

**ALLEGANY COUNTY, MARYLAND
SINGLE AUDIT REPORT
JUNE 30, 2004**

TURNBULL, HOOVER & KAHL, P.A.
Certified Public Accountants

**ALLEGANY COUNTY, MARYLAND
SINGLE AUDIT REPORT
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AMERICAN INSTITUTE OF
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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 financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Allegany County, Maryland as of and for the year ended June 30, 2004, which collectively comprise Allegany County, Maryland's basic financial statements and have issued our report thereon dated December 3, 2004. Our report was modified to refer to the reports of other auditors. We conducted our audit 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.

Compliance

As part of obtaining reasonable assurance about whether Allegany County, Maryland's 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 opinions on the 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 financial statements being audited may occur and may 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 solely for the information of management, the Board of Commissioners of Allegany County, Maryland, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Turnbull, Howard; Kahl, P.t.

Cumberland, Maryland
December 3, 2004

TURNBULL, HOOVER & KAHL, P.A.

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Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and On 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, 2004. 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.

Allegany County's financial statements include the operations of the Allegany County Board of Education and Allegany College of Maryland, which received \$11,317,347 and \$4,722,250 of federal awards, respectively, which are not included in the schedule during the year ended June 30, 2004. Our audit described below, did not include the operations of the Allegany County Board of Education because the component unit engaged other auditors to perform an audit in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 of 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, 2004.

Internal Control Over Compliance

The management of Allegany County, Maryland is responsible for establishing and maintaining effective internal control over compliance with the 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 the 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 financial statements of governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Allegany County, Maryland as of and for the year ended June 30, 2004, and have issued our report thereon dated December 3, 2004. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Allegany County, Maryland's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, the Board of Commissioners of Allegany County, Maryland, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Cumberland, Maryland
December 3, 2004

Trumbull, Hoover & Kahl, P.L.

ALLEGANY COUNTY, MARYLAND
PRIMARY GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

	FEDERAL CFDA NUMBER	FEDERAL GRANT NUMBER	PASS-THROUGH GRANTOR'S NUMBER	PROGRAM/ AWARD AMOUNT	PASS THROUGH TO EXPENDITURES	PASS THROUGH TO SUBRECIPIENTS
US Dept. of Agriculture:						
Direct:						
Rural Development:						
Allonet II	10.769	24-001-526000870	N/A	525,000	520,810	
Grahamtown Waterline Ext. - Loan	10.770	N/A	N/A	600,000		
Grahamtown Waterline Ext. - Grant	10.770	Grant 00-35	N/A	1,000,000	38,922	
Consol Water Project Loan	10.770	N/A	N/A	104,500	13,121	
Consol Water Project Grant	10.770	Grant 00-39	N/A	355,500	118,362	
Klondike Water Project Loan	10.770	43	N/A	465,000	455,186	
Klondike Water Project Grant	10.770	44	N/A	1,000,000	407,098	
Morantown Water Loan	10.770	91-38	N/A	170,000	170,000	
Morantown Water Grant	10.770	00-37 00-46	N/A	637,500	71,579	
Barton Business Park Waterline Loan	10.770	N/A	N/A	358,000	358,000	
Barton Business Park Waterline Grant	10.770	00-52	N/A	50,000	50,000	
Natural Resource Conservation Service						
Dry Run Watershed	10.904	88-3819-0-410	N/A	1,875,000	2,370	
Indirect:						
Food and Nutrition Service:						
Pass through Maryland Dept Of Human Resources						
Food Distribution To The Needy	10.550	N/A	CSA/FNS 03-001	12,300	8,264	8,264
Food Distribution To The Needy	10.550	N/A	CSA/FNS 04-001	12,300	8,707	9,707
Pass through Maryland Dept. of Education:						
Summer Camp Program	10.559	N/A	N/A	N/A	1,848	1,848
Total US Department of Agriculture					2,223,287	17,819
US Department of Commerce:						
Direct:						
Economic Development Administration:						
Barton Park Water Line	11.300	01-01-07445	N/A	1,000,000	1,429,000	
Total US Department of Commerce					1,429,000	
US Dept. of Housing and Urban Development:						
Indirect:						
Community Planning and Development						
CDBG Project Income - Lenderoring	14.228	N/A	N/A	N/A	2,284	
CDBG Project Income - Housing	14.228	N/A	N/A	N/A	10,724	
CDBG Project Income - Economic Opportunity	14.228	N/A	N/A	N/A		
Pass Through Md Dept of Housing & Community Development						
George's Creek Sewer Improvements	14.228	N/A	MD-02-CD-23	475,000	68,480	
Housing Rehabilitation Program	14.228	N/A	MD-99-CD-1	25,000		
Housing Rehabilitation Program	14.228	N/A	MD-03-CD-33	390,000	265,119	
Child Care Operation	14.228	N/A	MD-04-CD-25	218,000	92,062	
Emergency Shelter Grant Program	14.231	N/A	2002-ESG-BOS-1	28,880	21,238	21,238
Emergency Shelter Grant Program	14.231	N/A	2003-ESG-BOS-1	29,935	21,375	21,375
Special Target Area Program	14.239	N/A	N/A	N/A	95,603	
Passed through Maryland Dept. of Economic and Community Development:						
Section 8 Existing	14.856	P-3507	MD08-E020	N/A		
Section 8 Mod Rehab	14.856	P-3525	MD08-K020	N/A	18,764	
Section 8 Voucher Program	14.871	P-3507V	MD08-V020	N/A	681,881	
Total US Department of HUD					1,277,530	42,813

ALLEGANY COUNTY, MARYLAND
PRIMARY GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

