

**ALLEGANY COUNTY, MARYLAND
SINGLE AUDIT REPORT
JUNE 30, 1998**

*DELANEY, TURNBULL & ASSOCIATES, P.A.
Certified Public Accountants*

***ALLEGANY COUNTY, MARYLAND
SINGLE AUDIT REPORT
TABLE OF CONTENTS***

Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards	1 - 2
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance In Accordance With OMB Circular A-133	3 - 4
Schedule of Expenditures of Federal Awards	5 - 11
Notes to Schedule of Expenditures of Federal Awards	12 - 13
Schedule of Findings and Questioned Costs	14 - 15
Schedule of Prior Audit Findings	16

DELANEY, TURNBULL & ASSOCIATES, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report on Compliance and
on Internal Control Over Financial Reporting Based
On An Audit Of Financial Statements Performed In
Accordance With Government Auditing Standards

To the Board of Allegany
County Commissioners

We have audited the general purpose financial statements of Allegany County, Maryland as of and for the year ended June 30 1998, and have issued our report thereon dated October 28, 1998. Our report was modified to refer to the reports of other auditors. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Allegany County, Maryland's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Allegany County, Maryland's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Commissioners of Allegany County, Maryland, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Delaney, Turnbull & Associates, P.A.

October 28, 1998

DELANEY, TURNBULL & ASSOCIATES, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report on Compliance
with Requirements Applicable to Each
Major Program and Internal Control Over
Compliance in Accordance with OMB Circular A-133

To the Board of Allegany
County Commissioners

Compliance

We have audited the compliance of Allegany County, Maryland with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 1998. Allegany County, Maryland's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Allegany County, Maryland's management. Our responsibility is to express an opinion on Allegany County, Maryland's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Allegany County, Maryland's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Allegany County, Maryland's compliance with those requirements.

In our opinion, Allegany County, Maryland complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1998.

Internal Control Over Compliance

The management of Allegany County, Maryland is responsible for establishing and maintaining effective internal controls over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Allegany County, Maryland's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the general purpose financial statements of Allegany County, Maryland as of and for the year ended June 30, 1998, and have issued our report thereon dated October 28, 1998. Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

This report is intended for the information of the Board of Commissioners of Allegany County, Maryland, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Delaney, Turnbull & Associates, P.A." The signature is written in a cursive, flowing style.

October 28, 1998

ALLEGANY COUNTY, MARYLAND
PRIMARY GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 1998

FEDERAL CDA NUMBER	FEDERAL GRANT NUMBER	PASS-THROUGH GRANTOR'S NUMBER	PROGRAM/ AWARD AMOUNT	BEGINNING BALANCE		REVENUES	OTHER FINANCING SOURCES/USES	EXPENDITURES	ENDING BALANCE AT JUNE 30, 1998	PASS THROUGH TO SUBRECIPIENTS								
				July 1, 1997	\$													
US Dept. of Agriculture:																		
Direct:																		
Farmers Home Administration:																		
Mexico Farms utility relocation	10.769	N/A	N/A	\$ 360,107	\$ -				\$ -	\$ -								
Mexico Farms water & sewer grant	10.770	N/A	N/A	906,800														
Mexico Farms water & sewer loan	10.770	N/A	N/A	420,660														
Cash Valley Road Sewer grant	10.770	N/A	N/A	100,600														
Cash Valley Road Sewer loan	10.770	N/A	N/A	147,000														
Oldtown Road Sewer Grant	10.770	N/A	N/A	1,392,500														
Oldtown Road Sewer Loan	10.770	N/A	N/A	557,500														
Oldtown Road Sewer Grant	10.770	N/A	N/A	370,500														
Borden/Zilhman Water Grant	10.770	N/A	N/A	339,500														
Borden/Zilhman Water Loan	10.770	N/A	N/A															
Subtotal CDA #10.770																		
Natural Resource Conservation Service																		
Westport Flood Project	10.904	N/A	N/A	N/A														
Indirect:																		
Food and Nutrition Service:																		
Pass through Maryland Dept. of																		
Education:																		
Summer Camp Program	10.559	N/A	N/A	N/A														
Total US Department of Agriculture																		
US Department of Commerce:																		
Direct:																		
Economic Development Administration:																		
Multi-Tenant Industrial	11.100	01-01-03218	N/A	972,000														
Building	11.100	01-01-03168	N/A	1,960,000														
Riverside Industrial Park																		
Indirect:																		
EDA Proj Income - Multi-Tenant	11.100	N/A	N/A															
Total US Department of Commerce																		

