696</u>	<u>-</u>	<u>215,545</u>
Income (loss) before contributions and transfer	<u>2,194,995</u>	<u>1,644,764</u>	<u>1,211,053</u>	<u>163,235</u>	<u>5,214,047</u>
Capital contribution	-	-	715,794	-	715,794
Change in net position	<u>2,194,995</u>	<u>1,644,764</u>	<u>1,926,847</u>	<u>163,235</u>	<u>5,929,841</u>
Net position at beginning of year	<u>(3,524,103)</u>	<u>802,288</u>	<u>2,828,567</u>	<u>312,653</u>	<u>419,405</u>
Net position at end of year	<u>\$ (1,329,108)</u>	<u>\$ 2,447,052</u>	<u>\$ 4,755,414</u>	<u>\$ 475,888</u>	<u>\$ 6,349,246</u>

CITY OF ANNAPOLIS, MARYLAND
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Year ended June 30, 2024

	Self Insurance	Health Insurance	Fleet Replacement	Fleet Operations	Total
Cash flows from operating activities					
Receipts from customers and users	\$ 2,816,687	\$ 11,808,090	\$ 3,617,563	\$ 2,623,300	\$ 20,865,640
Payments for claims	(2,576,607)	(10,409,512)	-	-	(12,986,119)
Payments to suppliers for goods and services	(265,783)	-	-	(1,692,466)	(1,958,249)
Payments to employees for services	(100,739)	-	-	(901,084)	(1,001,823)
Net cash provided by (used for) operating activities	(126,442)	1,398,578	3,617,563	29,750	4,919,449
Cash flows from capital and related financing activities					
Acquisition of capital assets	-	-	(3,029,882)	-	(3,029,882)
Sale of capital assets	-	-	77,634	-	77,634
Principal payments on long-term debt	-	-	(1,153,638)	-	(1,153,638)
Interest on long-term debt	-	-	(97,807)	-	(97,807)
Net cash used for capital and related financing activities	-	-	(4,203,693)	-	(4,203,693)
Cash flows from investing activities					
Interest received	192,849	-	-	-	192,849
Net cash provided by investing activities	192,849	-	-	-	192,849
Net increase (decrease) in cash and cash equivalents	66,407	1,398,578	(586,130)	29,750	908,605
Cash and cash equivalents at beginning of year	7,253,243	931,111	2,495,984	1,174,172	11,854,510
Cash and cash equivalents at end of year	\$ 7,319,650	\$ 2,329,689	\$ 1,909,854	\$ 1,203,922	\$ 12,763,115
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities					
Operating income (loss)	\$ 2,002,146	\$ 1,644,764	\$ 1,188,357	\$ 163,235	\$ 4,998,502
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	-	-	2,429,206	-	2,429,206
Effect of changes in non-cash operating assets and liabilities:					
Accounts receivable	-	(288,147)	-	-	(288,147)
Inventories	-	-	-	(70,848)	(70,848)
Prepaid expenses	(278,938)	(42,490)	-	-	(321,428)
Accounts payable	175,676	84,451	-	(37,842)	222,285
Accrued expenses and other liabilities	-	-	-	1,769	1,769
Compensated absences	-	-	-	14,796	14,796
Deferred outflows	-	-	-	(38,906)	(38,906)
Net pension liability	-	-	-	64,359	64,359
Deferred inflows	-	-	-	(28,960)	(28,960)
Other post employment benefits	-	-	-	(37,853)	(37,853)
Claims Payable	(2,025,326)	-	-	-	(2,025,326)
Total adjustments	(2,128,588)	(246,186)	2,429,206	(133,485)	(79,053)
Net cash provided by (used for) operating activities	(126,442)	1,398,578	3,617,563	29,750	4,919,449

*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, 2024

Self Insurance Fund				
	Adopted Budget	Amended Budget	Actual Revenue	Under (Over) Budget
Revenues				
Charges for services	\$ 2,649,900	\$ 2,649,900	\$ 2,815,936	\$ (166,036)
Other	31,000	31,000	193,600	(162,600)
	<u>\$ 2,680,900</u>	<u>\$ 2,680,900</u>	<u>\$ 3,009,536</u>	<u>\$ (328,636)</u>
	Adopted Budget	Amended Budget	Actual Expenditures & Encumbrances	Under (Over) Budget
Expenditures				
Salaries	\$ 80,000	\$ 80,000	\$ 100,739	\$ (20,739)
Claim payments	2,616,000	2,611,450	2,576,607	34,843
Reserve adjustment	-	-	(2,025,326)	2,025,326
Other	365,000	369,550	162,521	207,029
	<u>\$ 3,061,000</u>	<u>\$ 3,061,000</u>	<u>\$ 814,541</u>	<u>\$ 2,246,459</u>
Health Insurance Fund				
	Adopted Budget	Amended Budget	Actual Revenue	Under (Over) Budget
Revenues				
Charges for services	\$ 11,345,300	\$ 11,345,300	\$ 11,114,639	\$ 230,661
Other	1,161,000	1,161,000	981,598	179,402
	<u>\$ 12,506,300</u>	<u>\$ 12,506,300</u>	<u>\$ 12,096,237</u>	<u>\$ 410,063</u>
	Adopted Budget	Amended Budget	Actual Expenditures & Encumbrances	Under (Over) Budget
Expenditures				
Claim payments	\$ 12,456,300	\$ 12,456,300	\$ 10,207,630	\$ 2,248,670
Other	50,000	50,000	243,843	(193,843)
	<u>\$ 12,506,300</u>	<u>\$ 12,506,300</u>	<u>\$ 10,451,473</u>	<u>\$ 2,054,827</u>

CITY OF ANNAPOLIS, MARYLAND
INTERNAL SERVICE FUNDS
SCHEDULE OF REVENUES, EXPENDITURES, AND ENCUMBRANCES
COMPARED TO BUDGET (BUDGETARY BASIS) (Continued)
Year ended June 30, 2024

Fleet Replacement Fund

	Adopted Budget	Amended Budget	Actual Revenue	Under (Over) Budget
Revenues				
Charges for services	\$ 4,599,300	\$ 4,599,300	\$ 4,333,357	\$ 265,943
Other	50,000	50,000	105,932	(55,932.00)
	<u>\$ 4,649,300</u>	<u>\$ 4,649,300</u>	<u>\$ 4,439,289</u>	<u>\$ 210,011</u>
	Adopted Budget	Amended Budget	Actual Expenditures & Encumbrances	Under (Over) Budget
Expenditures				
Debt Service				
Principal	\$ 1,141,000	\$ 1,141,000	\$ (31,620)	\$ 1,172,620
Interest	116,000	116,000	114,856	1,144
Capital outlay	3,392,300	3,392,300	3,374,583	17,717
Depreciation*	-	-	2,429,206	(2,429,206)
	<u>\$ 4,649,300</u>	<u>\$ 4,649,300</u>	<u>\$ 5,887,025</u>	<u>\$ (1,237,725)</u>

*Not a budgeted item.

Fleet Operations Fund

	Adopted Budget	Amended Budget	Actual Revenue	Under (Over) Budget
Revenues				
Charges for services	\$ 2,622,700	\$ 2,622,700	\$ 2,623,300	\$ (600)
	<u>\$ 2,622,700</u>	<u>\$ 2,622,700</u>	<u>\$ 2,623,300</u>	<u>\$ (600)</u>
	Adopted Budget	Amended Budget	Actual Expenditures & Encumbrances	Under (Over) Budget
Expenditures				
Salaries	\$ 970,500	\$ 970,500	\$ 873,532	\$ 96,968
Utilities	9,400	9,400	8,821	579
Repairs and maintenance	749,700	749,700	746,744	2,956
Materials and supplies	872,600	872,600	844,976	27,624
Contractual services	15,200	15,200	14,669	531
Other	24,300	24,300	22,176	2,124
	<u>\$ 2,641,700</u>	<u>\$ 2,641,700</u>	<u>\$ 2,510,918</u>	<u>\$ 130,782</u>

