

**CITY OF HAGERSTOWN**

**Single Audit Together with  
Reports of Independent Public Accountants**

**For the Year Ended June 30, 2020**



**SB & COMPANY, LLC**  
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**JUNE 30, 2020**

**CONTENTS**

Report of Independent Public Accountants	1
Report of Independent Public Accountants on Internal Controls 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>	4
Report of Independent Public Accountants on Compliance for Each Major Federal Program and Report on Internal Controls over Compliance in Accordance with Uniform Guidance	6
Schedule of Expenditures of Federal Awards	8
Notes to the Schedule of Expenditures of Federal Awards	9
Schedule of Findings and Questioned Costs	11
Schedule of Prior Year Audit Findings and Questioned Costs	13



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## **REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS**

City of Hagerstown, Maryland

### **Report on the Financial Statements**

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 of Hagerstown, 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 as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

The City's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal controls. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



### ***Opinions***

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budget and actual for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of the net pension liability and schedule of contributions for the State of Maryland Retirement and Pension System, the schedule of changes in pension fund net pension liability and related ratios and schedule of employer contributions for the City of Hagerstown Police and Fire Employees' Retirement Plan, the schedule of contributions, and the schedule of changes in net OPEB liability and related ratios for the Other Post-Employment Benefits be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund statements, budgetary comparison schedules, statistical tables, and the Schedule of Expenditures of Federal Awards, as required by 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* (the Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the basic financial statements.



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The combining and individual fund statements, budgetary comparison schedules, and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying combining and individual fund statements, budgetary comparison schedules, and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2020, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Owings Mills, Maryland  
October 28, 2020



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

City of Hagerstown, Maryland

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hagerstown (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 October 28, 2020.

***Internal Controls over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the City's internal controls over financial reporting (internal controls) 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 controls. Accordingly, we do not express an opinion on the effectiveness of the City's internal controls.

*A deficiency in internal controls* 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 combination of deficiencies, in internal controls, 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 controls that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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



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### ***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 controls and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City’s internal controls 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 controls and compliance. Accordingly, this communication is not suitable for any other purpose.

Owings Mills, Maryland  
October 28, 2020



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**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROLS  
OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

City of Hagerstown, Maryland

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

We have audited the City of Hagerstown's (the City) compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major Federal program for the year ended June 30, 2020. The City's major Federal program is identified in the Summary of Independent Public Accountants' 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.

***Auditor's 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 (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and 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 the major Federal program. However, our audit does not provide a legal determination on the City's compliance.



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### ***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 its major Federal program for the year ended June 30, 2020.

### **Report on Internal controls over Compliance**

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

*A deficiency in internal controls 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 controls over compliance* is a deficiency, or combination of deficiencies in internal controls 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 controls over compliance* is a deficiency, or a combination of deficiencies, in internal controls over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal controls over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal controls 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 controls over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal controls 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 controls over compliance is solely to describe the scope of our testing of internal controls 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.

Owings Mills, Maryland  
November 19, 2020

*SB & Company, LLC*

**CITY OF HAGERSTOWN, MARYLAND**

**Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2020**

Federal Grantor/Pass-Through Grantor Program	Federal CFDA Number	Grantor or Pass-Through Entity Identifying Number	Expenditures	Passed Through to Sub- recipients
<b><u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u></b>				
Direct Programs:				
Community Development Block Grant - Entitlement (07/01/2015)	14.218	B15MC240012	\$ 30,837	\$ -
Community Development Block Grant - Entitlement (07/01/2016)	14.218	B16MC240012	66,191	-
Community Development Block Grant - Entitlement (07/01/2017)	14.218	B17MC240012	93,048	13,413
Community Development Block Grant - Entitlement (07/01/2018)	14.218	B18MC240012	165,480	11,200
Community Development Block Grant - Entitlement (07/01/2019)	14.218	B19MC240012	540,878	173,649
Expenditures Related to Program Income	14.218	N/A	187,212	-
<b>TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			1,083,647	198,262
<b><u>U.S. DEPARTMENT OF JUSTICE</u></b>				
Direct Programs:				
Bulletproof Vest Partnership Program	16.607	BVP-2017	227	-
Bulletproof Vest Partnership Program	16.607	BVP-2018	7,364	-
JAG Program	16.738	2017DJBX0312	12,784	-
JAG Program	16.738	2018DJBX0453	17,056	-
JAG Program	16.738	2019DJBX0449	830	-
COPS Hiring Program	16.710	2015UMXX0077	20,450	-
Coronavirus Emergency Supplemental Funding Program	16.034	2020VDBX1638	9,204	-
NCS-X Grant Transition from UCR to NIBRS	16.UNKNOWN	2019-FUCX-K007	151,111	-
HIDTA-Office of National Drug Control Policy	16.UNKNOWN	1-2019HPD	7,195	-
HIDTA-Office of National Drug Control Policy	16.UNKNOWN	G20WB0004A	9,067	-
Passed Through Maryland Governor's Office of Crime Control and Prevention:				
Coverdell Forensic Science Improvement Grant	16.742	CFSI-2018-0005	18,159	-
Lethality Assessment Coordinator	16.588	VAWA20190041	19,908	-
Edward J. Byrne Grant Digital Forensic Investigator	16.738	BJAG-2016-0023	1,640	-
<b>TOTAL DEPARTMENT OF JUSTICE</b>			274,994	-
<b><u>U.S. DEPARTMENT OF TRANSPORTATION</u></b>				
Passed Through Maryland State Highway Administration:				
Maryland Highway Safety Office Impaired Driving Enforcement-Saturation	20.600	MHSO 2019-106	2,840	-
Maryland Highway Safety Office Impaired Driving Enforcement-Saturation	20.600	MHSO 2020-308	1,116	-
Maryland Highway Safety Office Occupant Protection Enforcement	20.600	MHSO 2020-307	268	-
Maryland Highway Safety Office Distracted Driving Enforcement	20.600	MHSO 2020-304	1,229	-
Maryland Highway Safety Office Aggressive Driving Enforcement	20.600	MHSO 2019-108	786	-
Maryland Highway Safety Office Aggressive Driving Enforcement	20.600	MHSO 2020-303	520	-
Maryland SHA Transportation Alternatives Program	20.205	MDOT SHA	344,254	-
<b>TOTAL U.S. DEPARTMENT OF TRANSPORTATION</b>			351,013	-
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			\$ 1,709,653	\$ 198,262

