

**CITY OF ANNAPOLIS  
SINGLE AUDIT REPORT  
YEAR ENDED JUNE 30, 2021**



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YEAR ENDED JUNE 30, 2021**

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**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, Aldermen, and Alderwomen  
City of Annapolis  
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 (the City), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 28, 2022.

**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) as a basis for designing 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, Aldermen, and Alderwomen  
City of Annapolis

### **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 financial statements. 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.



**CliftonLarsonAllen LLP**

Baltimore, Maryland  
February 28, 2022



**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, Aldermen, and Alderwomen  
City of Annapolis  
Annapolis, Maryland

**Report on Compliance for Each Major Federal Program**

We have audited the City of Annapolis'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, 2021. 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.

### ***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, 2021.

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2021-001. Our opinion on each major federal program is not modified with respect to this matter.

City of Annapolis, Maryland's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Annapolis, Maryland's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### ***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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2021-001, that we consider to be a significant deficiency.

The Honorable Mayor, Aldermen, and Alderwomen  
City of Annapolis

City of Annapolis, Maryland's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Annapolis, Maryland's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated February 28, 2022, 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 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  
September 22, 2022

**CITY OF ANNAPOLIS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2021**

| Federal Grantor/Pass-Through<br>Grantor Program Title  | Assistance<br>Listing<br>Number | Pass-Through Entity<br>Identifying Number | Pass-Through<br>to<br>Subrecipients | Federal<br>Expenditures |
|--|---------------------------------|---|-------------------------------------|-------------------------|
| <b>U.S. Department of Homeland Security</b>  |                                 |   |                                     |                         |
| Assistance to Firefighters   | 97.044                          | N/A                                       | \$ -                                | \$ 564,346              |
| Pass-Through Maryland Emergency Management Agency:<br>2019 Emergency Management Performance Grants | 97.042                          | 19-SR 8844-03 / EMW-209-EP-<br>00004-S01  | -                                   | 56,601                  |
| 2020 Emergency Management Performance Grants   | 97.042                          | 19-SR 8844-01 / EMP-2020-EP-<br>0000-S01  | -                                   | 10,650                  |
| COVID-19 2020 Emergency Management Performance<br>Grants   | 97.042                          | 20-SR-8844-02 / EMP-2020-EP-<br>00009-S01 | -                                   | 8,862                   |
| Total Emergency Management Performance Grants  |                                 |   | -                                   | 76,113                  |
| 2018 State Homeland Security Program   | 97.067                          | EMW-2018-SS-00023-SHSP                    | -                                   | 34,223                  |
| 2019 State Homeland Security Program   | 97.067                          | EMW-2019-SS-00064-SHSP                    | -                                   | 46,151                  |
| 2020 State Homeland Security Program   | 97.067                          | EMW-2020-SS-00010-SHSP                    | -                                   | 14,927                  |
| 2017 Urban Area Security Initiative  | 97.067                          | EMW-2017-SS-0019-UASI                     | -                                   | 2,317                   |
| 2018 Urban Area Security Initiative  | 97.067                          | EMW-2018-SS-000233-UASI                   | -                                   | 188,620                 |
| 2019 Urban Area Security Initiative  | 97.067                          | EMW-2019-SS-SS-00064-UASI                 | -                                   | 401,586                 |
| 2020 Urban Area Security Initiative  | 97.067                          | EMW-2020-SS-00010-UASI                    | -                                   | 64,859                  |
| Total Homeland Security Grant Program  |                                 |   | -                                   | 752,683                 |
| Total U.S. Department of Homeland Security   |                                 |   | -                                   | 1,393,142               |
| <b>U.S. Department of Housing and Urban Development</b>  |                                 |   |                                     |                         |
| CDBG - Entitlement Grants Cluster:   |                                 |   |                                     |                         |
| Community Development Block Grants/Entitlement Grants  | 14.218                          | N/A                                       | 428,398                             | 428,398                 |
| COVID-19 Community Development Block Grant   | 14.218                          | N/A                                       | 157,615                             | 157,615                 |
| Total CDBG - Entitlement Grants Cluster  |                                 |   | 586,013                             | 586,013                 |
| Total U.S. Department of Housing and Urban Development   |                                 |   | 586,013                             | 586,013                 |

See accompanying Notes to Schedule of Expenditures of Federal Awards.



