

RESILIENCE AUTHORITY

Annapolis and Anne Arundel County

The Honorable Members of the Senate Budget and Taxation Committee
The Honorable Members of the Senate Education, Health, and Environmental Affairs Committee
Miller Senate Office Building
11 Bladen Street
Annapolis, MD 21401 - 1991

The Honorable Members of Members of the House Appropriations Committee
The Honorable Members of the House Environment and Transportation Committee
House Office Building
6 Bladen Street
Annapolis, MD 21401

The Honorable County Executive Steuart Pittman
The Honorable Members of the County Council
Anne Arundel County
44 Calvert Street
Annapolis, MD 21401

The Honorable Mayor Gavin Buckley
The Honorable Members of the City Council
City of Annapolis
160 Duke of Gloucester Street
Annapolis, MD 21401

RE: The Resilience Authority of Annapolis and Anne Arundel County, Inc. - FY2023 Annual Report

Dear Members of the Senate Budget and Taxation Committee; Members of the Senate Education, Health, and Environmental Affairs Committee; Members of the House Appropriations Committee; Members of the House Environment and Transportation Committee; County Executive Pittman, Members of the County Council, Mayor Buckley, and Members of the City Council:

Pursuant to the Code of Maryland, Local Government Article, § 22-113, the Anne Arundel County Code, § 3-8A-113(A), and the Annapolis, MD Code of Ordinances § 2.58.110, the Resilience Authority of Annapolis and Anne Arundel County, Inc. (the Resilience Authority) is required to provide to you an annual report on the activities and financial position of the Resilience Authority during the prior fiscal year. The annual report must include audited financial statements, a description of the resilience infrastructure projects funded, and the sources of revenue for the resilience infrastructure projects undertaken by the Resilience Authority. This report is provided to you pursuant to those requirements.


Matthew Fleming, Director
Resilience Authority of Annapolis and AACO

The Resilience Authority of Annapolis and Anne Arundel County

Annual Report

July 1, 2022 ~ June 30, 2023

RESILIENCE
AUTHORITY

Annapolis and Anne Arundel County

Matthew Fleming, Director
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Annapolis, Maryland 21401
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COMBATING CLIMATE CHANGE THROUGH INVESTMENTS IN INFRASTRUCTURE

January 1, 2024

Combating climate change requires us to consider the systems that supply our housing, food, water, transportation and energy in a different way - reassessing how and where we make investments. It requires us to use the best available science, bring new voices into the conversation, and speed up the scale and pace of climate action. It is for these reasons that Senator Sarah Elfreth and the Maryland General Assembly passed Senate Bill 457 in 2020, authorizing local governments to establish Resilience Authorities. These are the same reasons our local, city and county elected officials created the Resilience Authority of Annapolis and Anne Arundel County (Resilience Authority), the first multi-jurisdictional resilience authority in the nation.

So what is resilience? It is more than just withstanding stresses or an impending threat - it also includes the capacity of a community to thrive under a wide range of circumstances. It presents an opportunity to shape thinking and practice. Resilience can offer a positive, engaging vision of the future. As we have seen in the reimagining of Annapolis City Dock - resilience challenges us to consider a community's assets - physical, environmental, and social and to build on those existing strengths.

Over the past 12 months we have secured nearly **\$23 million in federal, state, and local funding and are actively pursuing an additional \$52 million** to protect city and county shorelines, communities, and residents from climate threats. Our projects are aimed at addressing the effects of climate change, including sea-level rise, flooding, increased precipitation, erosion, and heatwaves. This includes flood barriers, shoreline restoration, stormwater infrastructure, elevating buildings, and investing in renewable energy projects.

With the expertise that exists within the City and the County and on the Resilience Authority's Board of Directors and the leadership across Maryland's state agencies, it is no surprise that we have had some early success. I look forward to building upon these successes as we continue our work with our partners who are working to build a strong, diverse field of practice to advance climate resilience in this region.



Matthew Fleming, Director

Resilience Authority of Annapolis and AACO

PURPOSE

Pursuant to the Code of Maryland, Local Government Article, § 22-113, the Anne Arundel County Code, § 3-8A-113(A), and the Annapolis, MD Code of Ordinances § 2.58.110, the Resilience Authority of Annapolis and Anne Arundel County, Inc. (the Resilience Authority) is required to provide the Members of the Senate Budget and Taxation Committee; Members of the Senate Education, Health, and Environmental Affairs Committee; Members of the House Appropriations Committee; Members of the House Environment and Transportation Committee; County Executive Pittman, Members of the County Council, Mayor Buckley, and Members of the City Council an annual report on the activities and financial position of the Resilience Authority during the prior fiscal year.

