

**SOUTH BALTIMORE GATEWAY COMMUNITY
IMPACT DISTRICT MANAGEMENT AUTHORITY**

**Financial Statements Together with
Report of Independent Public Accountants**

For the Year Ended June 30, 2023

**SOUTH BALTIMORE GATEWAY COMMUNITY
IMPACT DISTRICT MANAGEMENT AUTHORITY**

**Financial Statements Together with
Report of Independent Public Accountants**

JUNE 30, 2023

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON THE AUDIT OF THE FINANCIAL STATEMENTS

To the Board of Directors of
The South Baltimore Gateway Community
Impact District Management Authority

Opinion

We have audited the accompanying financial statements of the South Baltimore Gateway Community Impact District Management Authority (the Partnership), which comprise the balance sheet as of June 30, 2023, and the related statement of revenue, expenditures, and change in fund balance for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the balance sheet of the Partnership as of June 30, 2023, and the respective change in its fund balance for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Partnership and to meet our 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 opinion.

Responsibilities of Management for the Financial Statements

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

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 Partnership's ability to continue as a going concern for one year after the date the financial statements are available to be issued.



Auditor's Responsibility 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 opinion. 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 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 controls. 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, 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 controls 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 Partnership's internal controls. 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 Partnership's ability to continue as a going concern one year after the issuance date or the date the financial statements are available for issuance.

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 controls-related matters that we identified during the audit.



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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Owings Mills, Maryland
September 27, 2023

SB & Company, LLC

SOUTH BALTIMORE GATEWAY COMMUNITY IMPACT DISTRICT MANAGEMENT AUTHORITY

Management's Discussion and Analysis June 30, 2023

Overview of the Financial Statements and Financial Analysis

The following is a discussion and analysis of the financial performance of the South Baltimore Gateway Community Impact District Management Authority dba the South Baltimore Gateway Partnership (the Partnership) for the fiscal years ended June 30, 2023 and 2022 for comparative purposes. While the Partnership is considered a governmental body, the Partnership's financial statements are presented in a manner similar to governmental funds. The governmental fund information presented for the Partnership closely reflects information presented for governmental activities in government-wide financial statements; therefore, no reconciliation is presented. The financial statements and accompanying notes should be read in conjunction with this discussion.

2023 Financial Highlights

- The Partnership's total fund balance increased \$3,084,914, as revenue exceeded expenditures. This was due to the fact that many Partnership projects take more than one fiscal year to complete. In addition, while the fiscal year 2023 budget was more optimistic than for prior years, it was still relatively conservative compared to actual fiscal year 2022 revenues. As with prior years, the Partnership monitored performance monthly and revised the fiscal year 2023 budget based on updated revenue projections and authorized additional expenditures towards the end of the fiscal year. As a result, funds programmed towards the end of the fiscal year were not likely to have actually been expended by the end of the year.
- 100 percent of the Partnership's fund balance is assigned to programs or otherwise committed.
- The pace of program expenditures continued to increase in fiscal year 2023, with total expenditures increasing by nearly 30 percent in comparison to fiscal year 2022.
- The assets of the Partnership exceeded its liabilities at the close of the most recent fiscal year by \$18,800,152 (fund balance). Of this amount, \$17,300,152 represents assigned fund balance and \$1,500,000 represents committed fund balance, while \$0 represents unassigned fund balance.
- The Partnership successfully completed its first Single Audit for fiscal year 2023 with no findings.

Balance Sheet

Fund balance over time may serve as a useful indicator of a government's financial position. In the case of the Partnership, assets exceeded liabilities by \$18,800,152 at the close of the most recent fiscal year.

**SOUTH BALTIMORE GATEWAY COMMUNITY IMPACT DISTRICT
MANAGEMENT AUTHORITY**

**Management’s Discussion and Analysis
June 30, 2023**

Balance Sheet (continued)

In fiscal year 2023, the Partnership programmed and began to expend its fiscal year 2023 funds as well as continued to expend programmed but unspent funds from prior fiscal years, with the pace of program implementation and expenditures continuing to increase. While gross assets increased in fiscal year 2023, approximately 97 percent of those gross assets were assigned to projects or otherwise committed (see Balance Sheet below) and so can be expected to be expended as those projects are implemented. The remaining approximately three percent represents liabilities, which by definition cannot be assigned or committed. Meanwhile, 100 percent of the net assets (fund balance) were assigned or committed.