See accompanying notes to Schedule of Expenditures of Federal Awards
5

ALLEGANY COUNTY, MARYLAND
PRIMARY GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 1998

FEDERAL CFDA NUMBER	FEDERAL GRANT NUMBER	PASS-THROUGH GRANTORS NUMBER	PROGRAM AWARD AMOUNT	BEGINNING BALANCE		REVENUES	OTHER FINANCING SOURCES/USES	EXPENDITURES	ENDING BALANCE AT JUNE 30, 1998	PASS THROUGH TO SUBRECIPIENTS
				July 1, 1997	216,639					
US Dept. of Housing and Urban Development										
Indirect:										
Community Planning and Development										
CDBG Project Income - Lomaconing	14.219	N/A	N/A	N/A	216,639	2,284	(2,284)	-	-	222,369
CDBG Project Income - Housing	14.219	N/A	N/A	N/A	5,740	-	-	-	-	-
CDBG Project Income - Economic Opportunity	14.219	N/A	N/A	N/A	344,158	129,295	-	-	473,443	-
Subtotal CFDA #14.219					560,777	131,319	(2,284)	-	-	695,812
Passed through Maryland Dept. of Economic and Community Development:										
Section 8 Existing	14.156	P-3507	MD06-E020	N/A	5,249	442,374	-	-	441,157	6,466
Section 8 Mod Rehab	14.156	P-3525	MD06-K020	N/A	931	19,802	-	-	19,965	768
Section 8 Existing Admin	14.156	P-3507	MD06-E020	N/A	-	42,311	-	-	42,311	-
Section 8 Mod Rehab Admin	14.156	P-3525	MD06-K020	N/A	-	2,800	-	-	2,800	-
Subtotal CFDA #14.156					6,180	507,287	-	-	506,233	7,234
Section 8 Voucher Program	14.177	P-3507V	MD06-V020	N/A	991	120,193	-	-	119,840	1,344
Section 8 Voucher Program Admin	14.177	P-35C7V	MD06-V920	N/A	-	10,960	-	-	10,960	-
Subtotal CFDA #14.177					991	131,153	-	-	130,800	1,344
Frostburg Industrial Park Expansion	14.228	N/A	MD-89-ED-39	1,000,350	(97)	-	-	-	-	(97)
Cush Valley Road Sewer	14.228	N/A	MD-91/92-SP-41	364,595	-	-	-	-	-	-
Cash Valley & Other County Hookups	14.228	N/A	MD-91/92-SP-41	33,000	7,927	-	-	-	-	7,927
Borden Zulman Valentine Schade Expansion	14.228	N/A	MD-93-CD-12	500,000	(495,482)	-	-	-	-	-
Industrial Park Sewer	14.228	N/A	MD-91-ED-76	1,001,944	-	45,000	450,482	-	71,530	-
Mexico Farms water & sewer (214)	14.228	N/A	MD-91-ED-75	130,700	-	-	-	-	-	-
Cumberland Pasta Company	14.228	N/A	MD-94-ED-76	369,300	-	126,460	-	-	126,460	-
McCoole Water Project	14.228	N/A	MD-94-CD-11A	182,000	-	649,000	1,669,220	2,318,220	-	-
George Cr/Irmingers Flood Mitigat.	14.228	N/A	MD-97-CD-23	395,000	-	312,707	-	375,732	(63,023)	(1,893)
Wills Cr/George Cr Flood Mitigation	14.228	N/A	MD-97-FL-40	626,733	-	271,987	-	273,883	-	-
Subtotal CFDA #14.228					(487,652)	1,476,184	2,119,702	2,119,702	3,165,227	(51,093)

See accompanying notes to Schedule of Expenditures of Federal Awards
6

ALLEGANY COUNTY, MARYLAND
PRIMARY GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 1998

