

**ALLEGANY COUNTY, MARYLAND  
SINGLE AUDIT REPORT  
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Report on Internal Control 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 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, 2007, which collectively comprise Allegany County, Maryland's basic financial statements and have issued our report thereon dated November 29, 2007. Our report was modified to include a reference to 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. Other auditors audited the financial statements of the Allegany County Board of Education and the LaVale Sanitary Commission, as described in our report on Allegany County, Maryland's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Allegany County, Maryland's internal control over financial reporting as a basis for designing our auditing procedures 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 Allegany County, Maryland's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Allegany County, Maryland's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Allegany County, Maryland's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted

accounting principles such that there is more than a remote likelihood that a misstatement of Allegany County, Maryland's financial statements that is more than inconsequential will not be prevented or detected by Allegany County, Maryland's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs, 2007-1, to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Allegany County, Maryland's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies, and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, the significant deficiency described above is considered to be a material weakness.

#### Compliance and Other Matters

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 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*.

Allegany County, Maryland's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Allegany County, Maryland's response and, accordingly, we express no opinion on it.

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.

*Turnbull, Hoover & Kahl, P.C.*

Cumberland, Maryland  
November 29, 2007

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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, 2007. 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 basic financial statements include the operations of the Allegany County Board of Education and Allegany College of Maryland, which received \$15,419,981 and \$4,169,741 of federal awards, respectively, which are not included in the schedule during the year ended June 30, 2007. 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, 2007.

## 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Allegany County, Maryland's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

## Schedule of Expenditures of Federal Awards

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, 2007, and have issued our report thereon dated November 29, 2007. Our audit was performed for the purpose of forming our 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 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.

*Turnbull, Harold; Kahl, R. L.*

Cumberland, Maryland  
November 29, 2007

**ALLEGANY COUNTY, MARYLAND**  
**PRIMARY GOVERNMENT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	Federal CFDA#	Federal Grant Number	Pass-Through Grantor's Number	Program Award Amount	Federal Expenditures	Pass Through to Subrecipients
<b>U.S. Department Of Agriculture</b>						
Direct:						
Rural Development:						
Potomac River Water Treatment Study	10.760	00-59	N/A	15,000	15,000	
Bowman Addition PPG	10.760		N/A	15,000	15,000	
APA BG/C Sewerage System Rehab	10.760	2007-1	N/A	2,285,000	618,363	
Georges Creek Sewerage System Rehab	10.760	2007-2	N/A	506,000	38,158	
Barton Business Park WWTP	10.766	24-001-0526000870	N/A	371,000	122,533	
Educational Facilities Loan-Mt Ridge	10.766	03-01	N/A	5,000,000	2,240,183	2,240,183
Educational Facilities Loan-Mt Ridge-Program Income	10.766	03-01	N/A	6,644	6,644	6,644
Morantown Water Grant	10.770	00-37, 00-46	N/A	637,500	93,343	
North Branch Industrial Park Renovations	23.002	00-60	N/A	500,000	500,000	
Natural Resource Conservation Service						
Emergency Watershed Protection-2004	10.904	68-3B19-5-488/489/490	N/A	1,528,000	40,737	
Dry Run Watershed	10.904	68-3B19-0-410/411	N/A	1,875,000	900	
Indirect:						
Food and Nutrition Service:						
Pass-Through Maryland Dept of Human Resources:						
Food Distribution To The Needy	10.550	N/A	CSA/FNS 06-001	18,046	6,419	6,419
Food Distribution To The Needy	10.550	N/A	CSA/FNS 07-001	12,300	5,681	5,681
Pass-Through Maryland Dept of Education						
Summer Camp Program	10.559	N/A	N/A	N/A	2,133	2,133
<b>Total U.S. Department Of Agriculture</b>					<b>\$ 3,705,094</b>	<b>\$ 2,261,060</b>
<b>U.S. Department of Commerce</b>						
Direct:						
Economic Development Administration:						
Upper Potomac Industrial Park Flood	11.300	01-01-07534.01	N/A	\$ 1,406,000	40,233	\$ -
<b>Total U.S. Department Of Commerce</b>					<b>\$ 40,233</b>	<b>\$ -</b>
<b>U.S. Department of Housing and Urban Development</b>						
Indirect:						
Community Planning and Development						
CDBG Project Income Lonaconing	14.219	N/A	N/A	N/A	-	
CDBG Project Income Housing	14.219	N/A	N/A	N/A	2,230	
Pass-Through Md Dept of Housing and Community Development						
Mt. Savage Flood Acquisition	14.219	N/A	B-04/05-24-0001	243,800	23,174	
CDBG Revolving Loan Program	14.219	N/A	MD-07-CD-22	230,000	53,645	
Federal Lead Program	14.905	N/A	N/A	N/A	145,450	
Emergency Shelter Grant						
Emergency Shelter Grant	14.231	N/A	2006-ESG-BOS-1	37,575	16,186	16
Emergency Shelter Grant	14.231	N/A	2007-ESG-BOS-1	29,700	14,225	14
Special Target Area Grant	14.239	N/A	N/A	N/A	48,070	
Pass-Through Maryland Dept of Housing and Community Development						
Section 8 Mod Rehab	14.856	P-3525	MD06-K020	N/A	13,116	
Section 8 Mod Rehab-Admin	14.856	P-3525	MD06-K020	N/A	2,745	
Section 8 Voucher-Admin	14.871	P-3507V	MD06-V020	N/A	59,061	
Section 8 Voucher	14.871	P-3507V	MD06-V020	N/A	663,852	
<b>Total U.S. Department of HUD</b>					<b>\$ 1,041,754</b>	<b>\$ -</b>