CITY OF ANNAPOLIS, MARYLAND
COMBINING SCHEDULE OF FIDUCIARY NET POSITION
PENSION AND OPEB TRUST FUNDS
June 30, 2024

	Pension Trust Fund	OPEB Trust Fund	Total Benefit Trust Funds
ASSETS			
Cash	\$ -	\$ 312,511	\$ 312,511
Other receivables	273,394	-	273,394
Investments, at fair value:			
Pooled investments	-	13,170,941	13,170,941
Corporate bonds	852,152	-	852,152
Money market	11,153,929	-	11,153,929
U.S. Agency securities	11,973,943	-	11,973,943
Limited partnerships and alternative investments	40,592,327	-	40,592,327
Common and collective funds	127,314,633	-	127,314,633
Real estate	22,076,344	-	22,076,344
Total investments	<u>213,963,328</u>	<u>13,170,941</u>	<u>227,134,269</u>
Total assets	<u>214,236,722</u>	<u>13,483,452</u>	<u>227,720,174</u>
LIABILITIES			
Accounts payable	<u>-</u>	<u>17,288</u>	<u>17,288</u>
Total liabilities	<u>-</u>	<u>17,288</u>	<u>17,288</u>
NET POSITION			
Total net position restricted for pension benefits and OPEB	<u>\$ 214,236,722</u>	<u>\$ 13,466,164</u>	<u>\$ 227,702,886</u>

CITY OF ANNAPOLIS, MARYLAND
COMBINING SCHEDULE OF FIDUCIARY NET POSITION
PENSION AND OPEB TRUST FUNDS
Year ended June 30, 2024

	Pension Trust Fund	OPEB Trust Fund	Total Benefit Trust Funds
ADDITIONS			
Contributions:			
Employer	\$ 9,328,545	\$ 2,023,807	\$ 11,352,352
Employer - subsidy from Health Insurance Fund	-	252,698	252,698
Plan member	1,847,638	74,241	1,921,879
Total Contributions	<u>11,176,183</u>	<u>2,350,746</u>	<u>13,526,929</u>
Investment Income:			
Interest and dividends	2,720,167	315,148	3,035,315
Net appreciation in fair value of investments	20,269,302	922,222	21,191,524
Other income	13,528	-	13,528
	<u>23,002,997</u>	<u>1,237,370</u>	<u>24,240,367</u>
Less: Investment expense	<u>(1,785,590)</u>	<u>(22,555)</u>	<u>(1,808,145)</u>
Total Investment Income	<u>21,217,407</u>	<u>1,214,815</u>	<u>22,432,222</u>
Total additions	<u>32,393,590</u>	<u>3,565,561</u>	<u>35,959,151</u>
DEDUCTIONS			
Benefits	14,600,482	1,071,124	15,671,606
Administrative expenses	150,678	148,778	299,456
Total deductions	<u>14,751,160</u>	<u>1,219,902</u>	<u>15,971,062</u>
Change in Net Position	17,642,430	2,345,659	19,988,089
Net position as of beginning of year	<u>196,594,292</u>	<u>11,120,505</u>	<u>207,714,797</u>
Net position as of end of year	<u>\$ 214,236,722</u>	<u>\$ 13,466,164</u>	<u>\$ 227,702,886</u>

STATISTICAL SECTION

**CITY OF ANNAPOLIS, MARYLAND
STATISTICAL SECTION
Year ended June 30, 2024**

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.	132
<i>Revenue Capacity</i> These schedules contain information to help the reader assess the City's most significant local revenue source - property tax.	148
<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.	141
<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.	145
<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.	147

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

	2015	2016	2017	2018	2019	2020	2021*	2022	2023	2024
Governmental activities										
Net investment in capital assets	\$ 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	\$ 129,729,342
Restricted	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	5,171,731
Unrestricted	(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)	(75,152,128)
Total governmental activities net position	<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>	<u>\$ 59,748,945</u>
Business-type activities										
Net investment in capital assets	\$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	\$34,134,689
Restricted	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	(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	35,466,733
Total business-type activities net position	<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>	<u>\$ 69,601,422</u>
Primary government										
Net investment in capital assets	\$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	\$163,864,031
Restricted	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	5,171,731
Unrestricted	(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)	(39,685,395)
Total primary government net position	<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>	<u>\$ 129,350,367</u>

*FY2021 Restated

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

	Year Ended June 30,									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Expenses										
Governmental activities:										
General Government	\$ 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	\$ 9,953,553
Land Use	-	-	-	3,795,364	3,647,947	4,671,168	4,545,507	5,223,498	4,735,878	4,877,156
Public Safety	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	54,406,045
Public Health	-	-	-	-	-	939,152	3,499,600	542,834	-	-
Community Services	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	7,436,079
Community Development	404,147	736,673	520,738	610,568	1,029,253	301,627	333,974	394,413	403,112	801,681
Public Works	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	10,127,555
Interest-Long Term Debt	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	2,050,265
Total Governmental Activities Expenses	<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>	<u>89,652,334</u>
Business-type activities:										
Sewer	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	7,565,300
Water	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	7,176,071
Off Street Parking	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	5,588,704
Transportation	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	6,278,134
Dock*	1,148,449	-	-	-	-	-	-	-	-	-
Market*	355,987	-	-	-	-	-	-	-	-	-
Watershed Restoration	320,909	514,327	719,818	967,676	631,403	780,168	514,049	999,582	1,483,945	1,524,660
Refuse	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	3,631,914
Total Business-type Activities Expenses	<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>	<u>31,764,783</u>
Total Primary Government Expenses	<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>	<u>\$ 121,417,117</u>
Program Revenues										
Governmental activities:										
Changes for Service:										
General Government	\$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	\$1,395,149
Land Use	-	-	-	2,344,675	3,196,545	2,072,397	2,551,396	2,758,016	2,938,566	5,256,677
Public Safety	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	6,588,259
Community Services	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	3,060,095
Public Works	1,171,131	1,233,422	1,275,788	1,198,955	-	-	-	-	2,338	-
Operating Grants and Contributions	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	5,249,342
Capital Grants and Contributions	503,516	1,755,221	1,098,816	395,870	232,931	416,507	2,487,488	788,146	8,760,573	6,715,648
Total Governmental Activities Program Revenues	<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>	<u>28,265,170</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,									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Program Revenues (Continued)										
Business-type Activities:										
Changes for Service:										
Sewer	\$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	8,118,028
Water	7,201,826.00	7,214,584	8,209,879	8,040,690	7,296,730	7,562,218	7,489,600	8,166,465	8,908,688	9,048,109
Off Street Parking	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	10,414,283
Transportation	938,100	937,916	884,316	917,369	473,029	376,142	166,815	611,827	503,850	716,992
Dock*	909,174	-	-	-	-	-	-	-	-	-
Market*	208,500	-	-	-	-	-	-	-	-	-
Watershed Restoration	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	1,961,014
Refuse	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	3,416,397
Operating Grants and Contributions	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	2,816,227
Capital Grants and Contributions	455,863	427,568	3,022,680	1,887,568	817,684	483,187	469,150	2,045,491	1,093,896	773,212
Total Business-type Activities Program Revenues	32,342,067	30,369,952	33,744,998	32,412,744	30,859,506	29,884,708	28,629,431	33,330,427	33,365,841	37,264,262
Total Primary Government Program Revenues	65,760,543	70,675,260	50,817,977	50,913,520	45,120,782	44,224,968	49,484,126	51,370,560	59,688,901	65,529,432
Net (expenses) revenues										
Governmental Activities	(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)	(61,387,164)
Business-type Activities:	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	5,499,479
Total Primary Government Net Expenses	(39,483,266)	(30,961,497)	(51,599,584)	(48,152,524)	(59,921,970)	(69,258,146)	(54,223,058)	(68,206,378)	(72,932,769)	(55,887,685)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes****										
Real	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	57,826,422
Personal property	-	-	-	3,404,056	3,189,268	3,306,069	3,600,340	3,418,314	3,689,296	3,437,960
Unincorporated	31,632	45,410	48,610	-	-	-	-	-	-	-
Public utility	1,737,240.00	1,699,124.00	1,708,019	-	-	-	-	-	-	-
Corporations	1,469,864	1,779,476	1,726,253	-	-	-	-	-	-	-
Penalties and interest	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	19,937,257
Interest and investment earnings	16,430	101,179	233,794	622,199	1,403,740	1,063,837	146,546	95,714	2,760,336	4,174,816
Miscellaneous	-	-	2,853,912	3,119,479	1,232,938	1,383,571	425,393	1,024,120	513,193	1,087,501
Special Item	-	-	-	-	-	-	-	-	11,961,943	-
Transfers**	569,520	(6,337,650)	(2,271,251)	-	-	148,000	(1,125,943)	1,482,718	1,185,690	(1,196,100)
Total Governmental Activities	\$ 43,025,575	\$ 37,958,517	\$ 57,517,226	\$ 63,715,365	\$ 67,347,471	\$ 70,899,152	\$ 70,765,564	\$ 80,321,784	\$ 95,919,309	\$ 85,267,856