INTRODUCTION

In May 2020, the Maryland General Assembly Session passed Senate Bill 457, which authorizes local governments to establish Resilience Authorities. The first of its kind, this enabling legislation allows local jurisdictions, individually or jointly, to establish resilience authorities to undertake, finance, manage, acquire, own, convey, or support resilience infrastructure projects to mitigate the effects of climate change. The bill outlines the powers of and requirements and limitations imposed on the local governments and the authorities they establish.

In July 2021, Anne Arundel County and the City of Annapolis passed legislation to establish the first multi-jurisdictional climate resilience financing authority in the United States, pursuant to the Code of Maryland, Local Government Article, Title 22; the Anne Arundel County Code, Article 3, Title 8A; and the Code of the City of Annapolis, Title 2, Chapter 2.58. The Resilience Authority of Annapolis and Anne Arundel County, Inc. was incorporated in the State of Maryland and began its operations on June 30, 2022.

So why a Resilience Authority? The anticipated impacts of climate change are well documented, and the implications for communities like Anne Arundel County and Annapolis are profound. Significant financial investments will be necessary to enable communities across the county and city to adapt and thrive in the face of these challenges. For example, the 2018 National Climate Assessment notes that coastal zone counties account for nearly half of the nation's population and economic activity and that cumulative damage to property in those areas could increase dramatically. The silver lining is that investing in adaptation and resilience can be highly cost-effective. That same National Climate Assessment estimates that such measures could significantly reduce the cumulative damage to coastal property to about \$800 billion instead of \$3.5 trillion. The region is feeling the effects of climate change more and more each year, and the Resilience Authority can make the process of planning, funding, and completing resiliency projects much quicker and efficient – designed to reduce burdens on taxpayers by bringing in outside investments to fund the region's critical infrastructure and community assets at risk from climate change. By providing an efficient and effective mechanism for financing projects, the authority will have the

singular purpose of investing in the infrastructure that drives the economy, protects the environment, and ensures a quality of life for generations to come.

AUDITED FINANCIAL STATEMENTS

The Resilience Authority retained SB & Company to audit the Resilience Authority's Basic Financial Statements. As originally required by § 3-8A-113(A) of the County Code and § 2.58.110 of the City Code, the Resilience Authority was required to provide by January 1 an audit of the prior calendar year's activity that ended only the day before on December 31. Additionally, as the Resilience Authority's mandated December 31 year end was out of sync with the City's and County's June 30 fiscal year end, the Resilience Authority worked with the County and City leadership to amend their respective codes to require the Resilience Authority to submit by January 1 of each year audited financial statements for the preceding fiscal year ending June 30. As this change occurred during this reporting period, provided below are the audited financial statements of the Resilience Authority as of and for the six-month period ending June 30, 2023. Future reports will include the audited financial statements for the full twelve-month period ending June 30. The reader is directed to pages 6-9 of the audited financial statements, Management's Discussion and Analysis, for a narrative overview and analysis of the financial activities of the Resilience Authority for the six-month period ended June 30, 2023.

Fiscal Year 2024 Budget

On April 27, 2023, the Board of Directors adopted a \$20,310,650 operating budget for fiscal year 2024 (FY2024), supported by a \$500,000 unrestricted operating grant from Anne Arundel County; \$19,310,650 of anticipated restricted grants; and the use of \$500,000 of general fund balance. On October 25, 2023, the Board of Directors amended the original FY2024 budget to increase appropriations to \$61,385,100, supported by a \$500,000 unrestricted operating grant from Anne Arundel County and \$64,460,761 of restricted grants with a budgeted surplus of \$3,575,581.

As of December 17, 2023, the Authority has formally been awarded \$21,700,296 of grants to manage, including:

- Jabez Floodplain Rehabilitation Project | Millersville, Maryland | (\$8,919,506)
- Chestnut Hill Community Infrastructure Project | Curtis Bay, Maryland | (\$3,356,790)
- Elktonia and Carrs Beach Restoration Project | Annapolis, Maryland | (\$1,605,000)
- Annapolis Maritime Resilience Initiative | Annapolis, Maryland (\$819,000)
- Anne Arundel County Electric Vehicle Infrastructure Project | Anne Arundel County | (\$7,000,000)

Of the grants awarded, the Authority has received \$2,585,637 from the State of Maryland Department of Natural Resources (DNR) to fund the cash flow needs on a restricted grant from DNR for a coastal floodplain rehabilitation project of the Jabez Branch, a tributary to Severn Run, and \$2,547,425 of this DNR grant has been expended.

