

CITY OF ANNAPOLIS
SINGLE AUDIT REPORT
YEAR ENDED JUNE 30, 2018

**CITY OF ANNAPOLIS
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2018**

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	1
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE	3
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	6
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	7
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL AWARD PROGRAMS	8



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Annapolis, Maryland (the City), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 31, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

CliftonLarsonAllen LLP

Baltimore, Maryland
January 31, 2019



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE,
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Annapolis, Maryland's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2018. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 19, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

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

The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
March 19, 2019

**CITY OF ANNAPOLIS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass-Through Grantor Program Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Pass-Through to Subrecipients
U.S. Department of Homeland Security				
Direct:				
FEMA Staffing for Adequate Fire & Emergency Response	97.083		\$ 803,083	
Pass-Through Maryland Emergency Management Agency:				
FEMA Pre-Disaster Mitigation Competitive Grant	97.047	PDMC-PL-03-MD-2015-008	40,795	
2015 State Homeland Security Program	97.067	EMW-2015-SS-00007	95,735	
2016 State Homeland Security Program	97.067	EMW-2016-SS-00008; 16SR19925-01; SR 16-SR 8844-02	94,854	
2017 State Homeland Security Program	97.067	SR 17-SR 8844-03	33,224	
2015 Urban Area Security Initiative	97.067	15-GA 8844-05	148,407	
2016 Urban Area Security Initiative	97.067	16-SR 8844-03	256,044	
2017 Urban Area Security Initiative	97.067	17-SR 8844-04	144,033	
Total CFDA #97.067			<u>772,297</u>	
2017 Emergency Management Performance Grants	97.042	17-SR-8844-02	60,555	
Total U.S. Department of Homeland Security			<u>1,676,730</u>	
U.S. Department of Housing and Community Development				
Direct:				
CDBG - Entitlement Grants Cluster -				
Community Development Block/Entitlement Grant	14.218		307,459	\$ 307,459
Total CDBG - Entitlement Grants Cluster			307,459	307,459
Pass-Through Maryland Department of Housing and Community Development:				
Emergency Solutions Grant Program	14.231	E17DC240001	43,184	43,184
Total U.S. Department of Housing and Community Development			<u>350,643</u>	<u>350,643</u>
U.S. Department of Interior				
Pass-Through Maryland Department of Natural Resources:				
Clean Vessel Act	15.616	F15AP00554; F16AP00446	40,488	
Total U.S. Department of Interior			<u>40,488</u>	
U.S. Department of Justice				
Direct:				
Byrne Justice FY2016	16.738		15,533	
Total U.S. Department of Justice			<u>15,533</u>	
U.S. Department of Transportation				
Pass-Through Maryland Department of Transportation:				
Highway Safety Cluster -				
National Priority Safety Programs	20.616	18X920405DMD17	2,843	
State and Community Highway Safety	20.600	18X9204020MD16; 18X9204020MD17	10,044	
Total Highway Safety Cluster			<u>12,887</u>	
Highway Planning and Construction	20.205	MD-2017-001-01	16,142	
Metropolitan Transportation Planning and State and Nonmetropolitan Planning and Research	20.505	MD-2017-001-01	5,380	
Minimum Penalties for Repeat Offenders	20.608	18X9205464MD14	3,276	
Pass-Through Maryland Emergency Management Agency:				
2017 Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	HH-HMP-056-16-01-00	6,600	
Total U.S. Department of Transportation			<u>44,285</u>	
U.S. Environmental Protection Agency				
Pass-Through Maryland Water Quality Financing Administration:				
Drinking Water State Revolving Fund Cluster -				
State Revolving Funds	66.468	FS-993648	2,158,845	
Total Drinking Water State Revolving Fund Cluster			<u>2,158,845</u>	
Total U.S. Environmental Protection Agency			<u>2,158,845</u>	
Total Federal Expenditures			<u>\$ 4,286,524</u>	<u>\$ 350,643</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**CITY OF ANNAPOLIS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018**

NOTE 1 GENERAL

The City of Annapolis, Maryland (the City) operates programs which are supported by funding from various federal and state agencies and other sources as indicated on the Schedule of Expenditures of Federal Awards.

NOTE 2 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes Federal grant activity of the City including Federal awards passed through from other agencies. The Schedule has been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The accompanying Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Expenditures reported for CFDA #66.468, Capitalization Grants for Drinking Water State Revolving Funds, are recorded when the estimated federal obligation is determined and reimbursed.

NOTE 3 INDIRECT COST RATE

The City has not elected to use the 10 percent de minimis indirect cost rate allowed under Uniform Guidance.

NOTE 4 REVOLVING LOAN FUNDS

The Safe Drinking Water State Revolving Fund are revolving loan funds. Federally funded loans provided under these programs are included as expenditures on the Schedule of Expenditures of Federal Awards. The City had the following loan balance outstanding at June 30, 2018:

	<u>CFDA Number</u>	<u>Amounts Outstanding</u>
Drinking Water State Revolving Fund	66.468	\$ 18,362,648

**CITY OF ANNAPOLIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Section I – Summary of Independent Auditors’ Results

Financial Statements

1. Type of auditor’s report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes _____ no
 - Significant deficiency(ies) identified? _____ yes _____ none reported
3. Noncompliance material to basic financial statements noted? _____ yes _____ no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? _____ yes _____ no
 - Significant deficiency(ies) identified? _____ yes _____ none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes _____ no

Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
97.083	FEMA Staffing for Adequate Fire & Emergency Response
66.468	Drinking Water State Revolving Fund

Dollar threshold used to determine Type A projects: \$750,000

Auditee qualify as low-risk auditee? No

Section II – Financial Statement Findings

None noted.

Section III – Findings and Questioned Costs – Major Federal Programs

None noted.