The accompanying notes are an integral part of this schedule.

# CITY OF HAGERSTOWN, MARYLAND

## Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2020

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

All Federal grant operations of the City of Hagerstown (the City) are included in the scope of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Single Audit). The Single Audit was performed in accordance with the provisions of the OMB Compliance Supplement (the Compliance Supplement). Compliance testing of all requirements, as described in the Compliance Supplement, was performed for the major grant program noted below. The programs on the Schedule of Expenditures of Federal Awards (the Schedule) represent all Federal award programs and other grants with fiscal year 2020 cash or non-cash expenditure activities. For our single audit testing, we tested the Federal award program below with fiscal year 2020 cash and non-cash expenditures to ensure coverage of at least 20% of Federally granted funds. Our actual coverage was 63%.

Expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

<u>Major Program</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
Community Development Block Grant	14.218	\$ 1,083,647

### 2. BASIS OF PRESENTATION

The accompanying Schedule includes the Federal award activity of the City under programs of the Federal government for the year ended June 30, 2020, and is reported on the accrual basis of accounting. The information in the Schedule is presented in accordance with 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.

**CITY OF HAGERSTOWN, MARYLAND**

**Notes to the Schedule of Expenditures of Federal Awards (continued)  
For the Year Ended June 30, 2020**

**3. LOAN OUTSTANDING**

The drinking water loans made during the fiscal year are the amounts recorded on the Schedule. The prior loans do not have continuing compliance requirements other than repayment, therefore the outstanding loan balances as of the beginning of the year are not recorded on the Schedule.

The City had the following loan balances outstanding as of June 30, 2020:

<b>Program</b>	<b>CFDA Number</b>	<b>Balance Outstanding</b>
Capitalization Loan A for Safe Drinking Water State Revolving Fund	66.468	\$ 7,505,455
Capitalization Loan B for Safe Drinking Water State Revolving Fund	66.468	1,500,000
<b>Total</b>		<u>\$ 9,005,455</u>

**CITY OF HAGERSTOWN, MARYLAND**

**Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2020**

**Section I - Summary of Independent Public Accountants' Results**

**Financial Statements**

Type of Independent Public Accountants' report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
	None
Significant deficiency(ies) identified?	Reported
Noncompliance material to the financial statements noted?	No

**Federal Awards**

Type of Independent Public Accountants' report issued on compliance for major Federal program:	Unmodified
Internal control over major Federal program:	
Material weakness(es) identified?	No
	None
Significant deficiency(ies) identified?	Reported
Audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)?	No

**Identification of Major Program:**

<b>Major Program</b>	<b>CFDA Number</b>	<b>Federal Expenditures</b>
Community Development Block Grant	14.218	\$ 1,083,647
Threshold for distinguishing between Type A and B programs		750,000
Did the City qualify as a low risk auditee?		Yes

**CITY OF HAGERSTOWN, MARYLAND**

**Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2020**

**Section II – Financial Statement Findings**

None noted.

**Section III – Federal Award Findings**

None noted.

**CITY OF HAGERSTOWN, MARYLAND**

**Schedule of Prior Year Audit Findings and Questioned Costs  
For the Year Ended June 30, 2020**

There were no prior year findings in the June 30, 2019, single audit report.