ACTIONS TAKEN TO DATE

This section presents an overview and analysis of the activities of the Authority for the twelve-month beginning July 1, 2022 and ending June 30, 2023. The summary of activities is organized around the core components of the Resilience Authority's administrative and programmatic processes: 1) Institutional and governance processes; 2) Initial project portfolio and action plan; and 3) revenue portfolio and strategy.

Highlights for the Twelve-Month Period Ended June 30, 2023

- Established the institution and the structure necessary for ensuring sound governance and implementation.
- Conducted a comprehensive planning review to identify primary hazards, assets, project categories, activities, and actions within each of the jurisdictions.
- Created a Bipartisan Infrastructure Law (BIL) and Inflation Reduction Act (IRA) database to understand where the opportunities are and the timing of application deadlines, matching requirements, etc. Collectively they represent almost 400 distinct funded programs for local governments.
- Secured nearly \$23 million in federal, state, and local funding to protect Anne Arundel County's shorelines, communities, and residents from climate threats.
- Seeking an additional \$52 million for projects that are aimed at addressing the effects of climate change, including sea-level rise, flooding, increased precipitation, erosion, and heatwaves.

Institutional and Governance Processes

Since incorporation, the organization has established the administrative, governance, and financial systems and processes necessary to achieve its mission. This includes seating a permanent board of directors appointed by the Anne Arundel County Executive and the Mayor of Annapolis; the County Executive appointing the Authority's first Resilience Authority Director; adopting the organization's bylaws; establishing banking and accounting capacity and processes; and adopting standard operating procedures for procurement. Summary of activities include:

- Established permanent Board of Directors (see below).
- Adopted bylaws and articles of incorporations.
- Updated county and city legislation governing the Resilience Authority to clarify board member terms and the roles and responsibilities of the Authority, the County, and the City.
- Approved debit financing and public-private partnership (P3) standard operating procedures.
- Established a conflict or duality of interest policy.
- Approved budget and procurements standard operating procedures.

- Established accounting processes and internal controls.
- Received a clean audit opinion on the financial statements as of and for the six-months ended December 31, 2022 and as of and for the six-months ended June 30, 2023
- Developed umbrella funding agreements with both the City and County.
- Developed a unifying vision and “decision-making” framework for the Resilience Authority.
- Developed a project portfolio and action plan for the Resilience Authority.

Resilience Authority Board of Directors:

The Resilience Authority’s Board of Directors is a diverse group of nine Anne Arundel residents appointed by the County Executive and three City of Annapolis residents appointed by the Mayor. The Board’s diverse background of experience and knowledge helps the Resilience Authority secure funding opportunities, work with the community, and implement meaningful projects to prepare the city and county for sea level rise, increased flooding, heat waves, and other extreme weather events.

Anne Arundel	Occupation
Jamie Benoit	Chairman and CEO, Wavedancer
Veronique Bugnion	CEO of Clearly Energy, Inc.
Emily Clifton	Associate Executive Director, Low Impact Development Center
Vincent O. Leggett, <i>Secretary</i>	Founder of the Blacks of the Chesapeake Foundation Inc.
Stacy Schaeffer	Director, Resilience Authority of Charles County
Mike Sewell	Safety Director at Ernest Maier, Inc.
Teresa Sutherland, <i>Chair</i>	Certified Public Accountant, Self Employed
Annapolis	Occupation
Nathan Betnun, <i>Vice Chair</i>	Public Finance Banker, Financial Consultant
Mariah Davis	Deputy Director, Choose Clean Water
Jared Littmann, <i>Treasurer</i>	Owner, K&B True Value

* Currently two vacant Anne Arundel County Board Positions

Initial Project Portfolio and Action Plan:

The first and most important step was to establish an initial project portfolio that is focused on quickly moving projects to the “shovel ready” stage of development. Ultimately it is the on-the-ground projects that the Resilience Authority will finance and implement that will determine its success moving forward. Therefore, its initial action plan

prioritized implementing and constructing capital projects quickly. Over time the project portfolio will evolve into a continuously evolving system where projects are identified, designed, installed, and financed based on changing local conditions, needs, and priorities. Over the past year the Resilience Authority focused on interviews with leaders within the county and city governments to identify profile projects that have the potential to move to shovel-ready status within the next 12-24 months. Based on those conversations, the Resilience Authority established an initial project portfolio that would enable the Resilience Authority to take advantage of immediate funding opportunities. The next step in this process was to link each project included in the initial project portfolio with a potential grant program (e.g. BIL or IRA legislation or local grant programs) as presented in the table below.

