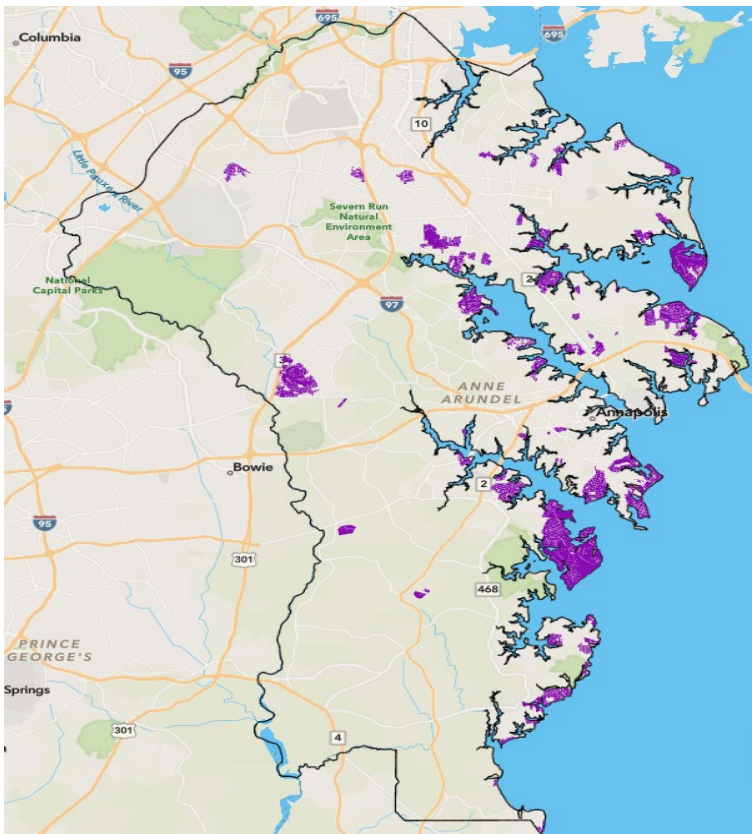




Special Report

Review of Special Community Benefit District Financial Reports for Fiscal Year Ending June 30, 2024

December 2024



Civic and community associations (Association) located in Anne Arundel County that received special community benefit district (SCBD) tax funds during the fiscal year or held tax funds from a prior fiscal year are required to file an annual SCBD financial report and an audit report, where required, with the County in accordance with state law. On behalf of the County, the Office of the County Auditor reviews each Association's SCBD financial report and any required audit report for compliance with state law and provides these reports and the results of the review to the Maryland Legislative Auditor.

Our desk review of financial reports and audit reports for fiscal year ending June 30, 2024 (FY24), disclosed that certain Associations failed to submit their FY24 SCBD financial report as well as their prior fiscal year SCBD financial report and audit report, where required, and several Associations submitted

their SCBD financial report after the required deadline. In addition, our desk review identified several instances of other compliance issues. Specifically, financial reports did not meet certain requirements of the County and state laws and regulations and expenditures reported exceeded the approved budget appropriation.

Anne Arundel County Council

Council Chair Julie K. Hummer
Council Vice Chair Lisa D. B. Rodvien
Councilmember Amanda Fiedler
Councilmember Shannon Leadbetter
Councilmember Allison M. Pickard
Councilmember Peter Smith
Councilmember Nathan Volke

Anne Arundel County Executive

Steuart Pittman

The Office of the County Auditor was created by the Anne Arundel County Charter as an independent office reporting to the County Council to help establish accountability and improve County services. We conduct a desk review of Associations' annual SCBD financial reports and audit reports, where required, for compliance with the applicable provisions of County and state laws and regulations and auditing standards.

This report is intended solely for the use of the County Council, Anne Arundel County Management, and the Maryland Legislative Auditor. We acknowledge the cooperation extended to us during the course of our review by the Office of Finance, Office of the Budget, and various Associations that administer the SCBDs.

Copies of our SCBD review reports are available at:
<https://www.aacounty.org/auditor/oca-reviews/special-reviews>

To Obtain Further Information

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Cover: "Map of Anne Arundel County with SCBDs (as of 2024) shown in purple by the Geocortex Geographic Information System provided by Anne Arundel County's Office of Information Technology."

Objective and Background

As of June 30, 2024, there were 73 SCBDs in the County whose related Associations were required to file a FY24 SCBD financial report. Twenty-four of the 73 Associations were required to file an SCBD audit report with their FY24 SCBD financial report. During FY24, no SCBDs were created and no existing SCBDs were dissolved.

