

CITY OF FROSTBURG, MARYLAND

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

For the Year Ended June 30, 2025

CITY OF FROSTBURG, MARYLAND

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

JUNE 30, 2025

CONTENTS

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON THE FINANCIAL STATEMENTS	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	9
Notes to the Schedule of Expenditures of Federal Awards	10
Schedule of Findings and Questioned Costs	11
Schedule of Prior Year Audit Findings and Questioned Costs	13

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON THE FINANCIAL STATEMENTS

Mayor and City Council
City of Frostburg, Maryland

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Frostburg, Maryland (the City), as of and for the year ended June 30, 2025, 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, and each major fund of the City, as of June 30, 2025, and the respective changes in financial position, 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of revenues, expenditures, and changes in fund balance- budget and actual- general fund, the schedule of proportionate share of the net pension liability of the Maryland State Retirement and Pension System, schedule of contributions to the Maryland State Retirement and Pension System, and the schedule of changes in total OPEB liability and related ratios 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 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 is 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 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2026, 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
April 14, 2026





**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***

Mayor and City Council
City of Frostburg, 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 Frostburg, Maryland (the City) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 14, 2026.

Report on 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) 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 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 a combination of deficiencies, in internal controls, such that there is a reasonable possibility that a material misstatement of the City'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 internal controls was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal controls that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal controls that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.



Certified Public
Accountants &
SBC Business Advisors

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

Owings Mills, Maryland
April 14, 2026

SBC + Company, LLC



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

Mayor and City Council
City of Frostburg, Maryland

Opinion on Each Major Federal Program

We have audited the City of Frostburg, Maryland's (the City's) compliance with the types of compliance requirements identified as subject to audit 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 programs for the year ended June 30, 2025. The City's major federal program is 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 its major federal program for the year ended June 30, 2025.

Basis for Opinion on the 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

The City's management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal controls 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 controls. 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 the 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 controls 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 controls 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 controls 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 controls over compliance that we identified during the audit.

Report on 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 a 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 *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal controls over compliance that might be material weaknesses or significant deficiencies in internal controls over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal controls over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal controls 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 controls over compliance. Accordingly, no such opinion is expressed.

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
April 14, 2026



CITY OF FROSTBURG, MARYLAND

**Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2025**

PROGRAM NAME	FEDERAL ASSISTANCE LISTING NUMBER	GRANTOR OR PASS-THROUGH IDENTIFYING NUMBER	ORIGINAL GRANT	TOTAL FEDERAL EXPENDITURES	PASSED THROUGH TO SUBRECIPIENTS
UNITED STATES DEPARTMENT OF AGRICULTURE					
Community Facilities Loans and Grants	10.766	N/A	\$ 531,718	\$ 162,545	\$ -
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					
PASSED THROUGH MD DEPT OF HOUSING AND COMMUNITY DEVELOPMENT					
Community Development Block Grant	14.228	MD-25-CD-26	780,000	155,129	-
DEPARTMENT OF INTERIOR					
PASSED THROUGH MD DEPT OF ENVIRONMENT					
Abandoned Mine Land Reclamation	15.252	U00P4600864	150,000	140,327	-
DEPARTMENT OF INTERIOR					
PASSED THROUGH APPALACHIAN FOREST NATIONAL HERITAGE AREA					
NPS Conservation, Protection, Outreach, and Education	15.954	Unknown	16,250	1,925	-
DEPARTMENT OF TRANSPORTATION					
PASSED THROUGH MD DEPT OF TRANSPORTATION					
State and Community Highway Safety	20.600	2024-197	800	168	-
State and Community Highway Safety	20.600	2025-086	1,000	798	-
State and Community Highway Safety	20.600	2025-087	1,000	396	-
State and Community Highway Safety	20.600	2025-088	800	398	-
Total Highway Safety Cluster			<u>3,600</u>	<u>1,760</u>	-
Total Department of Transportation			<u>3,600</u>	<u>1,760</u>	-
DEPARTMENT OF THE TREASURY					
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	8,379,632	2,452,609	-
APPALACHIAN REGIONAL COMMISSION					
PASSED THROUGH STATE HIGHWAY ADMINISTRATION					
Appalachian Development Highway System	23.003	MD-19820-201-20	<u>1,500,000</u>	<u>54,521</u>	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 11,361,200</u>	<u>\$ 2,968,816</u>	<u>\$ -</u>

CITY OF FROSTBURG, MARYLAND

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

All federal grant operations of the City of Frostburg (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 Office of Management and Budget (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 2025 cash or non-cash expenditure activities. For our single audit testing, we tested the federal award program below with fiscal year 2025 cash and non-cash expenditures to ensure coverage of at least 40% of federally granted funds. Our actual coverage was 83%.

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>Federal Assistance Listing Number</u>	<u>Federal Expenditures</u>
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	<u>\$ 2,452,609</u>

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, 2025, 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.

3. REVENUE RECONCILIATION

Revenues recognized from federal sources per the Schedule are included in four different funds in the City's financial statements. Federal grant revenues of \$2,604,620 are included in grant income – federal within the general fund column on the statement of revenues, expenditures and changes in fund balances – governmental funds. Federal grant revenues included in project reimbursements on the statement of revenues, expenditures, and changes in fund balances – proprietary funds are as follows: \$82,845 in the water fund and \$281,351 in the sewer fund.

CITY OF FROSTBURG, MARYLAND

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2025**

Section I - Summary of Independent Public Accountants' Results

Financial Statements

Type of Independent Public Accountants' report issued	Unmodified
Internal controls 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 controls 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 Program	Federal Assistance Listing Number	Federal Expenditures
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	\$ 2,452,609
Threshold for distinguishing between Type A and B programs		\$ 750,000
Did the City qualify as a low risk auditee?		No

CITY OF FROSTBURG, MARYLAND

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2025**

Section II – Financial Statement Findings

None noted.

Section III – Federal Award Findings

None noted.

CITY OF FROSTBURG, MARYLAND

Schedule of Prior Year Audit Findings and Questioned Costs For the Year Ended June 30, 2025

Internal Control and Compliance Finding

Significant Deficiency

2024-001 Inaccurate Reimbursement Request

Condition:

During our testing of grant revenue for Program Open Space funding, we noted certain expenses included on the reimbursement request that should not have been and others that were not on the reimbursement request that should have been. The reimbursement request used was the same form that was used for another Program Open Space project reimbursement request. All amounts were not removed so the request mistakenly included the amount of salary and wage costs that were incurred on another Program Open Space project. The total expenses on the reimbursement request did not agree to the individual expenses listed on the request. The reimbursement request also did not include some of the other expenses that were eligible for reimbursement. The City was going to include these expenses on the final reimbursement request when the project was completed. The net effect of the errors was an understatement of \$247.

2025 status:

Finding has been corrected for the 2025 fiscal year.