Initial Project Portfolio/Action Plan	Location	Awarded	Source
Jabez III Floodplain Rehabilitation Project	Millersville, AACO	\$8,919,506.00	State Grant
Chestnut Hill Cove Community Infrastructure Project	Curtis Bay, AACO	\$3,356,790.00	Federal/State Grants
South County Resilience Initiative	Deale, AACO	Pending	Federal/State Grants
Marley Creek Stream & Wetland Restoration	Glen Burnie, AACO	Pending	Federal Grant
Glen Burnie Town Center	Glen Burnie, AACO	Pending	Federal/State Grants
Elktonia and Carrs Beach Rehabilitation Project	City of Annapolis	\$1,605,000.00	Federal Grant
Hawkins Cove Habitat Restoration Project	City of Annapolis	Pending	Federal Grant
Robert Eades Park Shoreline Restoration Project	City of Annapolis	Pending	Federal Grant
Whitehall Shoreline Restoration Project	Annapolis, AACO	Pending	Federal/State Grants
Baltimore MSA Resilience Road Map	Countywide	Pending	Federal Grant
Annapolis Maritime Resilience Initiative	City of Annapolis	\$819,000.00	Federal Grant
Putting Assets to Work Playbook	Countywide	\$85,000.00	Federal/County Grants
Anne Arundel County Electric Vehicle Infrastructure	Countywide	\$7,000,000.00	Federal/County Grants
Baltimore MSA Priority Climate Action Plan	Countywide	\$1,000,000.00	Federal Grant
Totals		\$22,785,296.00	

Revenue Portfolio and Strategy:

Of all the Resilience Authority's activities and functions, it will be its capacity to secure new, sustainable, and scalable revenue streams that will be foundational to its success. Actions taken to date include:

- Created a BIL and IRA Database. An important first step in developing a grant funding program was to understand where the opportunities are and the timing of application deadlines, matching requirements, etc. To that end, the Resilience Authority established funding databases associated with the BIL and IRA programs to identify all the potential funding opportunities associated with these two laws. Collectively they represent almost 400 distinct funded programs that can benefit state and local governments, resulting in an unprecedented amount of federal funding supporting a myriad of infrastructure priorities.
- Grants Funding Strategy. In the short-term, the focus has been on establishing a grant funding strategy that will enable the Resilience Authority to take advantage of immediate funding opportunities. The first step in this process is to link each project included in the initial project portfolio with a potential grant program linked to either the BIL or IRA legislation or state grant program (e.g. Grants Gateway). Once an actionable grant funding strategy is established, the next step will be to develop a more comprehensive long-term revenue plan.
- Putting Assets to Work Playbook. One of the first actions taken by the Resilience Authority was to participate in an innovative infrastructure financing project called the *Putting Assets to Work Incubator*. The Incubator launched on July 1, 2022 to explore the potential of unlocking underutilized publicly-owned real estate assets to generate new revenue and new opportunities. The PAW Incubator was led by the Government Finance Officers Association, the Sorenson Impact Center, and Urban 3, in collaboration with Atlanta, Georgia; the Resilience Authority of Annapolis and Anne Arundel County, Maryland; Chattanooga, Tennessee; Cleveland, Ohio; Harris County, Texas; and Lancaster, California. The PAW Incubator consisted of two phases of work. Phase I consisted of asset mapping to better understand the size and value of the jurisdiction's real estate portfolio. The Phase I work is summarized by the visualizations included in the Playbook. In Phase II, the team worked with experts to evaluate various approaches and structures to put the jurisdiction's assets to work and consulted with representatives of the Authority and the two communities to understand local priorities and preferences that would maximize both jurisdiction's ability to move this work from concept to implementation. The final product was a Playbook that comprises the implementation recommendations developed in Phase II.

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**RESILIENCE AUTHORITY OF ANNAPOLIS AND
ANNE ARUNDEL COUNTY, INC.**

**Financial Statements Together with
Reports of Independent Public Accountants**

For the Six-Month Period Ended June 30, 2023



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**RESILIENCE AUTHORITY OF ANNAPOLIS AND
ANNE ARUNDEL COUNTY, INC.**

**Financial Statements Together with
Reports of Independent Public Accountants**

JUNE 30, 2023

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON THE AUDIT OF THE FINANCIAL STATEMENTS

Board of Directors
Resilience Authority of Annapolis and Anne Arundel County, Inc.
Annapolis, Maryland

Opinion

We have audited the financial statements of the governmental activities and major fund of the Resilience Authority of Annapolis and Anne Arundel County, Inc. (the Authority), a component unit of Anne Arundel County, Maryland, as of June 30, 2023, and for the six-month period ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the governmental activities and the major fund of the Authority as of June 30, 2023, and the respective changes in financial position and statement of revenues, expenditures, and changes in fund balance- budget and actual for the six-month period then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Authority 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 opinion.