The Local Government Article, Section 16-308 of the Annotated Code of Maryland requires the County to review each special community benefit district (SCBD) for compliance with the reporting requirements established by state law. This article further requires that each civic or community association (Association) that receives funds collected by the County file a SCBD financial report with the County no later than 90 days after the close of the fiscal year. The financial report is required to include a balance sheet, a statement of revenues, a statement of expenditures and encumbrances, and a statement of changes in fund balance. The County also requires accompanying notes to be provided for the financial report. SCBDs with annual expenditures exceeding \$250,000 are required to file audited financial statements while SCBDs with annual expenditures of less than \$250,000 require an audit every four years unless the County determines, on a case-by-case basis, that more frequent audits are required.

Anne Arundel County Code Section 4-7-101(d) requires that the administration of each SCBD be conducted by an Association that is an incorporated Association and provides for membership for each property owner in the SCBD (except as otherwise provided for a particular SCBD).

In accordance with Section 311 of the Anne Arundel County Charter, we performed a desk review of the fiscal year 2024 (FY24) financial reports and audit reports, where required, as well as any overdue reports for prior fiscal year financial reports submitted by the Associations. Specifically, the desk review consisted of reviewing each SCBD financial report and audit report, where required, in order to determine if the Associations were in compliance with the applicable County and state laws and regulations. This included:

- identifying any instances of noncompliance with certain provisions of state law (for example, failure to file the financial report and audit report, where required, and untimely filing of the financial report).
- identifying areas of other noncompliance (for example, not meeting certain requirements of the County and state laws and regulations, total expenditures reported exceeding total approved budget appropriations, and spending funds on unallowable expenditures).

At the conclusion of our desk review, we communicated to the applicable Associations notifying them of certain deficiencies disclosed during the review and certain noncompliance with County and state laws and regulations so that corrective actions can be taken to help ensure future compliance.

Prior Finding Status

Our desk review included a review to determine the status of the two findings contained in our prior special report dated February 2024, as detailed in the chart below. Finding 3 will be addressed in a separate report. Certain Associations have had prior Findings 1 and 2 repeated in this report, as detailed in Appendix C.

Status of Prior Findings

Prior Finding	Finding Description	Current Status
Finding 1	Eighteen Associations had not filed the required SCBD financial reports or had filed the reports after the required filing date.	See Appendix C
Finding 2	Twenty-four Associations submitted SCBD financial reports with compliance deficiencies.	See Appendix C
Finding 3	The Office of the Budget's (OOB) procedures for monitoring the Associations to help ensure its related SCBDs exceeding its FY23 approved budgets by \$45,000.	To be addressed in a separate report

Results of Desk Review

Summary

Our desk review disclosed that certain Associations have not submitted their FY24 SCBD financial report as well as their prior fiscal year SCBD financial report and audit report, where required, and several Associations submitted their FY24 SCBD financial report after the required deadline. Our desk review also identified several instances of other compliance issues, such as financial reports did not meet certain requirements of the County and state laws and regulations and expenditures reported which exceeded the approved budget appropriation.

Finding 1

Twelve Associations had not filed the required SCBD financial reports or had filed the reports after the required filing date.

As of December 5, 2024, 2 of the 73 Associations had not submitted their FY24 SCBD financial report as required by the Local Government Article of the Annotated Code of Maryland. Specifically, we noted the following overdue SCBD financial reports:

SCBD	Fiscal Year(s) Outstanding
Landhaven	2011 through 2024
South River Heights	2018 through 2024

The County currently holds a total of \$28,734 for Landhaven (\$6,158) and South River Heights (\$22,576) SCBDs, which funds were collected by the County for purposes established in the County Code. This failure to comply with required County and state law has resulted in the restricted access to SCBD funds for both Landhaven Community Association, Inc. and South River Heights Residents Association until all outstanding requirements are resolved.

In addition, 10 of the 71 Associations that submitted FY24 SCBD financial reports were submitted after the state mandated filing date. The number of days for late submission ranged from 2 to 68 days after the required filing date. Specifically, we noted the following:

SCBD	Date FY24 Report Filed	Number of Day(s) Late
Homewood Community Association	12/05/2024	68
Beverly Beach	12/02/2024	65
Woodland Beach (Pasadena)	10/29/2024	31
Manhattan Beach	10/28/2024	30
Carrollton Manor	10/24/2024	26
Chartwell	10/16/2024	18
Franklin Manor	10/14/2024	16
Sylvan View on the Magothy	10/02/2024	4
Severndale	09/30/2024	2
Heritage	09/30/2024	2

Furthermore, Homewood Community Association filed its fiscal year 2023 (FY23) SCBD financial report on December 30, 2023. As of December 5, 2024, 61 of the 71 SCBD financial reports submitted were accepted.