*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,									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
General Revenues and Other Changes in Net Position (continued)										
Business-type activities										
Interest and Investment Earnings	\$ 6,104	\$ 31,952	\$ 6,986	\$ 422,009	\$ 635,914	\$ 227,909	\$ 4,551	\$ 10,671	\$ 16,806	\$ 2,706,124
Miscellaneous	-	-	-	-	655,924	794,647	438,105	488,765	455,490	474,508
Transfers	(569,520)	6,337,650	(475,000)	-	-	(148,000)	1,125,943	(1,482,718)	(1,185,690)	1,196,100
Total Business-type Activities	(563,416)	6,369,602	(468,014)	422,009	1,291,838	874,556	1,568,599	(983,282)	(713,394)	4,376,732
Total Primary Government	42,462,159	44,328,119	57,049,212	64,137,374	68,639,309	71,773,708	72,334,163	79,338,502	95,205,915	4,376,732
Change in Net Position										
Governmental Activities	1,259,862	(16,746)	98,288	11,078,441	2,199,880	(963,487)	12,187,550	9,032,944	19,519,328	23,880,692
Business-type Activities	1,719,031	13,383,368	5,351,340	4,906,409	6,517,459	3,479,049	5,923,555	2,099,180	2,753,818	9,876,211
Total Primary Government	\$ 2,978,893	\$ 13,366,622	\$ 5,449,628	\$ 15,984,850	\$ 8,717,339	\$ 2,515,562	\$ 18,111,105	\$ 11,132,124	\$ 22,273,146	\$ 33,756,903

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

	Year Ended June 30,									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
General Fund										
Non-Spendable	\$ 173,401	\$ 178,711	\$ 143,209	\$ 154,479	\$ 59,128	\$ 67,258	\$ 76,038	\$ 106,074	\$ 279,735	\$ 466,944
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	13,119,872
Assigned	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	10,417,050
Unassigned	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	18,665,492
Total General Fund	<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>	<u>\$ 42,669,358</u>
Capital Projects Fund										
Restricted	\$ -	\$ -	\$ 6,302,248	\$ 5,882,725	\$ 7,187,390	\$ 107,555	\$ -	\$ -	\$ 17,159,415	\$ 12,156,553
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	(366,096)	(9,287,428)	-	-	-	-	(2,795,283)	(539,119)	-	-
Total Capital Projects Fund	<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>	<u>\$ 12,156,553</u>
Special Revenue Fund/Non-Major										
Restricted	\$ 208,839	\$ 14,567	\$ 123,626	\$ 196,400	\$ 3,420,282	\$ 3,333,957	\$ 3,600,702	\$ 3,816,268	\$ 3,961,231	\$ 4,981,065
Unassigned	-	(65,748)	(31,878)	-	-	-	(272,775)	(398,770)	(451,399)	(6,324)
Total Capital Projects Fund	<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>	<u>\$ 4,974,741</u>

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

	Year Ended June 30,									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenues										
Taxes	\$ 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	\$ 61,264,382
Licenses and Permits	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	3,876,125
Fines and Forfeitures	518,255	378,159	250,002	585,868	356,145.00	319,912	250,668	478,890	576,720	549,743
Money and Property	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	6,334,125
Intergovernmental	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	28,629,125
Charges for Services	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	11,386,535
Other Revenue	-	-	-	522,872	1,280,996	741,133	296,948	443,374	945,066	914,942
Total Revenues	65,984,328	70,940,375	74,125,179	77,503,381	81,497,845	84,205,691	91,505,247	95,551,291	108,637,637	112,954,977
Expenditures										
General Government	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	9,360,916
Land Use	-	-	-	3,795,364	4,127,245	4,105,436	4,555,253	5,235,853	4,909,380	5,142,718
Public Safety	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	57,008,411
Public Health	-	-	-	-	-	939,152	3,499,600	542,834	-	-
Community Services	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	7,457,721
Community Development	404,147	736,673	520,738	610,568	329,200	301,627	333,974	394,413	403,112	854,032
Public Works	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	8,971,378
Debt Service:										
Principal	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	6,788,227
Interest	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	2,364,533
Bond Issuance Costs	-	-	-	-	-	278,996	34,000	153,120	268,096	-
Capital Outlays	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	15,140,685
Total Expenditures	65,417,829	77,618,963	78,122,475	77,751,974	83,053,647	90,578,140	90,764,121	98,144,112	117,044,178	113,088,621
Excess of Revenues Over (Under)										
Expenditures	566,499	(6,678,588)	(3,997,296)	(248,593)	(1,555,802)	(6,372,449)	741,126	(2,592,821)	(8,406,541)	(133,644)
Other Financing Sources (Uses)	6,198,856.00	(7,632,547)	8,436,981	3,281,898	437,059	3,370,163	(1,041,999)	11,789,425	26,913,492	33,678
Net Change in Fund Balances	\$ 6,765,355	\$ (14,311,135)	\$ 4,439,685	\$ 3,033,305	\$ (1,118,743)	\$ (3,002,286)	\$ (300,873)	\$ 9,196,604	\$ 18,506,951	\$ (99,966)
Debt Service as a Percentage of Noncapital Expenditures	8.65%	9.43%	10.85%	8.32%	10.01%	11.78%	9.35%	9.48%	9.53%	9.34%

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

ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Fiscal Year	Real Property Assessed Market Value	Personal Property Assessed Market Value	Total Assessed Market Value
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
2024	7,882,397,786	158,618,090	8,041,015,876

**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
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
2024	0.74	0.59	0.11	1.44

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

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

Taxpayer	2024	
	Assessed Market Valuation	Percentage of Total Assessed Mark Valuation
WP MD PropCo I LLC	\$ 89,463,100	1.1350%
Bell Fund VI West Street LLC	60,934,700	0.7730
Baywoods Cooperatives Housing Corp	60,174,200	0.7634
MCB Quiet Waters LLC (Formerly Forest Owner LLC)	52,045,900	0.6603
Guardian Park Place LLC	40,659,400	0.5158
Home Properties Annapolis Road LLC	40,417,900	0.5128
Yacht Basin Co of Maryland	39,167,900	0.4969
Annapolis Bay Lincoln Property (Formerly Aptco Annapolis LLC)	38,389,200	0.4870
GPIF Wann Hotel LLC (Formerly CH Realty Annapolis Hotel)	34,667,100	0.4398
Admiral Farragut Joint Venture	33,613,200	0.4264
	\$ 489,532,600	6.2331%

Taxpayer	2015	
	Assessed Market Valuation	Percentage of Total Assessed Mark Valuation
1901 West Investorss LLC	\$ 50,081,700	0.8313%
CL Watergate LLC	48,245,800	0.8008
Aptco Annapolis LLC	37,618,300	0.6244
Guardian Park Place LLC	31,538,567	0.5235
Yacht Basin Co of Maryland	31,163,767	0.5173
Home properties Annapolis	29,746,067	0.4938
CH Realty/Annapolis Hotel LLP	25,744,833	0.4273
Admiral Farragut Joint Venture	21,831,367	0.3624
KMF Annapolis LLC	20,881,267	0.3466
Park Place II Trust	19,511,233	0.3239
	\$ 316,362,901	5.2514%

**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 Current Year's Tax Levy
				Amount	Percent	Amount	Percent		
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
2024	58,057,651	(338,779)	57,718,872	57,705,055	99.98	57,568,217	99.74	21,109	0.0366

Note:

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

(2) Includes subsequent adjustments.

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

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

Fiscal Year	Governmental Activities		Business-Type Activities		Total Bonded Debt	Percentage of Personal Income ¹	Per Capita ¹	Percentage of Market Value ²
	General Obligation Bonds	Other Debt	General Obligation Bonds	Other Debt				
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
2024	63,566,741	11,656,728	86,198,260	23,270,633	184,692,362	7.09	2,876	2.30

¹ See the Demographic Statistics on page 145 for personal income and population data.

² See the Assessed & Estimated Actual Value of Taxable Property on page 139 for market value.

