Review of Local Government Audit Reports

Fiscal Year Ending June 30, 2025

OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

Joint Audit and Evaluation Committee

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Brian S. Tanen, CPA, CFE
Legislative Auditor

DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

September 17, 2026

Senator Shelly L. Hettleman, Senate Chair, Joint Audit and Evaluation Committee
Delegate Jared Solomon, House Chair, Joint Audit and Evaluation Committee
Members of Joint Audit and Evaluation Committee
Annapolis, Maryland

The Honorable Brooke E. Lierman
Comptroller of Maryland

Ms. Victoria L. Gruber, Executive Director
Department of Legislative Services

Ladies and Gentlemen:

In accordance with the Local Government Article, Section 16-307 of the Annotated Code of Maryland, we have performed desk reviews of the audit reports for the fiscal year ended June 30, 2025 filed by each county, incorporated city or town, and taxing district in Maryland (referred to as local governments). We also reviewed overdue audit reports for prior fiscal years that were received over the past year. The desk reviews consisted of assessments of compliance with certain accounting and auditing standards, evaluations of compliance with certain State laws, and analyses of selected financial data to identify potential financial problems.

Our review disclosed that 56 local governments had one or more instances of noncompliance with certain requirements of our audit guidelines, generally accepted accounting principles, and/or generally accepted auditing standards. In addition, 22 local governments had not submitted audit reports for the fiscal year ended June 30, 2025 by the statutory filing deadline (including 13 that also had not filed audit reports for one or more prior years) and 16 submitted their 2025 audit reports after the filing date required by law. Finally, the financial statements for 11 local governments contained disclosures that cash deposits were not adequately collateralized, or otherwise insured, as required by State law.

State law provides that if a local government does not comply with the audit report filing requirements, the Comptroller of Maryland, on notice from the Executive Director of the Department of Legislative Services, may order the discontinuance of all moneys, grants, or State aid to which the local governments are entitled. In addition, State law effective July 1, 2024 provides that local governments or special taxing districts that fail to file an audit report for 2 calendar years after the report is due, will have 20 percent of certain State aid discontinued for the current fiscal year and in future years until the required report is submitted as required.

Respectfully submitted,

Brian S. Tanen

Brian S. Tanen, CPA, CFE
Legislative Auditor

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Introduction and Scope, Objectives, and Methodology

The Local Government Article, Section 16-306 of the Annotated Code of Maryland requires each county, incorporated city or town, and special taxing districts in Maryland (collectively referred to in this report as local governments) to file audit reports annually or once every four years under specified conditions. There are 23 counties, Baltimore City, 156 incorporated cities and towns, and 14 special taxing districts in Maryland that fall under the scope of our review. Audit guidelines to provide additional information regarding the accounting, reporting, and auditing requirements were distributed in July 2025.

Based on current reports, past due reports, and waivers previously granted by this Office, there were 221 local government audit reports due for our fiscal year 2025 review.[1] The reports are to include financial statements, with accompanying notes, and auditors' reports that express opinions as to whether the financial statements are fairly presented. The financial statements are required to be prepared in accordance with generally accepted accounting principles and audited in accordance with generally accepted auditing standards.

The Local Government Article, Section 16-307 of the Code requires the Office of Legislative Audits (OLA) to perform a desk review of each local government's annual audit report for compliance with generally accepted accounting principles and auditing standards. Our current desk review included all reports for fiscal year 2025 received as of April 30, 2026, as well as any reports received as of that date for prior years. Any reports due but received after that date have been classified as not received for purposes of this year's review, and will be included in our next review, which will be for the fiscal year ending June 30, 2026.

In addition to the fiscal year 2025 reports that were received from the counties, incorporated cities and towns, and special taxing districts as of the aforementioned date, we also reviewed the following reports for prior years that were received over the last year.

- Thirteen fiscal year 2024 reports (City of Baltimore, City of District Heights, City of Glenarden, City of Laurel, City of Seat Pleasant, Town of Charlestown, Town of Deer Park, Town of Forest Heights, Town of Goldsboro, Town of Hillsboro, Town of Mardela Springs, Town of Rock Hall, Town of Vienna)

[1] As noted in the "Results of Desk Review" section of this report, not all reports due this year were submitted.

- Seven fiscal year 2023 reports (Dorchester County, Town of Barclay, Town of Forest Heights, Town of Greensboro, Town of Mardela Springs, Town of Rock Hall, Town of Sudlersville)

- One fiscal year 2022 report (Town of Barclay)

The desk reviews consisted of reviewing each audit report in order to accomplish the following tasks:

- Identify areas of noncompliance with our audit guidelines and certain accounting and auditing standards pertaining to the presentation of the financial statements and auditors' reports.