The Local Government Article, Section 16-308 of the Annotated Code of Maryland requires financial reports to be filed with the appropriate County officials no later than 90 days after the close of the fiscal year. State law does not provide any extension to this deadline. The failure of an Association to file a SCBD financial report or audit report, or a delay in filing, results in the lack of timely accountability to its property owners.

Finding 2

Twenty-eight Associations submitted SCBD financial reports with compliance deficiencies.

Our desk review disclosed that 28 of the 72 submitted SCBD financial reports had compliance deficiencies. The 72 submitted SCBD financial reports consisted of 71 SCBD financial reports filed for FY24 and 1 SCBD financial report filed for FY23 as noted in Finding 1. The following provides a summary of the deficiencies noted and the corresponding number of reports:

Deficiencies Noted in the SCBD Financial Reports Submitted by the Associations	Number of Financial Reports*
Certain requirements of the County and state laws and regulations were not met	27
Expenditures reported exceeds the approved budget appropriation	1

* See Appendix B for a detailed listing of the SCBDs in which these deficiencies were noted.

Specifically, 28 SCBD financial reports filed for FY24 and FY23 did not meet certain requirements of the County and state laws and regulations (one Association submitted reports with compliance deficiencies for both FY23 and FY24). The deficiencies identified included certain amounts reported on more than one financial document (e.g., the financial report, the Office of Finance Statement, and the Budget Request form) did not reconcile. For instance, the property tax revenue noted in the FY24 Office of Finance Statement did not agree with the property tax revenue in the FY24 SCBD financial report. The deficiencies also included presentation issues in the report (e.g., the SCBD financial report not including required items, such as an audit performed by either an independent CPA firm or a pre-approved audit committee) or lack of peer review documentation provided, as required by state law.

Also, one SCBD financial report disclosed that funds expended exceeded the approved budget appropriation for FY24. Specifically, the following chart provides a summary of the Association that over expended its SCBD approved budget:

Association	FY24 SCBD Expenditures	SCBD Approved Budget*	Amount Over Budget
Idlewilde	\$37,557	\$36,263	\$1,294

* Amount was formally approved by the Office of the Budget and the County Council, as required.

During our desk review, we contacted certain Associations in which deficiencies were noted and required their financial reports to be corrected and resubmitted for further review prior to releasing funds.

Appendix A

List of all SCBDs in Anne Arundel County (as of June 30, 2024)

Note: As of December 5, 2024, this list is still current.

Required to File Financial Reports		Not Required to File Financial Reports
1 – Amberley	38 – Magothy Beach	1 – Bay Ridge
2 – Annapolis Roads	39 – Magothy Forge	2 – Broadwater Creek
3 – Arundel-on-the-Bay	40 – Manhattan Beach	3 – Fair Haven Cliffs
4 – Avalon Shores	41 – Mason Beach	4 – Herald Harbor
5 – Bay Highlands	42 – Mil-Bur	5 – Mayo
6 – Bayside Beach	43 – North Beach Park	6 – Scheides Cove Community Association
7 – Beverly Beach	44 – Owings Beach	7 – Southgate
8 – Birchwood	45 – Owings Cliffs	8 – Steedman Point
9 – Bittersweet	46 – Oyster Harbor	9 – Tanglewood Lane
10 – Cape Anne	47 – Parke West	10 – Wetheridge Estates
11 – Cape St. Claire	48 – Pine Grove Village	
12 – Capetowne	49 – Pines on the Severn	
13 – Carrollton Manor	50 – The Provinces	
14 – Cedarhurst-on-the-Bay	51 – Queens Park	
15 – Chartwell	52 – Rockview Beach/Riviera Isles	
16 – Columbia Beach	53 – Selby on the Bay	
17 – Crofton	54 – Severn Grove	
18 – Deale Beach	55 – Severna Forest	
19 – Eden Wood	56 – Severndale	
20 – Epping Forest	57 – Sherwood Forest	
21 – Felicity Cove	58 – Shoreham Beach	
22 – Franklin Manor	59 – Snug Harbor	
23 – Gibson Island	60 – South River Heights	
24 – Greenbriar II	61 – South River Manor	
25 – Greenbriar Gardens	62 – South River Park	
26 – Heritage	63 – Stone Haven	
27 – Hillsmere Estates	64 – Sylvan Shores	
28 – Hollywood on the Severn	65 – Sylvan View on the Magothy	
29 – Homewood Community Association	66 – Timbers	
30 – Hunter’s Harbor	67 – Upper Magothy Beach	
31 – Idlewilde	68 – Venice Beach	
32 – Indian Hills	69 – Venice on the Bay	
33 – Kensington	70 – Warthen Knolls	
34 – Landhaven	71 – Wilelinor	
35 – Little Magothy River	72 – Woodland Beach	
36 – Loch Haven	73 – Woodland Beach (Pasadena)	
37 – Long Point on the Severn		