* as restated

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

SCHEDULE OF LEGAL DEBT MARGIN

Fiscal Year	Assesssable Base	Debt Limit: 10% of Assessable Base	City Debt	Debt Margin	Ratio of City Debt to Assessable Base
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
2024	8,041,015,876	804,101,588	184,692,361	619,409,227	2.30

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

**COMPUTATION OF DIRECT AND OVERLAPPING DEBT
YEAR ENDED JUNE 30, 2024**

Jurisdiction	Net Debt Outstanding	Percentage Applicable to City of Annapolis	Amount Applicable to City of Annapolis
City of Annapolis	\$ 75,192,389	100%	\$ 75,223,468
Anne Arundel County	1,951,338,532	3%	68,112,205
Total	<u>\$ 2,026,530,921</u>		<u>\$ 143,335,673</u>

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, 2024

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

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

Fiscal Year	Expenditures		Debt Service as a Percentage of Total
	Debt Service	Total General Fund	
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
2024	7,992,235	93,911,496	8.61

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

DEMOGRAPHIC STATISTICS

Fiscal Year	City Population⁽¹⁾	Personal Income (in thousands)	Per Capita Income⁽²⁾	Unemployment Rate⁽³⁾	Public School Enrollment⁽⁴⁾
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
2024	40,552	2,603,966	64,213	2.10	6,925

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
LAST TEN FISCAL YEARS (Continued)**

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

Employer	2024		2015	
	Employees	Percentage of City Employment	Employees	Percentage of City Employment
Annapolis Marriott Waterfront Hotel/Pussers Restaurant	215	54.79%	170	42.91%
St. John's College	200	0.51	200	0.50
Annapolis Yacht Club	200	0.51	-	-
Main & Market	180	0.46	-	-
Spa Creek Center/Genesis Healthcare	160	0.41	-	-
Giant Food-Bay Ridge Road	150	0.38	-	-
Chick-Fil-A	150	0.38	-	-
Hotel/Graduate Annapolis	150	0.38	-	-
Baywoods Of Annapolis	150	0.38	-	-
Eastern Petroleum	150	0.38	-	-
Gutter Covers Of MD & VA	150	0.38	-	-
Rams Head Tavern	140	0.36	125	0.32
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	-	-
Buddy's Crabs & Ribs, Inc.	100	0.25	175	0.44
Arundel Lodge Inc	100	0.25	-	-
Boatyard Bar & Grill	100	0.25	-	-
ARC of the Central Chesapeake Region	-	-	402	1.01
Town Park LTD	-	-	250	0.63
BB&T Bank Chesapeake Division	-	-	175	0.44
Westin Annapolis	-	-	175	0.44
Chart House Restaurant	-	-	157	0.40
Loews Annapolis Hotel	-	-	150	0.38
Main Ingredient Café & Catering	-	-	100	0.26
McGarvey's Saloon & Oyster Bar	-	-	95	0.25
Grauls Market Inc	-	-	90	0.23
	<u>2,815</u>	<u>7.17%</u>	<u>2,264</u>	<u>5.73%</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	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
General Government	75	75	82	85	61	60	60	57	59	87
Land Use	-	-	-	-	28.00	30	29	32	32	35
Public Safety	318	316	312	295	297	295	276	287	295	316
Public Works	60	60	61	59	50	53	52	53	53	58
Community Services	26	25	35	25	23	25	33	35	37	31
Sewer Fund	6	6	6	6	6	6	5	8	6	6
Water Fund	25	26	25	24	24	24	25	26	26	28
Parking Fund	-	-	-	-	1	1	1	1	-	-
Transportation Fund	55	52	45	41	41	38	33	36	40	45
Watershed Restoration	3	3	3	3	3	2	2	3	3	6
Refuse fund	2	2	2	1	4	4	4	4	4	4
Fleet Fund	2	2	-	-	8	7	8	10	9	9
Total	<u>572</u>	<u>567</u>	<u>571</u>	<u>539</u>	<u>546</u>	<u>545</u>	<u>528</u>	<u>552</u>	<u>564</u>	<u>625</u>

Source:

City of Annapolis - Finance Office

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

	OPERATING INDICATORS BY FUNCTION									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
General Government										
Finance:										
Real property tax accounts	14,860	14,842	15,107	15,079	16,088	15,090	15,111	15,154	15,130	15,875
Personal property tax accounts	2,180	1,945	2,014	2,215	2,126	2,543	2,119	2,133	1,522	1,167
Public Safety										
Police										
Calls for service	35,036	35,003	39,406	40,132	38,987	35,429	35,863	29,483	29,048	30,030
Physical arrests	3,330	2,625	2,366	1,837	1,908	1,497	781	692	782	979
Parking violations	28,795	1,384	16,457	14,199	20,246	12,424	14,016	13,775	26,447	40,608
Traffic violations	3,619	7,538	4,123	6,789	7,005	5,195	4,104	2,890	4,609	4,203
Fire										
Number of calls answered	9,697	9,847	10,961	11,798	12,430	11,715	12,028	12,874	13,099	13,684
Inspections	1,273	1,569	1,757	2,460	2,086	935	1,996	1,442	1,116	1,917
Recreation & Parks										
Programs offered	362	367	152	194	152	256	65	134	96	96
Enrollment	5,287	5,695	3,494	4,341	3,235	2,308	848	12,906	11,520	9,965
Public Works										
Roadways and sidewalks										
Potholes repaired	2,214	1,931	1,537	2,118	2,682	1,832	1,439	1,523	1,688	1,133
Water Fund										
Water main repairs	22	22	20	45	59	31	47	50	10	4
Number of accounts	12,753	12,663	12,755	12,847	12,822	12,931	12,971	12,882	12,952	13,120
Sewer Fund										
Number of accounts	11,597	11,618	11,699	11,782	11,815	11,855	11,894	11,923	12,023	12,046
Refuse Fund										
Refuse collected (tons per year)	7,416	7,592	7,439	6,892	7,990	8,467	8,980	8,255	7,857	7,720
Recycling collected (tons per year)	3,439	3,592	3,591	3,500	3,280	3,029	2,410	2,912	2,725	2,622
Yard Waste collected (tons per year)	2,133	1,912	1,895	1,851	1,899	1,885	2,578	1,977	1,863	1,848
Neighborhood & Environmental Programs										
Construction permits issued - Commercial	182	152	207	91	52	155	127	119	126	96
Construction permits issued - Residential	637	596	576	392	182	430	537	532	475	427
Transportation Fund										
Number of routes	10	10	10	10	8	8	7	7	7	7
Number of passengers (in thousands)	597	445	385	464	413,457	340	135	206	306	327

Source:
Various City of Annapolis departments

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

CAPITAL ASSET STATISTICS BY FUNCTION

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
General Government										
Buildings	8	9	8	7	7	7	7	7	7	7
Vehicles	43	26	23	23	13	14	14	14	15	15
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Uniformed police officers	114	114	124	124	124	124	124	124	124	123
Police vehicles	86	86	75	83	106	152	150	151	151	155
Fire										
Stations	3	3	3	3	4	4	4	4	4	4
Career firefighters	123	124	136	136	136	136	136	136	137	137
Pumper/ladder trucks	6	7	7	7	7	7	7	7	7	7
Paramedic units	7	7	7	7	7	7	10	9	7	7
Other vehicles	34	32	32	32	38	39	34	33	36	36
Public Works										
Buildings	9	20	9	7	9	9	9	9	10	10
Street (in miles)	276	276	276	276	276	276	276	276	276	276
Traffic signals	20	21	21	21	26	24	24	24	24	24
Recreation & Parks										
Buildings	4	13	11	11	11	11	11	11	11	11
Playgrounds / parks in acres	201	250	250	250	250	250	250	250	250	250
Ballfields	14	14	14	14	14	14	14	14	14	14
Tennis courts	14	14	14	13	13	13	13	13	13	13
Water Fund										
Mains in miles	140	140	140	140	140	140	140	140	140	140
Storage tanks	5	5	5	5	5	5	5	5	6	6
Sewer Fund										
Lines in miles	125	125	125	125	125	125	125	125	125	125
Number of pumping stations	25	25	25	25	25	25	25	25	25	25
Transportation Fund										
Passenger buses	23	22	22	17	16	14	15	15	15	16

Source:

Various City of Annapolis departments

Form of Opinion of Bond Counsel

(closing date)

Mayor and Aldermen/Alderwomen of the
City of Annapolis
Annapolis, Maryland

Mayor and Aldermen/Alderwomen:

We have examined a record of proceedings relating to the issuance by the City of Annapolis, Maryland (the “City”) of its \$_____ General Obligation Bonds, Public Improvements Bonds, 2025 Series (the “Bonds”).