Responsibilities of Management for the Financial Statements

The Authority's 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 controls 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 Authority's ability to continue as a going concern for one year beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 GAAS 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 controls. 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 GAAS, 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 controls 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 Authority's internal controls. 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 Authority's 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 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



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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.

Owings Mills, Maryland
December 22, 2023

SB & Company, LLC

RESILIENCE AUTHORITY OF ANNAPOLIS AND ANNE ARUNDEL COUNTY, INC.

Management's Discussion and Analysis Required Supplementary Information (Unaudited) For the Six-Month Period Ended June 30, 2023

This section of the annual financial statements of the Resilience Authority of Annapolis and Anne Arundel County, Inc. (the Authority) presents a narrative overview and analysis of the financial activities of the Authority for the six-month period ended June 30, 2023. Readers are encouraged to consider the information presented here in conjunction with the basic financial statements and the accompanying notes.

Establishment of the Authority

The Authority is the first multi-jurisdictional resilience authority established in the United States. The Authority was established to undertake and support projects in the City of Annapolis and Anne Arundel County, Maryland that mitigate the impact of climate change. The Authority was created pursuant to the Code of Maryland, Local Government Article, Title 22; the Anne Arundel County Code, Article 3, Title 8A; and the Code of the City of Annapolis, Title 2, Chapter 2.58. The Authority was incorporated in the State of Maryland and began its operations on June 30, 2022. The Authority changed its fiscal year end from December 31 to June 30 during the six-month period ending June 30, 2023.

Financial Highlights

- The assets of the Authority exceeded its liabilities as of June 30, 2023 by \$1,544,242 (net position). The Authority had no deferred inflows or deferred outflows of resources. Of the \$1,544,242 total net position, \$6,550 is restricted and the remaining balance of \$1,537,692 is unrestricted and may be used to meet the Authority's ongoing obligations.
- As of June 30, 2023, the ending fund balance of the Authority's General Fund, which was the Authority's only governmental fund, was \$1,544,242.
- As of June 30, 2023, the unassigned fund balance for the general fund was \$1,435,024, which represents 1,766% of total general fund expenditures for the six-month period ended June 30, 2023.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Authority's basic financial statements. The Authority'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 Authority's finances in a manner similar to a private-sector business. The government-wide statements are on a full accrual accounting basis, including the elimination and/or reclassification of internal activities.

RESILIENCE AUTHORITY OF ANNAPOLIS AND ANNE ARUNDEL COUNTY, INC.

Management's Discussion and Analysis Required Supplementary Information (Unaudited) For the Six-Month Period Ended June 30, 2023

Overview of the Financial Statements (continued)

Government-wide financial statements (continued)

The statement of net position presents information on all of the Authority's assets, liabilities, and deferred inflows and outflows of resources. The difference between assets plus deferred outflows and liabilities plus deferred inflows is 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 Authority is improving or deteriorating.

The statement of activities presents information showing how the Authority'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.

Both of the government-wide financial statements distinguish functions of the Authority that are principally supported by intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of costs through user fees and charges (business-type activities). The Authority had only governmental activities during the six-month periods ending June 30, 2023 and December 31, 2022, respectively, all of which were recorded in the Authority's general fund. The Authority has no business-type activities.

The government-wide financial statements can be found on pages 10 and 11 of this report.

Fund financial statements

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The sole fund of the Authority in 2023 and 2022 was its general fund, which is a governmental fund.

Governmental funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Since the government-wide focus includes the long-term view and the fund focus includes the short-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions.

For the current reporting period, there was no activity that resulted in a difference between the total fund balance for the governmental fund shown on the Balance Sheet – Governmental Fund and the net position for governmental activities shown on the Statement of Net Position. Likewise, there was no activity that resulted in difference between the changes in fund balance shown on the Statement of Revenues, Expenditures, and Changes in Fund Balance, Governmental Fund and the changes in net position as shown in governmental activities on the Statement of Activities.

RESILIENCE AUTHORITY OF ANNAPOLIS AND ANNE ARUNDEL COUNTY, INC.

Management's Discussion and Analysis Required Supplementary Information (Unaudited) For the Six-Month Period Ended June 30, 2023

Overview of the Financial Statements (continued)

Notes to basic financial statements

The notes to the financial statements provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements are part of the basic financial statements and can be found on pages 15-18 of this report.