FEDERAL CFDA NUMBER	FEDERAL GRANT NUMBER	PASS-THROUGH GRANTOR'S NUMBER	PROGRAM/ AWARD AMOUNT	BEGINNING BALANCE July 1, 1997		REVENUES	OTHER FINANCING SOURCES/USES	EXPENDITURES	ENDING BALANCE AT JUNE 30, 1998	PASS THROUGH TO SUBRECIPIENTS
US Dept. of Housing and Urban Development (Cont.)										
Indirect:										
Emergency Shelter Grant Program	14.231	N/A	96-ESG-BOS-1	30,500	-	3,244		3,244	-	-
Emergency Shelter Grant Program	14.231	N/A	97-ESG-BOS-1	41,580	-	28,363		28,363	-	-
Subtotal CFDA #14.231						31,607		31,607		-
Senior Home Repair Program	14.239	N/A	N/A	N/A	13,454	175,630		167,511	21,573	-
Special Target Area Program	14.239	N/A	N/A	N/A	13,454	175,630		167,511	21,573	-
Subtotal CFDA #14.239										-
Community Planning and Development										
Passed through Maryland Dept. of Human Resources										
Supportive Housing Program	14.235	N/A	MD06B96-0501	196,639	-	60,173		60,173	-	-
Supportive Housing Program	14.235	N/A	MD06B96-0504	184,508	-	7,573		7,573	-	-
Subtotal CFDA #14.235						67,748		67,748		-
Total US Department of HUD					93,750	2,527,528	2,117,418	4,062,816	668,870	-
US Department of Justice:										
Direct:										
Office of Community Oriented Policing Services										
COIPS MORE Grant	16.710	95CAXX0115	N/A	69,378	-	37,845		12,614	50,439	-
Bureau of Justice Assistance										
Local Law Enforcement Block Grant	16.582	96-LB-Y7X-1524	N/A	20,039	20,039	-	2,227	20,964	1,302	-
Indirect:										
Passed through MD State Police										
Marijuana Eradication	16.579	N/A	N/A	N/A	-	943		943	-	-
Passed through Governor's Office of Crime Control & Prevention										
DILE-96-269	16.579	N/A	DILE-96-269	50,561	-	47,312	15,771	63,083	-	-
DILE-97-268	16.579	N/A	DILE-97-268	49,586	-	39,827	13,276	53,103	-	-
01SC-DL97-406-N.A.	16.579	N/A	01SC-DL97-406-N.A.	10,000	-	10,000	-	10,000	-	-
Subtotal CFDA #16.579						98,092	29,047	127,139		-
Pre-Trial Diversion Alternative										
Jail Substance Abuse Program	16.588	N/A	VAWA-96-012	17,500	-	5,513	2,509	8,022	-	-
HotSpot-Nuisance Abatement	16.588	N/A	VAWA-97-4061P	8,750	-	7,635	1,908	9,543	-	-
Domestic Violence Prosecutor										
Domestic Violence Prosecutor	16.588	N/A				13,148	4,417	17,565		-
Subtotal CFDA #16.588					20,039	149,085	48,305	216,127	1,302	-
Total US Department of Justice:										

See accompanying notes to Schedule of Expenditures of Federal Awards

ALLEGANY COUNTY, MARYLAND
PRIMARY GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 1998