	FEDERAL CFDA NUMBER	FEDERAL GRANT NUMBER	PASS-THROUGH GRANTOR'S NUMBER	PROGRAM/ AWARD AMOUNT	PASS THROUGH TO EXPENDITURES	PASS THROUGH TO SUBRECIPIENTS
US Department of Justice:						
Direct:						
Bureau Of Justice Assistance Local Law Enforcement Block Grant	16.592	2003-LB-BX-2189	N/A	N/A	5,043	
Indirect:						
MD State Police Marijuana Eradication	16.579	N/A	N/A	N/A	450	
Total US Department of Justice:					<u>5,493</u>	
US Dept. of Transportation:						
Indirect:						
Federal Highway Administration Passed through Maryland Department of Transportation						
Rye Street Bridge	20.205	N/A	A-001-0395(1)	11,200	10,738	
Allegheny Highlands Trail	20.205	N/A	AL6805125		245,559	
Allegheny Highlands Trail	20.205	N/A	AL6805325		459,847	
Urban Mass Trans. Admin: Passed through Maryland Department of Transportation						
Capital Assistance	20.507	MD-90-0063-01	MD-90-0083-01	104,000	8,852	
Capital Assistance	20.507	MD-90-0069	MD-90-0069	104,000	22,653	
Capital Assistance	20.507	MD-90-0077	MD-90-0077	42,400	1,360	
Capital Assistance	20.507	MD-90-0083	MD-90-0083			
Capital Assistance	20.507	MD-90-0074/0063/0069	MD-90-0074/0083/0069	29,200	30,172	
Operating Assistance	20.507	MD-18-4021	MD-18-4021	55,886	55,886	
Operating Assistance	20.507	MD-90-4069/4077/4089	MD-90-4069/4077/4089	208,828	208,828	
Job Access & Reverse Commute	20.516	MD-37-4004	MD-37-4004-01	123,000	123,000	
Urban Mass Trans. Admin. & Federal Highway Administration Passed through Maryland Department of Transportation						
Unified Planning Work Program 04	20.505	N/A	N/A	72,478	57,982	
Federal Highway Administration Passed through Maryland Department of Transportation Traffic Safety Div. EMT Training Upgrade	20.215	N/A	N/A	19,993	19,993	
Total US Department of Transportation					<u>1,240,670</u>	
Appalachian Regional Commission:						
Indirect:						
Passed through Maryland Office of Planning GIS Coordination Plan	23.011	N/A	ARC-10952-C12	30,000	30,000	
Lonacoking Comprehensive Plan	23.011	N/A	ARC 10952-96	9,000	-	
Total Appalachian Regional Commission					<u>30,000</u>	
US Department of Health and Human Services:						
Indirect:						
Western Maryland AHEC Medical Reserve Corps	93.008	US2SGD2010-01-0	N/A	9,460	4,642	
Administration for children and families: Pass through Maryland Dept. of Human Resources and Allegany County Dept of Social Services						
Job/Readiness/Work Experience	93.598	N/A	ACDSS/FIA 2003-008	24,750	2,792	2,792
Job/Readiness/Work Experience	93.598	N/A	ACDSS/FIA 2004-008	24,750	22,539	22,539
Family Support Administration: Pass through Maryland Dept. of Human Resources: Masters Program	93.563	N/A	CSEA/CR-04-003	75,293	70,481	
Total US Department of Health and Human Services					<u>100,434</u>	<u>25,331</u>

ALLEGANY COUNTY, MARYLAND
PRIMARY GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

FEDERAL CFDA NUMBER	FEDERAL GRANT NUMBER	PASS-THROUGH GRANTOR'S NUMBER	PROGRAM/ AWARD AMOUNT	PASS THROUGH TO EXPENDITURES	PASS THROUGH TO SUBRECIPIENTS
Department Of Homeland Security					
Direct:					
Disaster Resistant Community - Prog Inc	97.039	EMW-97-GR-0525	N/A	8,916	
Indirect:					
Passed through Md Emergency Management Agency					
State Domestic Preparedness Equipment	97.004	N/A	N/A	65,000	65,000
Hurricane Isabel	97.036	N/A	N/A		32,959
Disaster Resistant Community	97.039	N/A	N/A		5,197
Georges Creek Flood Mitigation	97.039	N/A	N/A		320,741
Civil Defense FY2003	97.042	N/A	N/A		17,678
Civil Defense FY2004	97.042	N/A	N/A		32,247
Domestic Preparedness Personnel	97.051	N/A	N/A	60,000	29,135
Community Emergency Response Teams	97.054	N/A	N/A		7,332
Total Department Of Homeland Security				519,205	
Total Expenditures of Federal Awards				\$ 6,825,599	\$ 85,763

ALLEGANY COUNTY, MARYLAND
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2004

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 fund financial statements prepared on the same basis of accounting.

The accompanying Schedule of Expenditures of Federal Awards includes all financial activity of Allegany County Primary Government Unit only. The 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

Note 2. Oversight Agency

The United States Department Agriculture has been designated oversight audit agency for Allegany County, Maryland.

ALLEGANY COUNTY, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2004

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Allegany County, Maryland.
2. No reportable conditions relating to the financial statements of Allegany County, Maryland are reported in the Independent Auditor's Report on Compliance and Internal Control over Financial Reporting.
3. No instances of noncompliance material to the financial statements of Allegany County, Maryland were disclosed during the audit.
4. No reportable conditions relating to the audit of 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:

Department of Agriculture – Allconet II	10.769
Department of Commerce – Barton Park Waterline	11.300
Department of Housing and Urban Development – Section 8	14.871

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Allegany County, Maryland qualified as a low risk auditee.

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, 2004**

None