Required supplementary information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning budgetary comparison of the Authority's General Fund.

Government-wide Financial Analysis

Over time, changes in net position serve as a useful indicator of a government's financial position. As of June 30, 2023, the Authority's assets exceeded its liabilities by \$1,544,242. The Authority had no deferred inflows or deferred outflows of resources. The Authority's \$1,544,242 net position comprise \$6,550 that is restricted by the grantor for specific uses consistent with the purposes for which the Authority was created and \$1,537,692 representing resources that are unrestricted and may be used by the Authority to meet its ongoing obligations.

Statements of Net Position and Activities

A summary of government-wide assets, liabilities, and net position is as follows:

	<u>June 30, 2023</u>	<u>December 31, 2022</u>
Cash and equivalents	\$ 1,576,675	\$ 122,902
Current liabilities	32,433	8,031
Net Position	<u>\$ 1,544,242</u>	<u>\$ 114,871</u>

The Authority's net position increased \$1,429,371 as of June 30, 2023, as a result of grants from Anne Arundel County exceeding related expenses.

The following table summarizes changes in net position for governmental activities during the year:

	<u>Six Month Period Ending</u>	
	<u>June 30, 2023</u>	<u>December 31, 2022</u>
Revenues	\$ 1,510,650	\$ 250,000
Expenses	81,279	135,129
Change in net position	<u>\$ 1,429,371</u>	<u>\$ 114,871</u>

Contributions from Anne Arundel County comprise the sole source of Authority revenue, totaling \$1,510,650 and \$250,000, for the six-month periods ending June 30, 2023 and December 31, 2022, respectively.

RESILIENCE AUTHORITY OF ANNAPOLIS AND ANNE ARUNDEL COUNTY, INC.

Management's Discussion and Analysis Required Supplementary Information (Unaudited) For the Six-Month Period Ended June 30, 2023

General Fund Budgetary Highlights

The Authority adopted a budget for the six-month period ended June 30, 2023 and no amendments were made to the budget. The Statement of Revenues and Expenditures - Budget and Actual can be found as part of the basic financial statements, which is located on page 14.

Capital Assets and Debt Administration

The Authority has no capital assets or debt.

Subsequent Items for Future Financial Statements

On April 27, 2023, the Board of Directors adopted a \$20,310,650 operating budget, supported by a \$500,000 unrestricted operating grant from Anne Arundel County; \$19,310,650 of anticipated restricted grants, and the use of \$500,000 of general fund balance.

On October 25, 2023, the Board of Directors amended the original budget to increase appropriations to \$61,385,100, supported by a \$500,000 unrestricted operating grant from Anne Arundel County and \$64,460,761 of restricted grants with a budgeted surplus of \$3,575,581.

As of December 17, 2023, the Authority has formally been awarded \$22,785,296 of grants, including:

- Jabez Floodplain Rehabilitation Project (\$8,919,506)
- Chestnut Hill Community Infrastructure Project (\$3,356,790)
- Elktonia and Carrs Beach Restoration Project (\$1,605,000)
- Annapolis Maritime Resilience Initiative (\$819,000)
- Anne Arundel County Electric Vehicle Infrastructure Project (\$7,000,000)

Of the grants awarded, the Authority has received \$2,585,637 from the State of Maryland Department of Natural Resources (DNR) to fund the cash flow needs on a restricted grant from DNR for a coastal floodplain rehabilitation project of the Jabez Branch, a tributary to Severn Run, and \$2,547,425 of the DNR grant has been expended.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Matthew Fleming, Resilience Authority Director, Resilience Authority of Annapolis and Anne Arundel County, Inc., 44 Calvert Street, Annapolis, MD 21401.

RESILIENCE AUTHORITY OF ANNAPOLIS AND ANNE ARUNDEL COUNTY, INC.

**Statement of Net Position
As of June 30, 2023**

	<u>Governmental Activities</u>
ASSETS	
Cash and equivalents	\$ 1,570,125
Cash and equivalents - restricted	<u>6,550</u>
Total assets	<u>1,576,675</u>
LIABILITIES	
Accounts payable	<u>32,433</u>
NET POSITION	
Restricted	6,550
Unrestricted	<u>1,537,692</u>
Total net position	<u><u>\$ 1,544,242</u></u>

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

RESILIENCE AUTHORITY OF ANNAPOLIS AND ANNE ARUNDEL COUNTY, INC.