- Identify any instances of noncompliance with certain provisions of State law (for example, collateral for bank deposits, timely filing of audit reports).

- Identify local governments with potential financial problems relating to deficit fund balances or unfavorable ratios.

Our review disclosed that 56 local governments had one or more instances of either noncompliance with certain requirements of our audit guidelines, generally accepted accounting principles, generally accepted auditing standards, or State law. We communicated our results to the applicable local governments.

Results of Desk Reviews

Audit Reports

Finding 1
Thirty-eight local governments had not filed the required audit reports and/or had filed after the required filing date.

Thirty-eight local governments had not filed the required audit reports and/or had filed after the required filing date.

- 22 local governments had not filed their 2025 audit reports as required as of April 30, 2026 including 13 that remained delinquent in filing the required report for one or more prior years (see Figure 1).

- 16 local governments (Town of Brentwood, Town of Clear Spring, City of College Park, City of Crisfield, Town of Deer Park, Town of East New Market, Town of Friendsville, City of Glenarden, Town of Kitzmiller, Town of Laytonsville, Town of Millington, Town of North Brentwood, Town of Oakland, Town of Riverdale Park, Bowling Green and Roberts Place Special Taxing Area, and McCoole Special Taxing Area) submitted their 2025 audit reports after the filing date required by law.

The failure of a local government to file an audit report, or a delay in filing, results in the lack of timely accountability to its citizens. The Local Government Article, Section 16-306 of the Annotated Code of Maryland generally requires audit reports to be filed on or before October 31 after the close of the fiscal year, or on or before December 31 after the close of the fiscal year for those local governments with a population of more than 400,000. As previously noted, we gave local governments until April 30, 2026 before classifying a report due as not submitted.

Figure 1
Local Government Audit Reports – Fiscal Years Not Filed
As of April 30, 2026

Local Government	Fiscal Years Not Filed
Dorchester County	2024, 2025
Worcester County	2025*
Town of Barclay	2024*, 2025
Town of Barton	2024*, 2025
Town of Capitol Heights	2024*, 2025
Town of Charlestown	2025
City of District Heights	2025
Town of Eagle Harbor	2023, 2024, 2025
Town of Fairmount Heights	2024, 2025
Town of Federalsburg	2024, 2025
Town of Goldsboro	2025
Town of Greensboro	2024, 2025
Town of Hillsboro	2025
City of Hyattsville	2024, 2025
Town of Indian Head	2024, 2025
City of Laurel	2025*
Town of Lonaconing	2022, 2023, 2024, 2025
City of Pocomoke	2025*
Town of Rock Hall	2025
City of Seat Pleasant	2025*
Town of Sudlersville	2024*, 2025
Town of Westernport	2024, 2025

* The audit report for this fiscal year was subsequently submitted after the April 30, 2026 cut off and therefore is not included in our current review. As such, it will be included with our review of fiscal year 2026 audit reports.

Source: Local Government Audit Reports

The towns of Barnesville, Brookeville, Burkittsville,[2] Eldorado, Henderson, Highland Beach, Marydel, Queen Anne, the Village of Port Tobacco, and Ellerslie Special Taxing Area requested and were granted waivers from filing audit reports. Local governments granted waivers are required to meet the conditions for filing an audit report every fourth year as provided for under the Local Government Article, Section 16-305 of the Code and, depending on the

[2] Burkittsville submitted audited financial statements even though the Town was on a waiver from the audit requirement.

waiver period, will be required to file its next audit report for either fiscal year 2026, 2027, or 2028.

The Towns of Brookview and Galestown were exempt from the audit requirement as provided for under the Local Government Article, Section 16-305 of the Code (effective July 1, 2025) as their fiscal year 2025 annual revenues were less than $100,000. The revenues were verified based on the Uniform Financial Reports the towns submitted to the Department of Legislative Services.

State law further provides that should any local government fail to file an audit report within the time prescribed, payment of all money, grants, or State aid that the local government is entitled to receive under State law may be discontinued. In addition, State law effective July 1, 2024 provides that local governments or special taxing districts that fail to file an audit report for 2 calendar years after the report is due, will have 20 percent of certain State aid discontinued for the current fiscal year and in future years until the required report is submitted as required.

As of the date of this report, there are 9 local governments (Dorchester County, Town of Eagle Harbor, Town of Fairmount Heights, Town of Federalsburg, Town of Greensboro, City of Hyattsville, Town of Indian Head, Town of Lonaconing, and the Town of Westernport) that may lose this funding if the fiscal year 2024 reports are not filed by October 31, 2026.[3]

Furthermore, the failure to file a required report with the Department of Legislative Services for three successive years provides the Department's Executive Director with reasonable cause to suppose that the municipality is no longer actively operating under its charter, which could cause the municipality to have its charter repealed. To that end, we have reported the failure of the Towns of Eagle Harbor and Lonaconing to file the required reports for the fiscal years ending 2023 through 2025 and 2022 through 2025, respectively, to the Executive Director.