The Bonds are dated the date of their delivery, and are issued in fully registered form in the denomination of \$5,000 each or any integral multiple thereof. The Bonds are issued pursuant to Sections 19-301 through 19-309, inclusive, of the Local Government Article of the Annotated Code of Maryland, Article VII, Section 11 of the Charter of the City of Annapolis, as amended, Ordinance No. 31-25 adopted by the City Council of the City on September 8, 2025 and approved by the Mayor of the City and effective on October 16, 2025 (collectively, the “Enabling Laws”), and Executive Order No. _____ of the Mayor of the City issued as of November 5, 2025 (the “Order”).

In rendering this opinion, we have relied without investigation on representations and certifications in the City’s Tax and Section 148 Certificate dated this date made on behalf of the City by officers thereof with respect to certain material facts within the knowledge of the City relevant to the tax-exempt status of interest on the Bonds.

With respect to the executed and authenticated Bond that we have examined, and the Bonds similarly executed and identical thereto in form except for numbers, interest rates, denominations, and maturities, and under existing statutes, regulations, and decisions, we are of the opinion that:

(a) The City is a validly created and existing municipal body corporate and politic of the State of Maryland, possessing authority under the Enabling Laws and the Order to issue the Bonds.

(b) The Bonds constitute an irrevocable pledge of the full faith and credit and unlimited taxing power of the City, and for the payment of which the City is empowered to levy ad valorem taxes upon all assessable property within the corporate limits of the City.

(c) To provide for the payment of the principal of and interest on the Bonds, the City has covenanted to levy or cause to be levied ad valorem taxes upon all the assessable property within the corporate limits of the City, in rate and amount sufficient for that purpose in each fiscal year in which provision must be made for the payment of principal and interest on the Bonds.

(d) The principal of and interest on the Bonds are exempt from State of Maryland and local taxes. No opinion is expressed as to estate or inheritance taxes, or any other taxes not levied or assessed directly on the Bonds or the interest thereon.

(e) Assuming compliance with certain covenants referred to herein, interest on the Bonds will be excludable from gross income for federal income tax purposes. It is noted that under the provisions of the Internal

Revenue Code of 1986, as amended (the "Code"), there are certain restrictions that must be met subsequent to the delivery of the Bonds, including restrictions that must be complied with throughout the term of the Bonds, in order that the interest thereon be excludable from gross income. These include (i) a requirement that certain investment earnings received from the investment of the proceeds of the Bonds be rebated (or that certain payments in lieu of rebate be made) to the United States of America under certain circumstances; (ii) other requirements applicable to the investment of the proceeds of the Bonds; and (iii) other requirements applicable to the use of the proceeds of the Bonds and the use of the facilities financed or refinanced with such proceeds. Failure to comply with one or more of these requirements could result in the inclusion of the interest payable on the Bonds in gross income for federal income tax purposes, effective from the date of their issuance. The City has covenanted to regulate the investment of the proceeds of the Bonds and to take such other actions as may be required to maintain the excludability of interest on the Bonds from gross income for federal income tax purposes.

(f) Interest on the Bonds is not includable in the alternative minimum taxable income of individuals as an enumerated item of tax preference or other specific adjustment. Interest on the Bonds will be part of adjusted financial statement income, 15% of which is included in the computation of the corporate alternative minimum tax imposed on applicable corporations. Interest income on the Bonds will be includable in the applicable taxable base for the purpose of determining the branch profits tax imposed by the Code on certain foreign corporations engaged in a trade or business in the United States of America.

The opinions expressed above are limited to the matters set forth above, and no other opinions should be inferred beyond the matters expressly stated. We assume no obligation to supplement this opinion if any applicable laws or interpretations thereof change after the date hereof or if we become aware of any facts or circumstances that might change the opinions expressed herein after the date hereof.

Very truly yours,

FORM OF CONTINUING DISCLOSURE AGREEMENT

This **CONTINUING DISCLOSURE AGREEMENT** (the “Disclosure Agreement”) is executed and delivered by City of Annapolis, Maryland (the “City”) in connection with the issuance of its \$_____ Public Improvements Bonds, 2025 Series, (the “Bonds”). The City, intending to be legally bound hereby and in consideration of good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, does hereby covenant and agree as follows:

Section 1. Purpose of the Disclosure Agreement.

This Disclosure Agreement is being executed and delivered by the City for the benefit of the beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Section 2. Definitions.

In addition to the definitions set forth above, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“**EMMA**” shall mean Electronic Municipal Market Access System maintained by the MSRB. For more information on EMMA, see www.emma.msrb.org.

“**Financial Obligation**” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“**Listed Events**” shall mean any of the events listed in Section 4(a) of this Disclosure Agreement.

“**MSRB**” shall mean the Municipal Securities Rulemaking Board, established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, as amended.

“**Participating Underwriter**” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“**Rule**” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“**State**” shall mean the State of Maryland.

Section 3. Provision of Annual Financial Information, Operating Data and Audited Information.

(a) The City shall provide to the MSRB in an electronic format as prescribed by the MSRB annual financial information and operating data set forth under the headings “Assessed Values, Tax Rates and Tax Levies,” (excluding the information related to Total City tax levy (current year)), “Property Tax Levies and Collections” and “City of Annapolis, Maryland Principal Real and Personal Property Taxpayers Fiscal Year 2024” each in the section of the Official Statement entitled “CITY REVENUES AND EXPENDITURES” and each to be updated as of the end of the preceding fiscal year and made available within 275 days after the end of the City’s fiscal year.

(b) The City shall provide to the MSRB annual audited financial statements for the City, such information to be made available within 275 days after the end of the City's fiscal year, unless the audited financial statements are not available on or before such date, in which event said financial statements will be provided promptly when and if available. In the event that audited financial statements are not available within 275 days after the end of the City's fiscal year, the City will provide unaudited financial statements within said time period.

(c) The presentation of the financial information referred to in paragraph (a) and in paragraph (b) shall be made in accordance with the same accounting principles as utilized in connection with the presentation of applicable comparable financial information included in the final official statement for the Bonds, provided that the City may modify the accounting principles utilized in the presentation of financial information by amending this Disclosure Agreement pursuant to the provisions of Section 7 hereof. Changes in Generally Accepted Accounting Principles, where applicable to financial information to be provided by the City, shall not require the City to amend this Disclosure Agreement.

(d) If the City is unable to provide the annual financial information and operating data within the applicable time periods specified in (a) and (b) above, the City shall send in a timely manner a notice of such failure to the MSRB.

Section 4. Reporting of Significant Events.

(a) This Section 4 shall govern the giving of notices of the occurrence of any of the following events with respect to the Bonds:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
- (7) modifications to rights of Bondholders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution or sale of property securing repayment of the Bonds, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the City;
- (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) appointment of a successor or additional trustee or the change of name of a trustee, if material;

(15) incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect Bond holders, if material; and

(16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties.

(b) In a timely manner, not in excess of ten business days after the occurrence of an event listed in Section 4(a) above, the City shall file a notice of such occurrence with the MSRB.

Section 5. Filing with EMMA.

Unless otherwise required by the MSRB, all filings with the MSRB shall be made with EMMA and shall be accompanied by identifying information as prescribed by the MSRB.

Section 6. Termination of Reporting Obligation.

The City obligations under this Disclosure Agreement shall terminate upon the payment in full of all of the Bonds either at their maturity or by early redemption. In addition, the City may terminate its obligations under this Disclosure Agreement if and when the City no longer remains an obligated person with respect to the Bonds within the meaning of Securities and Exchange Commission Rule 15c2-12.

Section 7. Amendment.

The City may provide further or additional assurances that will become part of the City's obligations under the Disclosure Agreement. In addition, the Disclosure Agreement may be amended by the City in its discretion provided that (i) the amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the City as the obligated person with respect to the Bonds, or type of business conducted; (ii) the Disclosure Agreement, as amended, would have complied with the requirements of the Rule at the time of the issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (iii) the amendment does not materially impair the interests of holders of the Bonds, as determined either by counsel selected by the City that is expert in federal securities law matters, or by an approving vote of the holders of at least 25% of the outstanding aggregate principal amount of Bonds. The reasons for the City agreeing to provide any further or additional assurances or for any amendment and the impact of the change in the type of operating data or financial information being provided will be explained in information provided with the annual financial information containing the additional or amended operating data or financial information.

Section 8. Additional Information.

Nothing in this Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any disclosure made pursuant to Section 3(a) or (b) hereof or notice of occurrence of a Listed Event in addition to that which is required by this Disclosure Agreement. If the City chooses to include any information in any disclosure made pursuant to Section 3(a) or (b) hereof or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the City shall have no obligation under this Disclosure Agreement to update such information or include it in any future disclosure made pursuant to Section 3(a) or (b) hereof or notice of occurrence of a Listed Event.