**Statement of Activities
For the Six-Month Period Ended June 30, 2023**

Functions/Programs	Expenses	Program Revenues		Net Revenues and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
GOVERNMENTAL ACTIVITIES				
Climate resilience activities	\$ 81,279	\$ -	\$ 10,650	\$ (70,629)
GENERAL REVENUES				
County government grant				1,500,000
Change in net position				1,429,371
Net position, beginning of year				114,871
Net position, end of year				\$ 1,544,242

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

RESILIENCE AUTHORITY OF ANNAPOLIS AND ANNE ARUNDEL COUNTY, INC.

**Balance Sheet
Governmental Fund
As of June 30, 2023**

	<u>General Fund</u>
ASSETS	
Cash and equivalents	\$ 1,570,125
Cash and equivalents - restricted	<u>6,550</u>
Total assets	<u><u>\$ 1,576,675</u></u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	<u>\$ 32,433</u>
FUND BALANCE	
Restricted	6,550
Assigned	102,668
Unassigned	<u>1,435,024</u>
Total fund balance	<u>1,544,242</u>
Total liabilities and fund balance	<u><u>\$ 1,576,675</u></u>

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

RESILIENCE AUTHORITY OF ANNAPOLIS AND ANNE ARUNDEL COUNTY, INC.

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
For the Six-Month Period Ended June 30, 2023**

	<u>General Fund</u>
REVENUES	
Grants	<u>\$ 1,510,650</u>
EXPENDITURES	
Current	
General government	36,357
Climate resilience activities	<u>44,922</u>
Total expenditures	<u>81,279</u>
Net change in fund balance	1,429,371
Fund balance, beginning of year	<u>114,871</u>
Fund balance, end of year	<u><u>\$ 1,544,242</u></u>

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

RESILIENCE AUTHORITY OF ANNAPOLIS AND ANNE ARUNDEL COUNTY, INC.

**Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
General Fund
For the Six-Month Period Ended June 30, 2023**

GENERAL FUND	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
REVENUES				
Grants	\$ 500,000	\$ 500,000	\$ 1,500,000	\$ 1,000,000
Climate and energy resilience portfolio	<u>1,000,000</u>	<u>1,000,000</u>	<u>10,650</u>	<u>(989,350)</u>
Total revenues	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,510,650</u>	<u>10,650</u>
EXPENDITURES				
Current				
General government				
Meeting expenses	1,500	1,500	552	948
Training and professional development	2,000	2,000	125	1,875
Audit, accounting and payroll	5,000	5,000	4,458	542
Legal and professional fees	25,000	25,000	16,945	8,055
Travel	2,000	2,000	-	2,000
Office and administrative (including software)	1,000	1,000	327	673
Office supplies and equipment	3,000	3,000	2,910	90
Insurance	1,000	1,000	1,040	(40)
IT support and maintenance	500	500	-	500
Total general government	<u>41,000</u>	<u>41,000</u>	<u>26,357</u>	<u>14,643</u>
Climate resilience activities				
Project development/grant writer	24,000	24,000	24,000	-
Communications and development	46,500	46,500	12,940	33,560
Capacity building and revenue mapping	100,000	100,000	100,000	-
Climate and energy resilience portfolio	500,000	500,000	10,650	489,350
Total climate resilience activities	<u>670,500</u>	<u>670,500</u>	<u>147,590</u>	<u>522,910</u>
Total expenditures	<u>711,500</u>	<u>711,500</u>	<u>173,947</u>	<u>537,553</u>
Net change in fund balance	<u>788,500</u>	<u>788,500</u>	<u>1,336,703</u>	<u>\$ 548,203</u>
Fund balance, beginning of year	<u>104,871</u>	<u>104,871</u>	<u>104,871</u>	
Fund balance, end of year	<u>\$ 893,371</u>	<u>\$ 893,371</u>	<u>\$ 1,441,574</u>	
Fund balance - GAAP Basis			\$ 1,544,242	
Effect of encumbrances			<u>(102,668)</u>	
Fund balance - budgetary basis			<u>\$ 1,441,574</u>	

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

RESILIENCE AUTHORITY OF ANNAPOLIS AND ANNE ARUNDEL COUNTY, INC.

Notes to the Financial Statements For the Six-Month Period Ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements are prepared in accordance with accounting principles generally accepted in the United State of America applicable to governmental units as prescribed by the Governmental Accounting Standards Board (GASB). This note summarizes the significant accounting policies.

Reporting Entity

The Resilience Authority of Annapolis and Anne Arundel County, Inc. (the Authority) was incorporated in the State of Maryland on June 30, 2022. The Authority is a component unit of Anne Arundel County, MD (the County). During the six-month period ending June 30, 2023, the Authority changed its fiscal year end from December 31 to June 30.