**ALLEGANY COUNTY, MARYLAND**  
**PRIMARY GOVERNMENT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**U.S. Department of Justice**

Indirect:

Governor's Office of Crime Control and Prevention  
Violence Against Women Grant  
City of Cumberland, Maryland  
JAG Grant

16.588	VAWA-2003-1167	94,078	44,799	44,799
16.579	2005-F4517-MD-DJ	N/A	2,803	

**Total U.S. Department Of Justice**

<b>\$</b>	<b>47,602</b>	<b>\$</b>	<b>44,799</b>
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**U.S. Department of Transportation**

Indirect:

Federal Highway Administration:

Passed Through Maryland Dept of Transp

Rye Street Bridge	20.205	FAP No. BRO-1(822)E		100,141
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Urban Mass Trans Admin:

Passed Through Maryland Dept of Transp

Capital Assistance MTA	20.507	MD-90-0069	MD-90-0101	-	3,600
Capital Assistance MTA	20.507	MD-90-0063/0069/0094	MD-90-0094	-	417
Capital Assistance MTA	20.507	MD-90-0094	MD-90-0094/0107	-	18,736
Capital Assistance MTA	20.507	MD-90-0101	MD-90-0101/0107	-	48,583
Operating Assistance	20.507	MD-90-4101	MD-90-4101	-	379,830
Operating Assistance	20.507	MD-90-4089	MD-90-4089	-	88,000
Job Access & Reverse Commute	20.516	MD-37-4006	MD-37-4007/4004	-	92,333

Urban Mass Trans. Admin & Federal  
Highway Administration

Passed-Through Maryland Dept of  
Transportation

Unified Planning Work Program 07	20.505	N/A	N/A	N/A	73,847
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Federal Highway Administration

Passed through MD Inst Emergency

Medical Services

EMT - Region 1 Fire Equipment	20.600	N/A	N/A	N/A	25,170
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**Total U.S. Department Of Transportation**

<b>\$</b>	<b>830,657</b>	<b>\$</b>	
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**Appalachian Region Commission**

Indirect:

Passed Through Maryland Office of Planning:

GIS Coordination Plan	23.011	N/A	ARC-10952-C12	20,000	20,000
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Passed through Maryland Department of Transportation

Commerce Center Access Road

23.003	AL350ZMI	128,000	128,000
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**Total Appalachian Region Commission**

<b>\$</b>	<b>148,000</b>	<b>\$</b>	
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ALLEGANY COUNTY, MARYLAND  
PRIMARY GOVERNMENT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Environmental Protection Agency