**CITY OF ANNAPOLIS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
YEAR ENDED JUNE 30, 2021**

| Federal Grantor/Pass-Through<br>Grantor Program Title         | Assistance<br>Listing<br>Number | Pass-Through Entity<br>Identifying Number | Pass-Through<br>to<br>Subrecipients | Federal<br>Expenditures |
|---|---------------------------------|---|-------------------------------------|-------------------------|
| <b>U.S. Department of Interior</b>                            |                                 |   |                                     |                         |
| Pass-Through Maryland Department of Natural Resources:        |                                 |   |                                     |                         |
| Clean Vessel Act  | 15.616                          | F19AP00347                                | \$ -                                | \$ 28,077               |
| Clean Vessel Act  | 15.616                          | F19AP00346                                | -                                   | 10,075                  |
| Total Clean Vessel Act  |                                 |   | -                                   | 38,152                  |
| Total U.S. Department of Interior                             |                                 |   | -                                   | 38,152                  |
| <b>U.S. Department of Justice</b>                             |                                 |   |                                     |                         |
| Edward Byrne Justice Assistance Grant (JAG) Program           | 16.738                          | N/A                                       | -                                   | 32,014                  |
| COVID-19 Federal Cares Act - Byrne Justice Assistance Program | 16.738                          | N/A                                       | -                                   | 55,258                  |
| JAG Program - Annapolis First Amendment                       | 16.738                          | N/A                                       | -                                   | 20,000                  |
| Subtotal JAG Program  |                                 |   | -                                   | 107,272                 |
| Comprehensive Opioid, Stimulant, and Substance Abuse Program  | 16.838                          | N/A                                       | -                                   | 34,020                  |
| Equitable Sharing on Forfeitures                              | 16.922                          | N/A                                       | -                                   | 102,537                 |
| Total U.S. Department of Justice                              |                                 |   | -                                   | 243,829                 |
| <b>U.S. Department of the Treasury</b>                        |                                 |   |                                     |                         |
| Pass-Through Anne Arundel County:                             |                                 |   |                                     |                         |
| COVID-19 Coronavirus Relief Fund                              | 21.019                          | 240185-ON                                 | -                                   | 3,431,271               |
| COVID-19 Coronavirus State & Local Fiscal Recovery Funds      | 21.027                          | N/A                                       | -                                   | 1,172,000               |
| Total U.S. Department of the Treasury                         |                                 |   | -                                   | 4,603,271               |
| <b>U.S. Department of Health &amp; Human Services</b>         |                                 |   |                                     |                         |
| COVID-19 Federal Cares Act - Ambulance Services               | 93.498                          | N/A                                       | -                                   | 68,329                  |
| Total U.S. Department of Health & Human Services              |                                 |   | -                                   | 68,329                  |
| <b>U.S. Department of Commerce</b>                            |                                 |   |                                     |                         |
| Coastal Zone Management Administration Awards                 | 11.419                          | N/A                                       | -                                   | 15,000                  |
| Total U.S. Department of Commerce                             |                                 |   | -                                   | 15,000                  |

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**CITY OF ANNAPOLIS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
YEAR ENDED JUNE 30, 2021**

| Federal Grantor/Pass-Through<br>Grantor Program Title  | Assistance<br>Listing<br>Number | Pass-Through Entity<br>Identifying Number | Pass-Through<br>to<br>Subrecipients | Federal<br>Expenditures |
|--|---------------------------------|---|-------------------------------------|-------------------------|
| <b>U.S. Department of Transportation</b>   |                                 |   |                                     |                         |
| Pass-Through Maryland Department of Transportation:  |                                 |   |                                     |                         |
| Highway Safety Cluster -   |                                 |   |                                     |                         |
| National Priority Safety Programs  | 20.616                          | 69A3751930000405dMDL                      | \$ -                                | \$ 1,142                |
| State and Community Highway Safety   | 20.600                          | 69A37519300004020MD0                      | -                                   | 1,700                   |
| Total Highway Safety Cluster   |                                 |   | -                                   | 2,842                   |
| Highway Planning and Construction Cluster -  |                                 |   |                                     |                         |
| Highway Planning and Construction  | 20.205                          | MD-2020-014-00                            | -                                   | 11,613                  |
| Total Highway Planning and Construction Cluster  |                                 |   | -                                   | 11,613                  |
| Metropolitan Transportation Planning and State and<br>Non-Metropolitan Planning and Research |                                 |   |                                     |                         |
|  | 20.505                          | MD-2020-014-00                            | -                                   | 3,871                   |
| Federal Transit Cluster -  |                                 |   |                                     |                         |
| COVID-19 Federal Transit - Formula Grants  | 20.507                          | MD-2020-019-00                            | -                                   | 1,346,182               |
| Total Federal Transit Cluster  |                                 |   | -                                   | 1,346,182               |
| Pass-Through Maryland Emergency Management Agency:   |                                 |   |                                     |                         |
| Interagency Hazardous Materials Public Sector Training<br>and Planning Grants                |                                 |   |                                     |                         |
|  | 20.703                          | 693JK31940020HMEP                         | -                                   | 15,910                  |
| Total Interagency Hazardous Materials Public Sector  |                                 |   | -                                   | 15,910                  |
| Total U.S. Department of Transportation  |                                 |   |                                     |                         |
|  |                                 |   | -                                   | 1,380,418               |
| Total Federal Expenditures   |                                 |   |                                     |                         |
|  |                                 |   | \$ 586,013                          | \$ 8,328,154            |