Section 9. Law of Maryland.

This Disclosure Agreement, and any claim made with respect to the performance by the City of its obligations hereunder, shall be governed by, subject to, and construed according to the laws of the State.

Section 10. Limitation of Forum.

Any suit or other proceeding seeking redress with regard to any claimed failure by the City to perform its obligations under this Disclosure Agreement must be filed in the Circuit Court of Anne Arundel County, Maryland.

Section 11. Limitation on Remedies.

The City shall be given written notice at the address set forth below of any claimed failure by the City to perform its obligations under the Disclosure Agreement, and the City shall be given 15 days to remedy any such claimed failure. Any suit or other proceeding seeking further redress with regard to any such claimed failure by the City shall be limited to specific performance as the adequate and exclusive remedy available in connection with such action. Written notice to the City shall be given to the Director of Finance at 160 Duke of Gloucester Annapolis, MD, 21401 or at such alternate address as shall be specified by the City with disclosures made pursuant to Section 3(a) or 3(b) hereof or a notice of occurrence of a Listed Event.

Section 12. Relationship to Bonds.

This Disclosure Agreement constitutes an undertaking by the City that is independent of the City's obligations with respect to the Bonds; any breach or default by the City under this Disclosure Agreement shall not constitute or give rise to a breach or default under the Bonds.

Section 13. Beneficiaries.

This Disclosure Agreement shall inure solely to the benefit of the beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

IN WITNESS WHEREOF this Continuing Disclosure Agreement is being executed on behalf of the City of Annapolis by the Finance Director, as of this ____ day of _____, 2025.

CITY OF ANNAPOLIS

By: _____
Finance Director

FORM OF NOTICE OF SALE

NOTICE OF SALE

\$38,650,000*
CITY OF ANNAPOLIS, MARYLAND
General Obligation Bonds
Public Improvements Bonds, 2025 Series

Electronic bids via BiDCOMP/Parity
will be received until 10:30 A.M., local Annapolis, Maryland Time, on
Wednesday, November 5, 2025

City of Annapolis, Maryland, Municipal Building, 160 Duke of Gloucester Street, Annapolis, Maryland 21401

Electronic bids via BiDCOMP/PARITY Competitive Bidding System (BiDCOMP/Parity) will be received until 10:30 a.m., local Annapolis, Maryland time on November 5, 2025, at the City of Annapolis, Maryland (the “City”), Municipal Building, 160 Duke of Gloucester Street, Annapolis, Maryland 21401, for the purchase of the City’s \$38,650,000* Public Improvements Bonds, 2025 Series (the “Bonds”). The Bonds will be dated the date of their delivery, and bear interest payable semi-annually beginning on July 1, 2026 and thereafter on January 1 and July 1 of each year until maturity or prior redemption.

The City will issue the Bonds pursuant to Sections 19-301 through 19-309, inclusive, of the Local Government Article of the Annotated Code of Maryland, Article VII, Section 11 of the Charter of the City of Annapolis, as amended, and Ordinance No. 31-25 adopted by the City Council of the City on September 8, 2025 and approved by the Mayor of the City and effective on October 16, 2025.

The Bonds will mature on July 1 in the following years and aggregate amounts:

<u>Maturity</u>	<u>Principal</u>	<u>Maturity</u>	<u>Principal</u>
<u>Date</u>	<u>Amount*</u>	<u>Date</u>	<u>Amount*</u>
2026	\$975,000	2036	\$1,945,000
2027	1,235,000	2037	2,040,000
2028	1,305,000	2038	2,140,000
2029	1,370,000	2039	2,250,000
2030	1,435,000	2040	2,340,000
2031	1,515,000	2041	2,440,000
2032	1,590,000	2042	2,540,000
2033	1,675,000	2043	2,645,000
2034	1,765,000	2044	2,745,000
2035	1,850,000	2045	2,850,000

The proceeds of the Bonds will be used to (1) finance certain capital projects and (2) pay costs of issuance of the Bonds.

All Bonds herein described will constitute an irrevocable pledge of the full faith and credit and unlimited taxing power of the City.

*Preliminary, subject to change.

General Provisions for the Bonds

The Bonds shall be issued only in fully registered form without coupons. One bond representing each maturity will be issued to and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), as registered owner of the Bonds and each such bond shall be immobilized in the custody of DTC. DTC will act as securities depository for the Bonds. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof. Purchasers will not receive physical delivery of certificates representing their interest in the Bonds purchased. The winning bidder, as a condition to delivery of the Bonds, will be required to deposit the bond certificates representing each maturity with DTC. The Bonds will bear interest payable semiannually on January 1 and July 1 commencing July 1, 2026, until maturity or prior redemption. Interest will be paid to the persons in whose names the Bonds are registered on the registration books maintained by the Bond Registrar on the Regular Record Date, which is the fifteenth day of the month immediately preceding the month in which each such interest payment date occurs.

Term Bond Option

Bidders may designate in their proposal two or more consecutive annual principal payments as a term bond, which matures on the maturity date of the last annual principal payment of the sequence. Any term bond so designated shall be subject to mandatory sinking fund redemption in each year on the principal payment date and in the entire principal amount for each annual principal payment designated for inclusion in such term bond. There is no limitation on number of term bonds.

Optional Redemption

The Bonds maturing on or after July 1, 2036 are subject to redemption on or after July 1, 2035 as a whole or in part at any time, in any order of maturities at the option of the City, at a redemption price equal to the principal amount of the Bonds to be redeemed together with interest accrued to the date fixed for redemption.

If less than all of the Bonds of any maturity shall be called for redemption, the particular Bonds or portions of Bonds to be redeemed shall be selected by lot by the Bond Registrar and Paying Agent in such manner as in its discretion, it shall determine.

Electronic Bids

Electronic bids will be received via BiDCOMP/Parity Competitive Bidding System in the manner described below, until 10:30 a.m. local Annapolis, Maryland time, on November 5, 2025. **By submitting a bid for the Bonds, a bidder represents and warrants to the City that it has an established industry reputation for underwriting new issuances of municipal bonds.**

Bids may be submitted electronically via BiDCOMP/Parity pursuant to this Notice until 10:30 a.m., local Annapolis, Maryland time on November 5, 2025, but no bid will be received after such time. To the extent any instructions or directions set forth in BiDCOMP/Parity conflict with this notice, the terms of this Notice shall control. For further information about BiDCOMP/Parity, potential bidders may contact BiDCOMP/Parity at (212) 806-8304.

Disclaimer

Each prospective electronic bidder shall be solely responsible to register to bid via BiDCOMP/Parity as described above. Each qualified prospective electronic bidder shall be solely responsible to make necessary arrangements to access BiDCOMP/Parity for the purposes of submitting its bid in a timely manner and in compliance with the requirements of the Notice of Sale. Neither the City nor BiDCOMP/Parity shall have any duty or obligation to provide or assure access to BiDCOMP/Parity to any prospective bidder, and neither the City nor BiDCOMP/Parity shall be responsible for a bidder’s failure to register to bid or for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by, BiDCOMP/Parity. The City is using BiDCOMP/Parity as a communication mechanism, and not as the City’s agent, to conduct the electronic bidding for the Bonds. The City is not bound by any advice and determination of BiDCOMP/Parity to the effect that any particular bid complies with the terms of this Notice of Sale and in particular the “Bid Specifications” hereinafter set forth. All costs and expenses incurred by prospective bidders in connection with their registration and submission of bids via BiDCOMP/Parity are the sole responsibility of the bidders; and the City is not responsible, directly or indirectly, for any of such costs or expenses. If a prospective bidder encounters any difficulty in submitting, modifying or withdrawing a bid for the Bonds, they should telephone BiDCOMP/Parity at (212) 806-8304 and notify the City’s Financial Advisor, Jennifer Dierksen, at Davenport & Company LLC or by e-mail at jdierksen@investdavenport.com.

Electronic Bidding Procedures

Electronic bids must be submitted for the purchase of the Bonds (all or none) via BiDCOMP/Parity. Bids will be communicated electronically to the City at 10:30 a.m., local Annapolis, Maryland time, on Wednesday, November 5, 2025. Prior to that time, a prospective bidder may (1) submit the proposed terms of its bid via BiDCOMP/Parity, (2) modify the proposed terms of its bid, in which event the proposed terms as last modified will (unless the bid is withdrawn as described herein) constitute its bid for the Bonds, or (3) withdraw its proposed bid. Once the bids are communicated electronically via BiDCOMP/Parity to the City, each bid will constitute an irrevocable offer to purchase the Bonds on the terms therein provided. For purposes of the electronic bidding process, the time as maintained on BiDCOMP/Parity shall constitute the official time.