During fiscal year 2023, the timelines for project completions varied considerably across the Partnership’s program areas due to the variable nature of the projects being undertaken. While some of the Partnership’s projects (such as many Enhanced Services) take less than one fiscal year to complete, others do not. Community Grants, for example, generally take a year or more for grantees to execute, as do large Enhanced Services capital projects. Similarly, large investments in complex Transformational Projects take long periods of time and fiduciary analysis to responsibly prepare and execute. Therefore, not all funds assigned in a given fiscal year are likely to be spent within that year. This, combined with the fact that revenues have generally increased over time, has resulted in an inevitable increase in Fund Balance.

Furthermore, while the fiscal year 2023 budget was more optimistic than for prior years, it was still relatively conservative compared to actual fiscal year 2022 revenues. As with prior years, the Partnership monitored performance monthly and revised the fiscal year 2023 budget based on updated revenue projections and authorized additional expenditures towards the end of the fiscal year. As a result, funds programmed towards the end of the fiscal year were not likely to have actually been expended by the end of the year. There is no reason to believe these funds will not be spent down in a manner consistent with their intended use.

	<u>2023</u>	<u>2022</u>
Total Assets	\$ 19,401,882	\$ 16,215,422
Total Liabilities	601,730	500,184
Fund Balance	<u>\$ 18,800,152</u>	<u>\$ 15,715,238</u>

**SOUTH BALTIMORE GATEWAY COMMUNITY IMPACT DISTRICT
MANAGEMENT AUTHORITY**

**Management’s Discussion and Analysis
June 30, 2023**

Statement of Revenue, Expenditures and Change in Fund Balance

The Statement of Revenue, Expenditures and Change in Fund Balance presents the years ended June 30, 2023 and 2022, revenue and expenditures, and their effect on fund balance. Revenue consists primarily of “core” intergovernmental Local Impact Grant revenue and other “supplemental” funds such as grants received from third parties. Supplemental revenue grew significantly compared to fiscal year 2022 and is anticipated to grow significantly in future years. Expenditures consist of program and administrative activity.

	<u>2023</u>	<u>2022</u>
Revenue		
Operating	\$ 10,713,975	\$ 9,142,864
Non-Operating	380,585	-
Total Revenue	11,094,560	9,142,864
Expenditures	8,009,646	6,160,215
Change in fund balance	3,084,914	2,982,649
Fund balance, beginning of period	15,715,238	12,732,589
Fund Balance, End of Period	\$ 18,800,152	\$ 15,715,238

Revenue increased by \$1,951,696 in comparison to fiscal year 2022, which was attributable primarily to increased supplemental grant funding as well as increased Local Impact Grant funding, interest earned on the value of the Partnership’s deposit accounts, and investment income.

Expenditures increased by \$1,849,431, in comparison to fiscal year 2022 as program implementation and expenditures continued to increase significantly in fiscal year 2023. Accelerating program expenditures were due to a sixth full year of operations during fiscal year 2023, the Partnership completing projects from prior years, and the Partnership implementing projects funded with supplemental grant funds. In fiscal year 2023, the Partnership expended more than \$750,000 in federal funds, and so successfully completed its first federal Single Audit with no findings.

Revenue exceeded expenditures due to the Partnership’s conservative financial planning combined with the fact that some Partnership projects take more than one fiscal year to complete.

SOUTH BALTIMORE GATEWAY COMMUNITY IMPACT DISTRICT MANAGEMENT AUTHORITY

Management's Discussion and Analysis June 30, 2023

Economic Outlook

The State law authorizing the City to establish the Partnership specifies that, starting in Fiscal Year 2018, the Partnership shall receive not less than 50% of the Local Impact Grants from video lottery proceeds designated for Baltimore City. Absent a change of legislation, this allocation of funds will remain unchanged.

Because the three central Maryland casinos have the potential to cannibalize users from one another, the public revenues from all three casinos are pooled. This reduces the risk of a future decrease in revenue due to competition among casinos.

The Partnership's initial projections for fiscal year 2023 Local Impact Grant revenues suggested that the Partnership would receive \$8.0 million, and this number formed the basis for the Partnership's original budget. As it became clear that revenues were growing over the course of fiscal year 2023, the Partnership's Board authorized additional spending, and the Partnership then moved quickly to put these unanticipated funds into productive use. The Partnership's actual operating revenue for fiscal year 2023 was \$11.1 million, including \$8.4 million of core intergovernmental Local Impact Grant revenue, \$2.3 million of other supplemental grant funding, and approximately \$300,000 of other income.