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**CITY OF ANNAPOLIS  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2021**

**NOTE 1 BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Annapolis (the City) under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance for all awards with the exception of Assistance Listing Number 21.019, which follows criteria determined by the Department of Treasury for allowability of costs. Under these principles, certain types of expenditures are not allowable or are limited as to reimbursement.

**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 new loan proceeds provided under this program are included as expenditures on the Schedule of Expenditures of Federal Awards in the year incurred; however, there were no expenditures during the current year. The City had the following loan balance outstanding at June 30, 2021:

|                                     | <u>Assistance<br/>Listing Number</u> | <u>Amounts<br/>Outstanding</u> |
|-------------------------------------|--------------------------------------|--------------------------------|
| Drinking Water State Revolving Fund | 66.468                               | <u>\$ 23,727,984</u>           |

**CITY OF ANNAPOLIS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2021**

**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        x   no
  - Significant deficiency(ies) identified? \_\_\_\_\_ yes        x   none reported
3. Noncompliance material to basic financial statements noted? \_\_\_\_\_ yes        x   no

**Federal Awards**

1. Internal control over major federal programs:
- Material weakness(es) identified? \_\_\_\_\_ yes        x   no
  - Significant deficiency(ies) identified?   x   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)?   x   yes      \_\_\_\_\_ no

**Identification of major federal programs:**

| <b>Assistance Listing Numbers</b> | <b>Name of Federal Program or Cluster</b>                  |
|-----------------------------------|--|
| 20.507                            | COVID-19 Federal Transit - Formula Grants                  |
| 21.019                            | COVID-19 Coronavirus Relief Fund                           |
| 21.027                            | COVID-19 Coronavirus State and Local Fiscal Recovery Funds |

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

Auditee qualify as low-risk auditee? Yes

**CITY OF ANNAPOLIS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2021**

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***Section II – Financial Statement Findings***

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Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

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***Section III – Findings and Questioned Costs – Major Federal Programs***

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**2021 – 001**

Federal Agency: Department of the Treasury

Federal Program Name: Coronavirus State and Local Fiscal Recovery Funds (CSLFRF)

Assistance Listing Number: 21.027

Federal Award Identification Number and Year: SLRFP 3389 ; 2021

Award Period: March 3, 2021 – December 31, 2024

Compliance Requirements: Allowable Activities

Type of Finding: Significant Deficiency in Internal Control over Compliance, Other Matters

**Criteria or specific requirement:** Recipients may use Fund payments for any eligible expenses subject to the restrictions set forth in sections 602 and 603 of the Social Security Act as added by section 9901 of the American Rescue Plan Act of 2021. Revenue loss in and of itself is not an eligible use. Instead, recipients calculate lost revenue based on the formula provided in the Interim Final Rule to determine the limit for the amount of CSLFRF funds that can be used for the "provision of government services."

**Condition:** The City utilized CSLFRF to replace lost revenue within the Transit fund. The City applied CSLFRF funds to cover expenditures, then subsequently applied these expenditures to another funding source. The City corrected the error in fiscal year 2022.

**Questioned costs:** \$349,386

**Context:** The expenditures covered by CSLFRF were related to government services, however, another funding source was available to charge these expenditures against and management applied the expenditure to those funds.

**Cause:** The City applied CSLFRF to the Transit fund without recognizing other funding sources were still outstanding and available to cover expenses in the Transit fund.

**Effect:** CSLFRF was drawn to cover expenditures which were already funded by other sources.

**Repeat Finding:** No

**Recommendation:** We recommend that the City consider other outstanding funding opportunities prior to applying lost revenue provisions of CSLFRF.

**Views of responsible officials:** There is no disagreement with the audit finding.