Adjustments to Principal Amount

The preliminary aggregate principal amount of the Bonds and the preliminary annual principal amounts as set forth in this Notice of Sale (the "Preliminary Aggregate Principal Amount" and the "Preliminary Annual Principal Amounts," respectively; collectively, the "Preliminary Amounts") may be revised before the opening of sealed bids for the purchase of the Bonds. Any such revisions (the "Revised Aggregate Principal Amount" and the "Revised Annual Principal Amounts," respectively; collectively, the "Revised Amounts") **will be announced on Parity/www.i-dealprospectus.com or Thomson Municipal Market Monitor (www.tm3.com) not later than thirty minutes prior to the scheduled time for the receipt of bids.** In the event that no such revisions are made, the Preliminary Aggregate Principal Amount and the Preliminary Annual Principal Amounts will constitute the Revised Aggregate Principal Amount and the Revised Annual Principal Amounts, respectively. **Bidders shall submit bids based on the Revised Amounts.**

After selecting the winning bid, the City will determine the final aggregate principal amount of the Bonds and each final annual principal amount (the "Final Aggregate Principal Amount" and the "Final Annual Principal Amounts," respectively; collectively, the "Final Amounts"). The City expressly reserves the right to reduce or increase the aggregate principal amount by an amount not to exceed 15% of the Revised Aggregate Principal Amount. **The successful bidder may not withdraw its bid or change the interest rates bid or the respective initial offering prices (the "Initial Offering Prices") as a result of any changes made to the Revised Amounts within these limits.**

The dollar amount bid by the successful bidder will be adjusted to reflect any adjustments in the aggregate principal amount of the Bonds. Such adjusted bid price will reflect changes in the dollar amount of the underwriters discount and original issue discount and premium, if any, but will not change the selling compensation per \$1,000 of par amount of the Bonds from the selling compensation that would have been received based on the purchase price in the winning bid and the Initial Offering Prices. The interest rate specified by the successful bidder for each maturity and the Initial Offering Prices will not change. The Final Amounts and the adjusted bid price will be communicated to the successful bidder no later than 24 hours after the sale.

Good Faith Deposit

A good faith deposit (the "Deposit") is required in connection with the sale and bid for the Bonds. The Deposit shall be provided in the form of a federal funds wire transfer in the amount of \$386,500 to be submitted to the City by the successful bidder not later than 3:00 p.m. local City of Annapolis, Maryland time (the "Deposit Deadline") on the date of sale. The Deposit of the successful bidder will be retained by the City to be applied in partial payment for the Bonds and no interest will be allowed or paid upon the amount thereof, but in the event the successful bidder shall fail to comply with the terms of its bid, the proceeds thereof will be retained as and for full liquidated damages.

The City shall distribute wiring instructions for the Deposit to the successful bidder upon verification of the bids submitted by the bidders and prior to the Deposit Deadline. If the Deposit is not received by the Deposit Deadline, the award of the sale of the Bonds to the successful bidder may be cancelled by the City in its discretion without any financial liability of the City to the successful bidder or any limitation whatsoever on the City's right to sell the Bonds to a different purchaser upon such terms and conditions as the City shall deem appropriate.

Bid Specifications

The City will not accept and will reject any bid for less than all of the above described Bonds. One bidder will be awarded all of the Bonds. The right is reserved to reject any and all bids and to waive any irregularities in any of the bids. The judgment of the City shall be final and binding upon all bidders with respect to the form and adequacy of any proposal received and as to its conformity with the terms of this Notice of Sale.

Bidders shall state in their proposals the rate or rates of interest to be paid on the Bonds in multiples of one-eighth (1/8) or one-twentieth (1/20) of one percent (1%), and each proposal shall be based and submitted on the rate or rates stated therein. Bidders may specify more than one rate of interest to be borne by the Bonds, but the difference between the highest and lowest rates named may not be greater than three percent (3.00%) and the maximum permitted coupon is five percent (5.00%). Bidders may not specify more than one rate of interest for the Bonds of any single maturity. A zero rate may not be named for any maturity.

Award of the Bonds

The Bonds will be awarded to the bidder naming the lowest true interest cost for all Bonds in any legally acceptable proposal and offering to pay not less than 100% of par and not more than 115% of par. The lowest true interest cost will be determined by doubling the semiannual interest rate, compounded semiannually, necessary to discount the debt service payments from the payment dates to the date of the Bonds and to the amount bid. Where the proposals of two or more bidders result in the same lowest true interest cost, the Bonds may be apportioned between such bidders, but if this shall not be acceptable, the City shall have the right to award all of the Bonds to one bidder. The right is reserved to the City to reject any or all proposals and to waive any irregularity or informality in any proposal. The City's judgment shall be final and binding upon all bidders with respect to the form and adequacy of any proposal received and as to its conformity to the terms of this Notice of Sale.

Issue Price Determination

The City expects and intends that the bid for the Bonds will satisfy the federal tax requirements for a qualified competitive sale of bonds, including, among other things, receipt of bids for the Bonds from at least three underwriters, who have established industry reputations for underwriting new issuances of municipal bonds (a "**Qualified Competitive Bid**"). The Finance Director of the City (the "Finance Director") will advise the successful bidder as promptly as possible after the bids are opened whether the bid constitutes a Qualified Competitive Bid, or, in the alternative, a bid that fails to satisfy such requirements (a "**Nonqualified Competitive Bid**").

If the bid is a Qualified Competitive Bid, as promptly as possible after the bids are opened, the Finance Director will notify the successful bidder, and such bidder, upon such notice, shall advise the Finance Director of the reasonably expected initial offering price to the public of each maturity of the Bonds. In addition, the winning bidder shall be required to provide to the City information to establish the initial offering prices for each maturity of the Bonds for federal income tax purposes by completing a certificate acceptable to Bond Counsel to the City, on or before the date of issuance of the Bonds, substantially in the Form of Issue Price for Qualified Competitive Bid set forth in Appendix E to the Preliminary Official Statement, with appropriate completions, amendments and attachments.

If the bid is a Nonqualified Competitive Bid, as promptly as possible after the bids are opened, the Finance Director will notify the successful bidder, and such bidder, upon such notice, shall advise the Finance Director of the initial sale price or initial offering price to the public, as applicable, of each maturity of the Bonds. In addition, the winning bidder shall be required to provide to the City information and assurances to establish the initial sale price or the initial offering price to the public, as applicable, for each maturity of the Bonds for federal income tax purposes by completing a certification acceptable to Bond Counsel, on or before the date of issuance of the Bonds, substantially in the Form of Issue Price Certificate for Nonqualified Competitive Bid set forth in Appendix E to the Preliminary Official Statement, with appropriate completions, omissions and attachments. **It is noted that procedures for a Nonqualified Competitive Bid may require the winning bidder and, if applicable, other underwriters of the Bonds, to hold the initial offering prices for certain maturities of the Bonds for up to five business days after the sale date, as further specified in the form of such certification.**

Change of Bid Date

The City reserves the right to postpone, from time to time, the date established for the receipt of bids. Any such postponement will be announced by Parity/www.i-dealprospectus.com or TM3 News Service by notice given not later than 5:00 p.m., local Annapolis, Maryland time, on the last business day prior to any announced date for receipt of bids (the "Alternative Sale Date"). If any date fixed for the receipt of bids and the sale of the Bonds is postponed, any Alternative Sale Date will be announced via Parity/www.i-dealprospectus.com or TM3 News Service at least 48 hours prior to such Alternative Sale Date. In addition, the City reserves the right, on the date established for the receipt of bids, to reject all bids and establish a subsequent Alternative Sale Date. If all bids are rejected and an Alternative Sale Date for receipt of bids established, notice of the Alternative Sale Date will be announced via Parity/www.i-dealprospectus.com or TM3 News Service not less than 48 hours prior to such Alternative Sale Date. On any such Alternative Sale Date, any bidder may submit electronic bids for the purchase of the Bonds in conformity in all respects with the provisions of this Notice of Sale except for the date of sale and except for the changes announced by Parity/www.i-dealprospectus.com or TM3 News Service at the time the sale date and time are announced.

CUSIP Numbers

CUSIP numbers for the Bonds will be applied for by the financial advisor to the City, but the City will assume no obligation for the assignment or printing of such numbers on the Bonds or for the correctness of such numbers, and neither the failure to print such numbers on any of the Bonds nor any error with respect thereto shall constitute cause for a failure or refusal by the successful bidder to accept delivery of and make payment for the Bonds.