The Partnership has budgeted for Local Impact Grant revenue of \$8.0 million for fiscal year 2024 based on projections for fiscal year 2024 and actual fiscal year 2022 and 2023 Local Impact Grant revenues. The Partnership's Board will monitor the budget and performance monthly.

In addition, in order to leverage the dedicated stream of Local Impact Grant revenues that it receives, the Partnership has been increasing the pace at which it applies for supplemental grant funding from third parties. While these grants are likely to vary over time, the Partnership expects to bring in supplemental funding that periodically matches or exceeds the rate at which Local Impact Grant revenue is received. The Partnership intends to continue to develop additional reporting techniques to help the general public distinguish Local Impact Grant expenditures from supplemental expenditures.

**SOUTH BALTIMORE GATEWAY COMMUNITY IMPACT DISTRICT
MANAGEMENT AUTHORITY**

**Balance Sheet – Governmental Funds
As of June 30, 2023**

ASSETS

Current Assets

Cash and cash equivalents	\$	9,436,881
Investments		8,159,171
Receivables		380,417
Interest income receivable		17,700
Due from the State		1,398,870
Prepaid expenses		8,843
Total Assets	\$	19,401,882

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable and accrued expenses	\$	601,730
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Fund Balance

Committed		1,500,000
Assigned		17,300,152
Total Fund Balance		18,800,152
Total Liabilities and Fund Balance	\$	19,401,882

The accompanying notes are an integral part of this balance sheet.

**SOUTH BALTIMORE GATEWAY COMMUNITY IMPACT DISTRICT
MANAGEMENT AUTHORITY**

**Statement of Revenue, Expenditures, and Change in Fund Balance – Governmental Funds
For the Year Ended June 30, 2023**

Operating Revenue	\$ 10,713,975
Operating Expenditures	
Transformational project	1,498,702
Enhanced services	2,502,692
Grant expense	1,335,750
Payroll	369,450
Operations	129,786
Professional fees	73,994
Miscellaneous	52,393
Facilities and equipment	34,038
Travel and meetings	5,748
Other Expenses	2,007,093
Total Operating Expenditures	8,009,646
Operating Income, net	2,704,329
Non-Operating Revenue	
Investment income, net	380,585
Change in Fund Balance	3,084,914
Fund balance, beginning of year	15,715,238
Fund Balance, End of Year	\$ 18,800,152

The accompanying notes are an integral part of this financial statement.

SOUTH BALTIMORE GATEWAY COMMUNITY IMPACT DISTRICT MANAGEMENT AUTHORITY

Notes to the Financial Statements June 30, 2023

1. ORGANIZATION

Authorizing Legislation

The South Baltimore Gateway Partnership (the Partnership) was established by law on September 12, 2016 as the South Baltimore Gateway Community Impact District Management Authority and is codified in the Baltimore City Code, Article 14 Section 19-4. Though neither an agency of city nor state government, the Partnership is established as a governmental body to the greatest extent allowable by law. The Partnership implements the South Baltimore Gateway Master Plan, and under the Partnership's current strategic plan its main areas of focus are community development and revitalization, environmental sustainability, and health and wellness. The Partnership is funded by the Local Impact Grants generated by the three casinos in central Maryland: Horseshoe Casino, Maryland Live, and MGM Grand National Harbor. Under state law, not less than 50% of the Local Impact Grants that had previously been designated for the City of Baltimore has been reallocated for direct use by the Partnership.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Measurement Focus

The Partnership's activities are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under the modified accrual basis of accounting, revenue is recognized when susceptible to accrual (that is when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, considered by the Partnership to be one year. Expenditures are recorded when the related liabilities are incurred. The Partnership's financial statements are presented on a modified accrual basis, which is essentially the same as the full accrual basis; therefore, separate entity-wide statements are not presented.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

**SOUTH BALTIMORE GATEWAY COMMUNITY IMPACT DISTRICT
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**Notes to the Financial Statements
June 30, 2023**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue and Expenses

Revenue consists of intergovernmental Local Impact Grant revenue from the State of Maryland and interest earned on the value of the Partnership's deposit accounts. The Partnership also received some supplemental grant funding. Expenditures consist of program and administrative expenses.

Fund Balance

In the fund financial statements, fund balances are classified in the following categories:

Committed

This category includes amounts constrained for a specific purpose by the Board using its highest level of decision-making authority prior to year-end. As of June 30, 2023, the Partnership had \$1,500,000 as committed to serve as emergency reserves for future years to protect against potential funding fluctuations.