Finding 2
Six local government audit reports did not contain a statement that the auditor is required to be independent of the local government and has met all other ethical responsibilities.

Six local government audit reports (Bel Air Special Taxing Area, Bowling Green and Roberts Place Special Taxing Area, Cresaptown Civic Improvement Association, McCoole Special Taxing Area, Mount Savage Special Taxing Area,

[3] There were 4 fiscal year 2024 audit reports included in Figure 1 that were submitted after our April 30, 2026 cutoff and will be included with our review of fiscal year 2026 audit reports.

and Potomac Park Citizens Committee) did not contain a statement that the auditor is independent of the local government and has met all other ethical responsibilities.

The American Institute of Certified Public Accountants *Auditing Standards* require that an audit report contain a Basis of Opinion paragraph that must include required statements related to the auditor's independence and whether it met other ethical responsibilities.

Financial Statements

Finding 3
The financial statements submitted by four local governments did not meet certain requirements of generally accepted accounting principles.

Financial statements submitted by four local governments included a total of four instances in which certain requirements of generally accepted accounting principles were not met. Specifically, the financial statements for Queen Anne's County, the City of Hagerstown, the Town of East New Market, and the Town of Grantsville included information that was inappropriate and/or misclassified. For example, certain beginning balances reported on the Queen Anne's County financial statements did not agree with the ending balances reported on the County's prior year financial statements.

Finding 4
Audit reports submitted by seven local governments did not include certain disclosures required by generally accepted accounting principles.

Audit reports submitted by seven local governments did not include certain disclosures required by generally accepted accounting principles. Specifically, the financial statements for the City of Baltimore, Cecil County, the Town of Landover Hills, and the Town of Rock Hall did not include required disclosures related to Pensions or Other Postemployment Benefits. In addition, the financial statements for Dorchester County, the Town of Barclay, and the Town of Sudlersville did not include a Management's Discussion and Analysis section summarizing the financial statements and governmental activity which was required by governmental accounting standards. Adequate disclosure is necessary to facilitate the understanding of and to provide for the fair presentation of the financial information.

Uncollateralized Funds

Finding 5
Financial statements submitted by 11 local governments contained disclosures that cash deposits were not adequately collateralized, or otherwise insured, as required by State law. In addition, the deposits for two local governments were in financial institutions not authorized by State law.

Financial statements submitted by 11 local governments contained disclosures that cash deposits were not adequately collateralized, or otherwise insured (see Figure 2). In addition, the Town of Deer Park and the Town of Chesapeake Beach had deposits in financial institutions that were not authorized by State law, for example in a credit union.

The Local Government Article, Section 17-101 of the Annotated Code of Maryland requires that deposits with financial institutions by local governmental units be fully collateralized in accordance with State Finance and Procurement Article, Section 6-202. Full collateralization minimizes the risk of loss of deposits in the event the financial institution defaults. The aforementioned law also requires that deposits be held in a financial institution that has a branch in the State which takes deposits and is also either a bank, a State trust company or savings bank, or a savings and loan association.

Figure 2
Local Governments with Uncollateralized/Uninsured Cash Deposit Amounts

Local Government	Uncollateralized/ Uninsured Cash Deposit Amount	Similar Disclosure Included in Audit Reports for Each Year Since
At June 30, 2025		
Counties		
Allegany County	$46,878,487[1]	2023
Queen Anne's County	373,567[2]	n/a
Cities and Towns		
Town of Berlin	3,345,791	n/a
City of Cambridge	1,776,968	n/a
Town of Chesapeake Beach	1,794	2023
Town of East New Market	102,062	2024
Town of Hancock	324,627	n/a
Town of Morningside	648,245	2024
Special Taxing Districts		
Oakmont Special Taxing District	426,700	2023
At June 30, 2023		
Counties		
Dorchester County	16,926[2]	2020
Cities and Towns		
Town of Sudlersville	10,164	n/a

[1] – Allegany County had two instances of uncollateralized deposits. The General Government had $4,452,235 million in uncollateralized deposits and the Board of Education had $42,426,252 million in uncollateralized deposits. Similar disclosure for the Board of Education since 2023.

[2] – The entire uncollateralized amount is from a component unit of the local government.

n/a – not applicable, as not included in prior year report.

Source: Local Government Audit Reports

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