Official Statement

Not later than seven (7) business days after the award of the Bonds to the successful bidder on the day of sale, the City will authorize an Official Statement, which is expected to be substantially in the form of the Preliminary Official Statement referred to above. If so requested by the purchaser at or before the close of business on the date of the sale, the City will include in the Official Statement such pricing and other information with respect to the terms of the reoffering of the Bonds by the successful bidder therefor ("Reoffering Information"), if any, as may be specified and furnished in writing by such bidder. If no Reoffering Information is specified and furnished by the successful bidder, the Official Statement will include the interest rates on the Bonds resulting from the bid of the successful bidder and the other statements with respect to reoffering contained in the Preliminary Official Statement. The successful bidder shall be responsible to the City and its officials for the Reoffering Information, and for all decisions made by such bidder with respect to the use or omission of the Reoffering Information in any reoffering of the Bonds including the presentation or exclusion of any Reoffering Information in any documents, including the Official Statement. The successful bidder will also be furnished, without cost, with up to 100 copies of the Official Statement (and any amendments or supplements thereto).

Delivery of the Bonds

Delivery of the Bonds, without expense, will be made by the City to the purchaser on or about November 19, 2025, or as soon as practicable thereafter, in New York, New York, or at such other location as shall be mutually acceptable to the City and the purchaser, and, thereupon, said purchaser will be required to accept delivery of the Bonds purchased and pay, in immediately available funds, the balance of the purchase price due. The Bonds will be accompanied by the customary closing documents, including a no-litigation certificate, effective as of the date of delivery, stating that there is no litigation pending affecting the validity of the Bonds. It shall be a condition to the obligation of said purchaser to accept delivery of and pay for the Bonds that, simultaneously with or before delivery and payment for the Bonds said purchaser shall be furnished a certificate or certificates of appropriate officers of the City to the effect that, to the best of their knowledge and belief, the Official Statement (and any amendment or supplement thereto) (except for the Reoffering Information and information provided by the purchaser and the information regarding DTC and DTC's book-entry system provided by DTC, as to which no view will be expressed) as of the date of sale and as of the date of delivery of the Bonds does not contain any untrue statement of a material fact and does not omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading and that between the date of sale and the date of delivery of the Bonds there has been no material adverse change in the financial position or revenues of the City, except as reflected or contemplated in the Official Statement (and any amendment or supplement thereto).

Miscellaneous

The Bonds will be issued and sold subject to approval as to legality by McKennon Shelton & Henn LLP, Baltimore, Maryland (Bond Counsel), whose opinion shall be substantially in the form set forth as an exhibit to the Preliminary Official Statement concerning the Bonds. The opinion will be delivered upon request, without charge to the successful bidder for the Bonds.

In order to assist bidders in complying with SEC Rule 15c2-12(b)(5), the City will execute and deliver a continuing disclosure agreement on or before the date of issuance of the Bonds pursuant to which it will undertake to provide certain information annually and notices of certain events. A copy of the form of this agreement is set forth in the Preliminary Official Statement and will also be set forth in the Official Statement.

When delivered, the Bonds shall be duly executed and authenticated and registered in the name of Cede & Co., as nominee of DTC, as registered owner of the Bonds.

It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print any such number on any Bond nor any error with respect thereto shall constitute cause for failure or refusal by the successful bidder to accept delivery of and pay for the Bonds in accordance with the terms of this Notice of Sale.

The City may revise this Notice of Sale by written notice available to prospective bidders at the place of sale at the time for submission of bids or by publishing notice of any revisions on Parity/www.i-dealprospectus.com or TM3 News Service ("TM3") at or before the time for submission of bids. Any bid submitted shall be in accordance with, and incorporate by reference, this Notice of Sale including any revisions made pursuant to this paragraph.

Additional Information

The Preliminary Official Statement, together with this Notice of Sale and the required form of proposal may be accessed via the internet at <https://www.newissuehome.i-deal.com/Parity>. Such Preliminary Official Statement is deemed final by the City as of its date for purposes of SEC Rule 15c2-12 but is subject to revision, amendment and completion in the Official Statement referred to above.

By order of CITY OF ANNAPOLIS, MARLAND

By: Gavin Buckley, Mayor

By: Brittany Moran, Finance Director

**FORM OF ISSUE PRICE CERTIFICATE
FOR QUALIFIED COMPETITIVE BID**

\$ _____
CITY OF ANNAPOLIS, MARYLAND
General Obligation Bonds
Public Improvements Bonds, 2025 Series

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of [NAME OF WINNING BIDDER] (the “[SHORT FORM NAME OF WINNING BIDDER]”), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the “Bonds”).

1. Reasonably Expected Initial Offering Price.

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by [SHORT FORM NAME OF WINNING BIDDER] are the prices listed in Schedule A (the “Expected Offering Prices”). The Expected Offering Prices are the prices for each Maturity of the Bonds used by [SHORT FORM NAME OF WINNING BIDDER] in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by [SHORT FORM NAME OF WINNING BIDDER] to purchase the Bonds.

(b) [SHORT FORM NAME OF WINNING BIDDER] was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by [SHORT FORM NAME OF WINNING BIDDER] constituted a firm bid to purchase the Bonds.

2. Defined Terms.

(a) *Issuer* means City of Annapolis, Maryland.

(b) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(c) *Public* means any person (including an individual, trust, estate, partnership, association, company or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this Certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(d) *Sale Date* means the first day on which there is a binding contract in writing for the sale or exchange the Bonds. The Sale Date of the Bonds is _____, 2025.

(e) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax and Section 148 Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by McKennon Shelton & Henn LLP, as Bond Counsel to the Issuer in connection with rendering their opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that they may give to the Issuer from time to time relating to the Bonds.

[NAME OF WINNING BIDDER]

By: _____
Title: _____

Dated: November __, 2025

SCHEDULE A

Expected Initial Offering Prices of the Maturities of the Bonds

[insert]

SCHEDULE B

Copy of Bid

[see attached]

FORM OF ISSUE PRICE CERTIFICATE FOR NONQUALIFIED COMPETITIVE BID

\$ _____
CITY OF ANNAPOLIS, MARYLAND
General Obligation Bonds
Public Improvements Bonds, 2025 Series

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of [NAME OF THE WINNING BIDDER] (the “[SHORT FORM NAME OF WINNING BIDDER]”), [on behalf of itself and [NAMES OF MEMBERS OF THE UNDERWRITING SYNDICATE] (together, the “Underwriting Syndicate”),] hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Bonds”).

1. **Sale of the General Rule Maturities.** As of the date of this Certificate, for each Maturity of the General Rule Maturities, the first price at which 10% of such Maturity was sold by [SHORT FORM NAME OF WINNING BIDDER] [the Underwriting Syndicate] to the Public is the respective price listed in Schedule A.

2. **Initial Offering Price of the Hold-the-Offering-Price Maturities.**

(a) [SHORT FORM NAME OF WINNING BIDDER] [the members of the Underwriting Syndicate] offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this Certificate as Schedule B.

(b) As set forth in the Notice of Sale and bid award, the [SHORT FORM NAME OF WINNING BIDDER] [members of the Underwriting Syndicate] [has] [have] agreed in writing that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, [it] [they] would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter has offered or sold any Maturity of the Hold-the-Offering Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.

3. **Defined Terms.**

(a) *General Rule Maturities* means those Maturities of the Bonds shown in Schedule A hereto as the “General Rule Maturities.”

(b) *Hold-the-Offering-Price Maturities* means those Maturities of the Bonds listed in Schedule A hereto as the “Hold-the-Offering-Price Maturities.”

(c) *Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which [SHORT FORM NAME OF WINNING BIDDER] [the Underwriters] [has] [have] sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.

(d) *Issuer* means City of Annapolis, Maryland.

(e) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(f) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this Certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(g) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is _____, 2025.

(h) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax and Section 148 Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by McKennon Shelton & Henn LLP, as Bond Counsel to the Issuer, in connection with rendering their opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that they may give to the Issuer from time to time relating to the Bonds.

[NAME OF WINNING BIDDER], as
[_____]

By: _____
Title: _____

Dated: November ___, 2025

SCHEDULE A

Sale of the General Rule Maturities

[insert]

Initial Offering Prices of the Hold-the-Offering-Price Maturities

[insert]

SCHEDULE B

Pricing Wire or Equivalent Communication

[see attached]