

CITY OF ANNAPOLIS
SINGLE AUDIT REPORT
YEAR ENDED JUNE 30, 2020



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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, 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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 30, 2021.

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, 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 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
March 30, 2021



**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, 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, 2020. 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, 2020.

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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 30, 2021, 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, Aldermen, and Alderwomen
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
September 23, 2021

CITY OF ANNAPOLIS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020

Federal Grantor/Pass-Through Grantor Program Title	CFDA Number	Pass-Through Entity Identifying Number	Pass-Through to Subrecipients	Federal Expenditures
U.S. Department of Homeland Security				
Assistance to Firefighters	97.044	N/A	\$ -	\$ 56,036
Pass-Through Maryland Emergency Management Agency:				
2018 Emergency Management Performance Grants	97.042	18-SR 8844-01	-	39,318
2019 Emergency Management Performance Grants	97.042	19-SR 8844-03 / EMW-209-EP-00004-S01	-	14,401
Total Emergency Management Performance Grants			-	53,719
2016 State Homeland Security Program	97.067	EMW-2016-SS-00008-SHSP	-	60,000
2017 State Homeland Security Program	97.067	EMW-2017-SS-00019-SHSP	-	43,782
2018 State Homeland Security Program	97.067	EMW-2018-SS-00023-SHSP	-	72,873
2019 State Homeland Security Program	97.067	EMW-2019-SS-00064-SHSP	-	51,383
2016 Urban Area Security Initiative	97.067	EMW-2016-SS-00008-UASI	-	4,223
2017 Urban Area Security Initiative	97.067	EMW-2017-SS-0019-UASI	-	228,860
2018 Urban Area Security Initiative	97.067	EMW-2018-SS-000233-UASI	-	378,293
2019 Urban Area Security Initiative	97.067	EMW-2019-SS-SS-00064-UASI	-	119,723
Pass-Through Maryland Emergency Management Agency and Maryland Institute for Emergency Medical Services Systems				
2018 State Homeland Security Program	97.067	16-GA 19925-03	-	9,420
Total Homeland Security Grant Program			-	968,557
Total U.S. Department of Homeland Security			-	1,078,312
U.S. Department of Housing and Urban Development				
CDBG - Entitlement Grants Cluster -				
Community Development Block Grants/Entitlement Grants	14.218	N/A	197,173	197,173
Total CDBG - Entitlement Grants Cluster			197,173	197,173
Total U.S. Department of Housing and Urban Development			197,173	197,173
U.S. Department of Interior				
Pass-Through Maryland Department of Natural Resources:				
Clean Vessel Act	15.616	F19AP00346	-	22,908
Clean Vessel Act	15.616	F19AP00347	-	4,012
Total Clean Vessel Act			-	26,920
Total U.S. Department of Interior			-	26,920
U.S. Department of Justice				
Edward Byrne Justice Assistance Grant Program	16.738	N/A	-	14,650
Equitable Sharing on Forfeitures	16.922	N/A	-	247,155
Total U.S. Department of Justice			-	261,805
U.S. Department of the Treasury				
Pass-Through Anne Arundel County:				
COVID-19 Coronavirus Relief Fund	21.019	240185-ON	-	939,152
Total U.S. Department of the Treasury			-	939,152
U.S. Department of Transportation				
Pass-Through Maryland Department of Transportation:				
Highway Safety Cluster -				
National Priority Safety Programs	20.616	69A3751930000405dMDL	-	3,962
State and Community Highway Safety	20.600	69A37519300004020MD0	-	2,641
Total Highway Safety Cluster			-	6,603
Highway Planning and Construction Cluster -				
Highway Planning and Construction	20.205	MD-2020-014-00	-	13,867
Total Highway Planning and Construction Cluster			-	13,867
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	MD-2020-014-00	-	4,622
Federal Transit - Formula Grants	20.507	MD-2020-019-00	-	740,768
Pass-Through Maryland Emergency Management Agency:				
Interagency Hazardous Materials Public Sector				
Training and Planning Grants	20.703	HH-HMP-056-16-01-00	-	1,924
Training and Planning Grants	20.703	693JK31940020HMEP	-	9,171
Total Interagency Hazardous Materials Public Sector			-	11,095
Total U.S. Department of Transportation			-	776,955
Total Federal Expenditures			\$ 197,173	\$ 3,280,317

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, 2020**

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, 2020. 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 CFDA 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 is 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, 2020:

	<u>CFDA Number</u>	<u>Amounts Outstanding</u>
Drinking Water State Revolving Fund	66.468	<u>\$ 24,699,362</u>

**CITY OF ANNAPOLIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020**

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? _____ yes _____ x 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 _____ x no

Identification of major federal programs:

CFDA Number(s)
21.019

Name of Federal Program or Cluster
COVID-19 Coronavirus Relief Fund

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

Auditee qualify as low-risk auditee? Yes

**CITY OF ANNAPOLIS, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2020**

Section II – Financial Statement Findings

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

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).