FEDERAL CFDA NUMBER	FEDERAL GRANT NUMBER	PASSTHROUGH GRANTORS NUMBER	PROGRAM/ AWARD AMOUNT	BEGINNING BALANCE July 1, 1997		REVENUES	OTHER FINANCING SOURCES/USES	EXPENDITURES	ENDING BALANCE AT JUNE 30, 1998	PASS THROUGH TO SUBRECIPIENTS								
				REVENUES	OTHER FINANCING SOURCES/USES													
<u>US Dept. of Transportation:</u>																		
Indirect:																		
Federal Highway Administration																		
Passed through Maryland Department of Transportation																		
Mexico Farms Bridge Project	20.205	BH-M-7514 (1) BR SOS-1(232)	A708-931-612 A777-931-612	280,000 364,768	- - (39,652)	- - 379,555	- - 94,258	- - 479,290	- - (43,499)	-								
Town Creek Bridge	20.205	BRO-1-(454)E	AL789BN12	406,582	(39,652)	379,555	95,558	479,290	(43,499)	-								
Subtotal CFDA #20.205																		
Federal Highway Administration																		
Passed through MEMA	20.217	HMEMD6038040	N/A	960	-	-	960	240	1,200	-								
Urban Mass Trans. Admin:																		
Passed through Maryland Department of Transportation																		
Capital Assistance	20.500	MD-03-0055-01	MD-03-0055-01	109,763	-	-	455	114	569	-								
Subtotal CFDA #20.500		MD-03-0052	MD-03-0052	643,187	-	-	455	114	569	-								
Capital Assistance																		
Capital Assistance	20.507	MD-96-0034	MD-90-0034	248,000	-	-	11,125	2,781	13,906	-								
Capital Assistance	20.507	MD-90-0043	MD-90-0043	132,008	-	-	14,387	3,597	18,022	(38)								
Capital Assistance	20.507	MD-90-0039	MD-90-0039	232,904	-	-	15,146	3,787	18,933	-								
Capital Assistance	20.507	MD-90-4063	MD-90-4063	180,307	687,476	180,307	460,041	603,106	724,718	-								
Subtotal CFDA #20.507				687,476	-	220,965	470,206	633,967	724,680	-								
Operating Assistance Suppl (FY98)																		
Operating Assistance Suppl (FY98)	20.509	MD-18-4015	MD-18-4015	37,866	-	-	37,866	97,334	133,700	-								
Urban Mass Trans. Admin. & Federal Highway Administration																		
Passed through Maryland Department of Transportation																		
La Vale Toll Gate House	20.219	STP-1(377)E	A792-432-625	-	-	-	-	-	6,627	(6,627)								
Unified Planning Work Program 98	20.303	N/A	N/A	69,839	-	-	72,079	18,071	90,150	-								
Unified Planning Work Program 97	20.303	N/A	N/A	70,433	(15,540)	13,813	1,727	-	-	-								
Subtotal CFDA #20.303					(15,540)	83,892	19,798	90,150	-	-								

See accompanying notes to Schedule of Expenditures of Federal Awards
 8

ALLLEGANY COUNTY, MARYLAND
PRIMARY GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 1998

US Dept. of Transportation (Con't):	FEDERAL CFDA NUMBER	FEDERAL GRANT NUMBER	PASS-THROUGH GRANTORS NUMBER	PROGRAM/ AWARD AMOUNT	BEGINNING BALANCE JULY 1, 1997	REVENUES	OTHER FINANCING SOURCES/USES	EXPENDITURES	ENDING BALANCE AT JUNE 30, 1998	PASS THROUGH TO SUBRECIPIENTS
<u>Indirect:</u>										
Federal Highway Administration Passed through Maryland Department of Transportation Traffic Safety Div. EMT Training Upgrade	20.215	N/A	N/A	14,300	-	-	-	-	-	-
Federal Highway Administration / Passed through Maryland Department of Transportation and Allegany County Health Department Comprehensive Traffic Safety Prog.	20.600	N/A	N/A	3,100	1,034	2,938	1,958	4,557	1,193	-
Total US Department of Transportation					633,368	728,631	686,008	1,372,060	675,947	-
<u>Appalachian Regional Commission:</u>										
Direct:										
Passed through US Dept of Commerce Economic Development Administration Multi-Tenant Industrial Bldg Riverside Industrial Park	23.002	MD-11037-92-1 MD-11406-93-1	N/A N/A	324,000 528,000	(49,113) 2,112 (46,998)	-	-	-	(49,113) 2,115 (46,998)	-
Subtotal CFDA #23.002 Direct Funding Soil Feasibility Study	23.011	MD-12932-1-214	N/A	50,000	-	-	-	-	66,946	(66,946)
Indirect:										
Multi-Tenant Prog Income - Rent Passed through Maryland Dept of Housing & Community Development Building Performance Standards	23.011	ARC95-144	MD-11893-93-1	21,263	6,125	9,331	13,077	28,553	-	-
Passed through Maryland Office of Planning Consolidated Technical Assistance Consolidated Technical Assistance Technical Assistance Biotech Website Industrial Park Development Plan Lomaxconning Comprehensive Plan Subtotal CFDA #23.011	23.011	ARC95-156 MD-10932 MD-10932-96 MD-10932-96 N/A N/A	MD-10932 MD-10932-96 MD-10932-96 ARC 10932-96 ARC 10932-96	30,000 23,000 2,500 15,000 9,000	- - - - -	17,500 2,269 15,000 5,240 6,125	17,500 2,269 15,000 9,000 53,374	35,000 4,538 26,538 14,085 108,704	- - - - 155	-
Total Appalachian Regional Commission					(40,873)	67,360	35,374	173,630	(113,789)	-