Assigned

This category includes amounts constrained by the intent to be used for a specific purpose by the Partnership. As of June 30, 2023, the Partnership had \$17,300,152, as assigned for the Partnership's commitments to program work, including projects underway and in development.

Unassigned

This category includes amounts not constrained by the Partnership prior to year-end. As of June 30, 2023, the Partnership did not have any unassigned fund balance as a result of the Partnership having a plan for the use of all available funds.

3. CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

The Partnership's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Custodial credit risk-deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Partnership's deposits may not be recoverable. As of June 30, 2023, the carrying amount of the Partnership's deposits was \$9,436,881 and the bank balance was \$9,492,207.

**SOUTH BALTIMORE GATEWAY COMMUNITY IMPACT DISTRICT
MANAGEMENT AUTHORITY**

**Notes to the Financial Statements
June 30, 2023**

4. INVESTMENTS

Accounting principles generally accepted in the United States of America establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under accounting principles generally accepted in the United States of America are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the entity has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset’s or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

As of June 30, 2023, investments consisted of mutual funds and fixed income funds. Mutual funds and fixed income funds are valued at the fair value of the investments based on the price per the active market on which the securities are traded and are rendered Level 1.

As of June 30, 2023, investments consisted of the following:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 947,585	\$ -	\$ -	\$ 947,585
Fixed income	7,211,586	-	-	7,211,586
Total	\$ 8,159,171	\$ -	\$ -	\$ 8,159,171

**SOUTH BALTIMORE GATEWAY COMMUNITY IMPACT DISTRICT
MANAGEMENT AUTHORITY**

**Notes to the Financial Statements
June 30, 2023**

4. INVESTMENTS (continued)

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the Partnership would not be able to recover the value of its deposits, investments, or collateral securities that were in the possession of an outside party. Investment securities are exposed to custodial credit risk if they are uninsured or not registered in the name of the Partnership and are held by either the counterparty or the counterparty's trust department or agent, but not in the Partnership's name.

Interest rate risk is the risk that changes in interest rates will adversely affect the value of an investment.

Credit risk is the risk associated with an issuer of an investment who may not fulfill its obligation to the holder of the investment.

Concentration of credit risk is the risk of loss attributed to the magnitude of the Partnership's investment in a single issuer. The Partnership's investments are managed by a single fund manager. The concentrations of investments are determined by management of the Partnership.

5. RECEIVABLES

Receivables represents amounts due from vendors. As of June 30, 2023, \$20,140, remained due.

6. DUE FROM THE STATE

Due from the State represents the amount of intergovernmental Local Impact Grant revenue held by the State that has not yet been remitted to the Partnership. As of June 30, 2023, \$1,398,870, remained due from the State. This amount was collected subsequent to year end.

7. COMMITMENTS AND CONTINGENCIES

Supplemental grant funds that have been awarded but not yet recognized as revenue are considered commitments and will be recorded as revenue once the conditions of the grants are satisfied or as expenditures are incurred. Remaining payments, subject to the Partnership's third party grantees meeting specific conditions, are not expensed until the conditions of the grants are met.

Reimbursed costs under the Partnership's government awards are subject to final determination of allowability by the government agency. Certain expenses of these funds are subject to audit by the Grantor, and to the extent an audit determines any expenses were disallowed, the amount is subject to refund to the Grantor. Management does not believe any refund, if required June 30, 2023, would be material to the financial statements as a whole.

**SOUTH BALTIMORE GATEWAY COMMUNITY IMPACT DISTRICT
MANAGEMENT AUTHORITY**

**Notes to the Financial Statements
June 30, 2023**

8. RISKS AND UNCERTAINTIES

The Partnership invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term due to market activity, and that such changes could materially affect the balances and the amounts reported in the accompanying balance sheet. However, since the Partnership is invested in a ‘Passive Ultra-Short U.S. Treasury’ strategy and plans to hold the investments to maturity, the Partnership has every reason to expect a positive rate of return.

**SOUTH BALTIMORE GATEWAY COMMUNITY
IMPACT DISTRICT MANAGEMENT AUTHORITY**

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

For the Year Ended June 30, 2023

**SOUTH BALTIMORE GATEWAY COMMUNITY
IMPACT DISTRICT MANAGEMENT AUTHORITY**

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

JUNE 30, 2023

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors of the
South Baltimore Gateway Community
Impact District Management Authority

Report on the Audit of the Financial Statements

Opinion

We have audited the balance sheet of the South Baltimore Gateway Community Impact District Management Authority (the Partnership), as of June 30, 2023, and the related statement of revenue, expenditures, and change in fund balance for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the balance sheet of the Partnership as of June 30, 2023 and the respective change in fund balance for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 Partnership and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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.