Appendix B

Finding 2 – Deficiencies Noted in the SCBD Financial Reports Submitted by the Associations

Deficiencies Noted in Submitted Financial Reports	Count	SCBDs	Fiscal Year (FY)
Certain requirements of the County and state laws and regulations were not met	1	Avalon Shores	FY24
	2	Bay Highlands	FY24
	3	Beverly Beach	FY24
	4	Cape Anne	FY24
	5	Cape St. Claire	FY24
	6	Capetowne	FY24
	7	Cedarhurst-on-the-Bay	FY24
	8	Chartwell	FY24
	9	Deale Beach	FY24
	10	Greenbriar Gardens	FY24
	11	Heritage	FY24
	12	Hollywood on the Severn	FY24
	13	Homewood Community Association	FY24
	14	Kensington	FY24
	15	Little Magothy River	FY24
	16	Loch Haven	FY24
	17	Long Point on the Severn	FY24
	18	Magothy Forge	FY24
	19	Manhattan Beach	FY24
	20	North Beach Park	FY24
	21	Oyster Harbor	FY24
	22	Pine Grove Village	FY24
	23	Selby on the Bay	FY24
	24	Severndale	FY24
	25	South River Manor	FY24
	26	Timbers	FY24
	27	Wilelinor	FY24
	28	Homewood Community Association	FY23
Expenditures reported exceeds the approved budget appropriation	1	Idlewilde	FY24

Appendix C

Status of Prior Findings – Repeat of Findings 1 and 2

Finding 1 – Twelve Associations had not filed the required SCBD financial reports or had filed the reports after the required filing date. The following are SCBDs that were non-filers or late filers for at least the past two fiscal years.

Deficiency	Count	SCBD	Outstanding Fiscal Year(s)
Non-Filers	1	Landhaven	2011 through 2024
	2	South River Heights	2018 through 2024
Late Filers	1	Carrollton Manor	Not Applicable
	2	Chartwell	Not Applicable
	3	Heritage	Not Applicable
	4	Homewood Community Association	Not Applicable
	5	Severndale	Not Applicable
	6	Sylvan View on the Magothy	Not Applicable

Finding 2 – Twenty-eight Associations submitted SCBD financial reports with compliance deficiencies. The following are SCBDs that submitted financial reports with compliance deficiencies for at least the past two fiscal years.

Deficiency	Count	SCBD
Deficiencies Noted in the Submission of the Financial and Audit Reports	1	Beverly Beach
	2	Capetowne
	3	Chartwell
	4	Deale Beach
	5	Greenbriar Gardens
	6	Kensington
	7	Loch Haven
	8	Long Point on the Severn
	9	North Beach Park
	10	Oyster Harbor
	11	Severndale
	12	Timbers

Methodology

To complete this compliance review, we took the following steps:

- Conducted background research and reviewed applicable County and state laws and regulations, policies, and procedures.
- Logged SCBD financial reports submitted by the Associations in our records.
- Consulted with the Office of Law regarding legal matters pertaining to the SCBDs, where applicable.
- Performed a SCBD financial report desk review by reviewing the information in the FY24 SCBD financial report and prior fiscal year report submissions along with the Office of Finance Statement; approved Budget Request form; prior fiscal year approved financial report; FY24 audit report, where required; and expense records of the SCBDs, where applicable.
- Communicated with the Associations to inform them of the deficiencies noted, to make corrections, and file revised SCBD financial reports, where applicable.
- Provided reports to the Office of Finance of the SCBDs deemed in compliance with state law that are cleared for their applicable funds to be disbursed and those that are not in compliance that continue to require a withholding of funds.
- Followed up on prior findings to determine their current status. Finding 3 from the FY23 report will be reported on in separate report.
- Formal responses were not required for Findings 1 and 2 since these findings contain no recommendations.

Review Standards

The Office of the County Auditor performed this review in accordance with the financial reporting and audit requirements set forth in the Annotated Code of Maryland, Local Government Article Section 16-308, Anne Arundel County Charter and Code, and auditing standards.

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