See accompanying notes to Schedule of Expenditures of Federal Awards

ALLEGANY COUNTY, MARYLAND
PRIMARY GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 1998

FEDERAL CFDA NUMBER	FEDERAL GRANT NUMBER	PASS-THROUGH GRANTORS NUMBER	PROGRAM/ AWARD AMOUNT	BEGINNING BALANCE July 1, 1997	REVENUES	OTHER FINANCING SOURCES/USES	EXPENDITURES	ENDING BALANCE AT JUNE 30, 1998	THROUGH TO SUBRECIPIENTS
								REVENUES	
National Foundation of Arts & Humanities									
Direct:									
Institute of Museum Services	45.302	IM-80129-98	N/A	1,775					
Museum Assessment Program II	45.304	IA-80004-98	N/A	6,030					
Conservation Assessment Program									
Total National Foundation of Arts & Humanities									
Environmental Protection Agency									
Direct:									
Office of Water, Environmental Protection Agency	66.418	C-240382-03	N/A	14,065,000					
Georges Creek Step 3									
Indirect:									
Passed through Md Dept of the Environment									
Bowling Green/Cressington Waste Water Treatment Project	66.418	C-240729-03	MD-88-08-31-0646	1,333,750					
Total Environmental Protection Agency									
Federal Emergency Management Agency									
Direct:									
Disaster Resistant Community	83.535	EMW-97-GR-0525	N/A	700,000					
Indirect:									
State and Local Programs Support									
Passed through Maryland Emergency and Civil Defense Agency:									
Civil Defense FY 1998	83.503	N/A	N/A	N/A		43,394	50,122	105,840	(13,324)
Subtotal CFDA #83.503						43,394	50,122	105,840	(13,324)
State and Local Programs Support									
Passed through Maryland Emergency									
January 1996 Flood	83.516	N/A	N/A	N/A		(280,653)	97,336	6,509	4,427
September 1996 Flood	83.516	N/A	N/A	N/A		(20,000)			(181,245)
Subtotal CFDA #83.516						(300,653)	97,336	6,509	(20,000)
Hazard Mitigation									
Passed through Maryland Emergency									
Locus Grove Property Acquisition	83.548	N/A	N/A	N/A		165,224	\$4,085	225,745	(6,436)
Total Federal Emergency Management Agency						(300,653)	342,187	110,966	373,127

See accompanying notes to Schedule of Expenditures of Federal Awards

ALLEGANY COUNTY, MARYLAND
PRIMARY GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 1998

FEDERAL CFDA NUMBER	FEDERAL GRANT NUMBER	PASS-THROUGH GRANTOR'S NUMBER	PROGRAM/ AWARD AMOUNT	BEGGING BALANCE		REVENUES July 1, 1997	OTHER FINANCING SOURCES/USES	EXPENDITURES	ENDING BALANCE AT JUNE 30, 1998	THROUGH TO SUBRECIPIENTS								
				July 1, 1997	July 1, 1997													
US Department of Health and Human Services:																		
Indirect:																		
Administration for Children and Families:																		
Pass through Maryland Dept. of Human Resources and Allegany County Dept. of Social Services:																		
93.558	N/A		235,000	-	99,067	-	-	45,913	13,154									
93.558	N/A		165,000	-	91,032	-	-	22,638	68,374									
Subtotal CFDA #93.558				-	159,099	-	-	68,571	81,528									
Family Support Administration:																		
Pass through Maryland Dept. of Human Resources:																		
Child Support Enforcement Masters Program	93.563	N/A	CSEA/CR-28-1 CSEA/CR-98-3	144,332 73,618	-	116,133 65,388	70,489 39,700	186,622 105,088	-									
Subtotal CFDA #93.563				-	181,521	-	110,189	291,710	-									
Health Care Financing Administration																		
Pass through Maryland Dept. of Health & Mental Hygiene:																		
Medicare; Nursing Home Care	93.773-4	N/A	N/A	N/A	533,854	-	-	523,854	-									
Medicaid; Nursing Home Care	93.778	N/A	N/A	N/A	3,104,485	2,074,332	5,137,806	576,481	-									
Subtotal CFDA #93.778				-	3,638,339	-	-	523,854	-									
Health Care Financing Administration																		
Pass through Maryland Dept. of Health & Mental Hygiene and Allegany County Health Department:																		
Medicaid; Medical Transportation Program	93.778	N/A	N/A	N/A	74,255	275,243	(74,255)	275,243	-	576,481								
Subtotal CFDA #93.778				-	609,725	3,379,728	2,000,077	3,413,049	-									
Total US Department of Health and Human Services																		
Subtotal Expenditures of Federal Awards					609,725	4,235,202	2,110,266	6,297,184	658,009									
Total Expenditures of Federal Awards					\$ 875,977	\$ 8,782,272	\$ 5,112,568	\$ 13,236,484	\$ 1,530,333	\$ 2,177								

