

CITY OF HAGERSTOWN

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

For the Year Ended June 30, 2023

CITY OF HAGERSTOWN

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

JUNE 30, 2023

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON THE FINANCIAL STATEMENTS

City of Hagerstown, Maryland

Opinions

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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the 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, 2023, and the respective changes in financial position, budget and actual schedule for the general fund and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The City's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



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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 is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United 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 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 accompanying combining and individual fund statements and schedules, budget and actual schedules, and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are presented for purposes of additional analysis and are 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 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, budget and actual schedules, and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



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Other Information

Management is responsible for the other information included in the Annual Comprehensive Financial Report (ACFR). The other information comprises the introductory and statistical sections but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2023, 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, 2023



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**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS 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***

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, the aggregate discretely presented component units, 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, 2023, 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, 2023.

Report on 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 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 or significant deficiencies may exist that were not identified.



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

Owings Mills, Maryland
October 28, 2023

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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

Opinion on Each Major Federal Program

We have audited City of Hagerstown's (the City's) compliance with the types of compliance requirements identified as subject to audit 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, 2023. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the 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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.



Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.



Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Owings Mills, Maryland
March 19, 2024

CITY OF HAGERSTOWN, MARYLAND

Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor Program	Assistance Listing	Grantor or Pass-Through Entity Identifying Number	Expenditures	Passed Through to Sub-recipients
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Direct Programs:				
Community Development Block Grant - Entitlement (07/01/2016)	14.218	B16MC240012	\$ 101,301	\$ -
Community Development Block Grant - Entitlement (07/01/2018)	14.218	B18MC240012	7,595	-
Community Development Block Grant - Entitlement (07/01/2019)	14.218	B19MC240012	5,872	-
Community Development Block Grant - Entitlement (07/01/2020)	14.218	B20MC240012	5,000	-
Community Development Block Grant - Entitlement (07/01/2021)	14.218	B21MC240012	292,857	34,028
Community Development Block Grant - Entitlement (07/01/2022)	14.218	B22MC240012	638,211	151,574
Community Development Block Grant - Entitlement (07/01/2023)	14.218	B23MC240012	269	-
Expenditures Related to Program Income	14.218	N/A	84,877	-
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			1,135,983	185,601
<u>U.S. DEPARTMENT OF THE TREASURY</u>				
Direct Programs:				
Coronavirus State and Local Fiscal Recovery Funds:				
American Rescue Plan Act of 2021 Grant Coordinator	21.027	N/A	92,263	-
American Rescue Plan Act of 2021 Convention/Visitors Bureau	21.027	N/A	104,131	104,031
American Rescue Plan Act of 2021 Community Outreach Coordinator	21.027	N/A	77,225	-
American Rescue Plan Act of 2021 USMH Early Childhood Learning	21.027	N/A	20,250	20,000
American Rescue Plan Act of 2021 HPD Drones	21.027	N/A	36,625	-
American Rescue Plan Act of 2021 Horizon Goodwill City Outreach	21.027	N/A	12,900	12,800
American Rescue Plan Act of 2021 HPD Axon Body Camera Contract	21.027	N/A	174,078	-
American Rescue Plan Act of 2021 Heart of the Art	21.027	N/A	1,400	1,400
American Rescue Plan Act of 2021 Trash Collection Totes	21.027	N/A	38,014	-
American Rescue Plan Act of 2021 Backhoe - Parks/PW	21.027	N/A	128,414	-
American Rescue Plan Act of 2021 Hagerstown Ice Rink	21.027	N/A	190,425	-
American Rescue Plan Act of 2021 City Hall Annex Building	21.027	N/A	440,327	-
American Rescue Plan Act of 2021 Hagerstown Fairgrounds PAL Roof	21.027	N/A	424,332	-
American Rescue Plan Act of 2021 HPD Drones	21.027	N/A	103,746	-
American Rescue Plan Act of 2021 HPD Target System	21.027	N/A	23,900	-
American Rescue Plan Act of 2021 City Hall Elevator	21.027	N/A	11,300	-
American Rescue Plan Act of 2021 Microsoft Office 365	21.027	N/A	81,937	-
TOTAL DEPARTMENT OF THE TREASURY			\$1,961,265	\$138,231
<u>DEPARTMENT OF JUSTICE</u>				
Direct Programs:				
Bulletproof Vest Partnership Program	16.607	BVP-2022	11,627	-
Washington/Baltimore HIDTA-Office of National Drug Control Policy	16.Unknown	I-2022HPD	3,508	-
Washington/Baltimore HIDTA-Office of National Drug Control Policy	16.Unknown	G23WB0004A	3,742	-
Passed Through Maryland Governor's Office of Crime Control and Prevention:				
Coverdell Forensic Science Improvement Grant	16.742	CFSI-2021-0007	50,085	-
Lethality Assessment Coordinator	16.588	VAWA-2021-0030	1,133	-
Lethality Assessment Coordinator	16.588	VAWA-2022-0016	16,761	-
JAG Digital Video Investigations	16.738	BJAG-2018-0045	3,902	-
TOTAL DEPARTMENT OF JUSTICE			90,758	-
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
Passed Through Maryland State Highway Administration:				
Maryland SHA Transportation Alternatives Program	20.205	MDOT SHA	350,694	-
Maryland SHA Transportation Alternatives Program	20.205	MDOT SHA	169,770	-
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			520,464	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 3,708,470	\$ 323,832

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, 2023

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 2023 cash or non-cash expenditure activities. For our single audit testing, we tested the Federal award program below with fiscal year 2023 cash and non-cash expenditures to ensure coverage of at least 20% of Federally granted funds. Our actual coverage was 84%.

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.

Major Programs	Assistance Listing	Federal Expenditures
Community Development Block Grant	14.218	\$ 1,135,983
Coronavirus State and Local Fiscal Recovery Funds	21.027	1,961,265
		\$ 3,097,248

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, 2023, 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
For the Year Ended June 30, 2023**

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, 2023:

Program	Assistance Listing	Balance Outstanding
Capitalization Loan A for Safe Drinking Water State Revolving Fund	66.468	\$ 6,628,858
Capitalization Loan B for Safe Drinking Water State Revolving Fund	66.468	1,500,000
Total		<u>\$ 8,128,858</u>

CITY OF HAGERSTOWN, MARYLAND

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023**

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
Significant deficiency(ies) identified?	None 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
Significant deficiency(ies) identified?	None Reported
Audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)?	No

Identification of Major Program:

Major Programs	Assistance Listing	Federal Expenditures
Community Development Block Grant	14.218	\$ 1,135,983
Coronavirus State and Local Fiscal Recovery Funds	21.027	1,961,265
		\$ 3,097,248
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, 2023**

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, 2023**

There were no prior year findings in the June 30, 2022, single audit report.