Financial Statement Presentation, Measurement Focus, and Basis of Accounting

The basic financial statements are divided into three categories: government-wide financial statements, fund financial statements, and budgetary statements.

Government-Wide Financial Statements

The government-wide financial statements, comprising the Statement of Net Position and the Statement of Activities, are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar revenues are recognized when all eligibility requirements imposed by the provider have been met. The Authority has only governmental activities, which are supported primarily by intergovernmental revenues.

Fund Financial Statements

The fund financial statements include statements for the General Fund, a governmental fund that is the only fund the Authority has. This governmental fund is reported using the financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when measurable and available. Revenues are considered available if those revenues are collectible within the current period or shortly thereafter to pay liabilities of the current period. Expenditures are generally recorded when incurred; however, expenditures for debt service, compensated absences, claims, and judgments are recorded when payments are due.

The Authority reports only the General Fund as a governmental fund and has no enterprise or fiduciary fund activities.

RESILIENCE AUTHORITY OF ANNAPOLIS AND ANNE ARUNDEL COUNTY, INC.

Notes to the Financial Statements For the Six-Month Period Ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Statements

The basic financial statements include a Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual for the General Fund. This statement is prepared using the budgetary basis of accounting in which revenues are recognized when earned and available. Unexpended or unencumbered appropriations expire at year-end. The Authority recognizes revenue collected within sixty days of the end of the fiscal year as available for the prior year's appropriation. Budgetary expenditures are recognized when encumbered or when goods or services are received.

Cash

Cash includes bank deposits in a checking account.

Program Revenues

The government-wide Statement of Activities is presented using a net-cost format. Total costs are presented on a functional basis. Some of these functional activities are financed in whole or in part by program revenues received from parties outside the Authority. These program revenues are subtracted from the functional costs to arrive at net costs. Authority revenues are then applied against the net costs to arrive at changes in net position for the calendar year.

Program revenues include amounts received from those who purchase, use, or directly benefit from a program, amounts received from outside parties that are restricted to one or more specific programs, and earnings on investments that are legally restricted for a specific purpose. Program revenue includes user fees and charges, grants and contributions, and restricted investment income.

Encumbrances

The governmental funds utilize encumbrance accounting under which purchase orders, contracts, and other commitments are recorded in order to reserve budget appropriations for that purpose. Open encumbrances, if any, are shown as part of the restricted, committed, or assigned fund balance in the governmental fund statements and are recorded as expenditures on the budgetary statements.

RESILIENCE AUTHORITY OF ANNAPOLIS AND ANNE ARUNDEL COUNTY, INC.

Notes to the Financial Statements For the Six-Month Period Ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balance Classification

The governmental fund financial statements present fund balance based on classifications that comprise a hierarchy based primarily on the extent to which the Authority is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Non-spendable: This classification includes amounts that cannot be spent because they either (a) are not in spendable form or (b) are legally or contractually required to be maintained. The Authority had no non-spendable fund balance on June 30, 2023.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws and regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The Authority had a restricted fund balance of \$6,550 as of June 30, 2023.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Authority's Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors formally removes the restriction. The Authority has no committed fund balance as of June 30, 2023.

Assigned: This classification includes amounts that are constrained by the Authority's intent to be used for specific purposes but are neither restricted nor committed. The Authority had \$102,668 of encumbrances reported as assigned fund balance as of June 30, 2023.

Unassigned: This classification includes the residual fund balance for the General Fund. The Authority's unassigned fund balance was \$1,435,024 as of June 30, 2023.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities and the reported revenues and expenditures.

RESILIENCE AUTHORITY OF ANNAPOLIS AND ANNE ARUNDEL COUNTY, INC.

Notes to the Financial Statements For the Six-Month Period Ended June 30, 2023

2. DEPOSITS AND INVESTMENTS

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. The Authority does not have a policy for custodial credit risk on deposits. As of June 30, 2023, the carrying amount of the Authority's deposits was \$1,576,675, and the bank balance was \$1,577,524. Federal depository insurance covered \$250,000, and the remaining \$1,327,524 was exposed to custodial credit risk. The Authority held no investments during the six-month period ended June 30, 2023.

3. FUND BALANCE

The Authority typically uses restricted resources first, followed by committed resources, then assigned resources as appropriate opportunities arise; however, the Authority reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

Encumbrance accounting is employed as part of the budgetary presentation for the General Fund. As of June 30, 2023, the Authority had \$102,668 of encumbrances.