See accompanying notes to Schedule of Expenditures of Federal Awards

ALLEGANY COUNTY, MARYLAND
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 1998

Note 1. Summary of Significant Accounting Policies

Basis of Presentation

This schedule has been prepared on the modified accrual basis of accounting in accordance with generally accepted accounting principles in order to facilitate comparability to the County's general purpose financial statements prepared on the same basis of accounting. The information in the schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from the amounts presented in, or used in the preparation of, the combined statements.

The accompanying Schedule of Expenditures of Federal Awards includes all financial activity of the Allegany County Component Unit only. The General Purpose Financial Statements for the Allegany County Reporting Entity include the following component units in accordance with Governmental Accounting Standards Board ("GASB") Statement 14 who are responsible for administering their own Federal programs and submitting their own Single Audit reports, if necessary.

- Allegany County Board of Education
- Allegany County Library System
- Allegany College of Maryland
- LaVale Sanitary Commission

Beginning and Ending Balances

The beginning and ending balances in the accompanying schedule of expenditures of federal awards represent project and/or fund balances at July 1, 1997 and June 30, 1998, respectively. As a result of preparing the accompanying Schedule of Expenditures of Federal Awards on the modified accrual basis, timing differences between program receipts and reimbursements and expenditures have been eliminated. Beginning and ending fund balances agree with or reconcile to the County's general purpose financial statements.

Other Financing Sources and Uses

The amounts shown as other financing sources in the accompanying Schedule of Expenditures of Federal Awards represent non-Federal revenue such as State grants, local matches, interfund operating transfers-in, and proceeds of issuances of long-term debt. The amounts shown as other financing uses represent interfund operating transfers-out. This manner of presentation was used to segregate the

ALLEGANY COUNTY, MARYLAND
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 1998

Note 1. Summary of Significant Accounting Policies - continued
above mentioned items from Federal revenues and expenditures and report financial activity on a basis consistent with the general purpose financial statements.

Note 2. Oversight Agency
The United States Department of Health and Human Services has been designated oversight audit agency for Allegany County, Maryland.

ALLEGANY COUNTY, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 1998

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the general purpose financial statements of Allegany County, Maryland.
2. No reportable conditions relating to the general purpose financial statements of Allegany County, Maryland are reported in the Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting.
3. No instances of noncompliance material to the general purpose financial statements of Allegany County, Maryland were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance.
5. The auditor's report on compliance for the major federal award programs for Allegany County, Maryland expresses an unqualified opinion.
6. There are no audit findings relative to the major federal award programs for Allegany County, Maryland to be reported in Part C of this Schedule.
7. The programs tested as major programs include:

Squirrel Neck Bridge	20.205
Urban Mass Transit Administration:	
Capital And Operating Assistance	20.507
Medicare	93.773-4
Medicaid	93.778

8. The threshold for distinguishing Types A and B programs was \$397,000.
9. Allegany County, Maryland was determined to be a high-risk auditee.

ALLEGANY COUNTY, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 1998

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS
AUDIT**

None

**ALLEGANY COUNTY, MARYLAND
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 1998**

There were no prior audit findings.