Indirect:							
Passed Through Maryland Department of Environment							
Capitalization Grants for State Revolving	66.458	N/A	N/A	N/A	398,368		
<b>Total Environmental Protection Agency</b>						<b>\$ 398,368</b>	<b>\$ -</b>

U.S. Department of Health and Human Services

Indirect:							
Passed Through Allegany County Department of Social Services							
TANF Grant	93.596	N/A	ACDSS/FIA 2006-008		1,368	1,368	
Child Care And Development Block Grant	93.575	N/A		220,000	153,721	149,321	
Family Support Administration:							
Pass Through Maryland Dept of Human Resources:							
Master's Program	93.563	N/A	CSEA/CR 06-003	63,860	62,860		
<b>Total U.S. Department of Health and Human Services</b>						<b>\$ 217,949</b>	<b>\$ 150,689</b>

Federal Emergency Management

Indirect:							
Passed Through Maryland Emergency Management Agency							
Civil Defense	97.042	N/A	N/A		46,286		
05 Flood Mitigation	97.029	N/A	N/A	192,375	72,786		
06 Flood Mitigation	97.029	N/A	N/A	170,250	45,885		
Hazardous Materials Emergency	97.039	N/A	N/A	5,773	5,773		
<b>Total Federal Emergency Management</b>						<b>\$ 170,730</b>	<b>\$ -</b>

U.S. Department of Homeland Security

Indirect:							
Passed Through Maryland Emergency Management Agency							
Citizens Corp	97.067	N/A	N/A	20,000	8,000		
FY 04 State Domestic Preparedness	97.067	N/A	N/A	389,354	37,397		
FY 05 State Domestic Preparedness	97.067	N/A	N/A	337,500	219,546		
FY 06 State Domestic Preparedness	97.067	N/A	N/A		91,377		
<b>Total U.S. Department of Homeland Security</b>						<b>\$ 356,320</b>	<b>\$ -</b>

<b>Grand Total</b>					<b>\$ 6,956,707</b>	<b>\$ 2,486,959</b>	
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**ALLEGANY COUNTY, MARYLAND**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2007**

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 of Agriculture has been designated oversight audit agency for Allegany County, Maryland.

**ALLEGANY COUNTY, MARYLAND**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2007**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unqualified opinion on the financial statements of Allegany County, Maryland.
2. One significant deficiency disclosed during the audit of the financial statements is reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. The condition is reported as a material weakness.
3. No instances of noncompliance material to the financial statements of Allegany County, Maryland, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies relating to the audit of major federal award programs are reported in the Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for Allegany County, Maryland expresses an unqualified opinion on all major federal programs.
6. There are no findings, other than the aforementioned material weakness, that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 reported in this Schedule.
7. The programs tested as major programs include:

U.S. Department of Agriculture	10.760
U.S. Department of Agriculture	10.766
Appalachian Regional Commission	23.002
8. The threshold used for distinguishing Types A and B programs was \$300,000.
9. Allegany County, Maryland did not qualify as a low risk auditee.

**ALLEGANY COUNTY, MARYLAND**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2007**

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

**SIGNIFICANT DEFICIENCIES**

**2007-1 Material Adjusting Journal Entries**

*Condition and Criteria:* Material adjusting journal entries were discovered, proposed, and recorded during the course of the financial audit of Allegany County, Maryland. None of those adjustments affected federal programs.

*Effect:* Upon the commencement of the financial audit, the County's original books of account were materially misstated.

*Recommendation:* The auditor recommends that management design additional controls over the preparation of the financial statements to prevent or detect material misstatements.

*Grantee Response:* The County's Finance Office will strengthen its review processes regarding financial transactions, which will be performed prior to the preparation of the final books of account.

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

None

**ALLEGANY COUNTY, MARYLAND**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**YEAR ENDED JUNE 30, 2007**

DEPARTMENT OF AGRICULTURE

FINDING 2006-1: Omission of Water and Waste Disposal Systems for Rural Communities Program

*Condition:* Allegany County, Maryland failed to be in compliance with the requirement that all major federal program expenditures be reported on the Schedule of Expenditures of Federal Awards. This major program was inadvertently omitted from the schedule.

*Current Status:* No similar findings were noted in the 2007 audit.