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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 Partnership's ability to continue as a going concern for one year after the date that the financial statements are available for issuance.

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 opinion. 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 controls 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 Partnership'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 Partnership'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 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Partnership's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance) is presented for purposes of additional analysis and are not a required part of the financial statements. The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the 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 September 27, 2023, on our consideration of the Partnership'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



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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 Partnership's internal control over financial reporting and compliance.

Owings Mills, Maryland
September 27, 2023

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

To the Board of Directors of the
South Baltimore Gateway Community
Impact District Management Authority

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 South Baltimore Gateway Community Impact District Management Authority (the Partnership) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Partnership's financial statements, and have issued our report thereon dated September 27, 2023.

Report on Internal Controls over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Partnership's internal controls over financial reporting (internal controls) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal controls. Accordingly, we do not express an opinion on the effectiveness of the Partnership's internal controls.

A deficiency in internal controls exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal controls, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal controls that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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



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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Partnership's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal controls and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Partnership'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 Partnership's internal controls and compliance. Accordingly, this communication is not suitable for any other purpose.

Owings Mills, Maryland
September 27, 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**

To the Board of Directors of the
South Baltimore Gateway Community
Impact District Management Authority

Opinion on Each Major Federal Program

We have audited the South Baltimore Gateway Community Impact District Management Authority (the Partnership) 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 Partnership's major Federal program for the year ended June 30, 2023. The Partnership'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 Partnership 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 Partnership 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 Partnership'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 Partnership'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 Partnership'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 Partnership'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 Partnership'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 Partnership'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 Partnership'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
September 27, 2023

SB & Company, LLC

**SOUTH BALTIMORE GATEWAY COMMUNITY IMPACT DISTRICT
MANAGEMENT AUTHORITY**

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

<u>Federal Grantor/Pass-Through Grantor Program</u>	<u>Federal Assistance Listing Number</u>	<u>Grantor or Pass-Through Entity Identifying Number</u>	<u>Expenditures</u>	<u>Passed Through to Sub-recipients</u>
U.S. DEPARTMENT OF TREASURY				
Passed through:				
Baltimore County, Maryland Coronavirus Relief Fund	21.019	Unknown	\$ 1,637,140	\$ -
DEPARTMENT OF HOMELAND SECURITY				
Passed through:				
Maryland Department of Emergency Management Building Resilient Infrastructure and Communities	97.049	Unknown	354,953	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,992,093	\$ -

The accompanying notes are an integral part of this Schedule.

**SOUTH BALTIMORE GATEWAY COMMUNITY IMPACT DISTRICT
MANAGEMENT AUTHORITY**

**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 South Baltimore Gateway Community Impact District Management Authority (the Partnership) 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 programs below with fiscal year 2023 cash and non-cash expenditures to ensure coverage of at least 40% of Federally granted funds. Our actual coverage was 82%.

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 Partnership 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>
U.S. DEPARTMENT OF TREASURY		
Passed through:		
Baltimore County, Maryland		
Coronavirus Relief Fund	21.019	<u>\$ 1,637,140</u>

2. BASIS OF PRESENTATION

The accompanying Schedule includes the Federal award activity of the Partnership 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 Partnership, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Partnership.

**SOUTH BALTIMORE GATEWAY COMMUNITY IMPACT DISTRICT
MANAGEMENT AUTHORITY**

**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 financial statements were prepared in accordance	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified? Non-compliance material to the financial statements noted?	None Reported 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 Program	Federal Assistance Listing Number	Federal Expenditures
U.S. DEPARTMENT OF TREASURY		
Passed through:		
Baltimore County, Maryland		
Coronavirus Relief Fund	21.019	\$ 1,637,140

Threshold for distinguishing between Type A and B \$ 750,000

Did the Partnership qualify as a low risk auditee? No

**SOUTH BALTIMORE GATEWAY COMMUNITY IMPACT DISTRICT
MANAGEMENT AUTHORITY**

**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.

**SOUTH BALTIMORE GATEWAY COMMUNITY IMPACT DISTRICT
MANAGEMENT AUTHORITY**

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

There was no single audit required for the year ended June 30, 2022.