

**ALLEGANY COUNTY, MARYLAND  
SINGLE AUDIT REPORT  
JUNE 30, 2016**

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

**ALLEGANY COUNTY, MARYLAND  
SINGLE AUDIT REPORT  
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Independent Auditors' 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  
Cumberland, Maryland

We have audited, in accordance with the 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 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, 2016, and the related notes to the financial statements, which collectively comprise Allegany County, Maryland's basic financial statements, and have issued our report thereon dated May 18, 2017. Our report includes a reference to other auditors who audited the financial statements of Allegany County Board of Education, Allegany County Library System, and 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 of the financial statements, we considered Allegany County, Maryland's internal control over financial reporting (internal control) 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 Allegany County, Maryland's internal control. Accordingly, we do not express an opinion on the effectiveness of Allegany County, Maryland's internal control.

A *deficiency in internal control* 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 a combination of deficiencies, in internal control, 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 control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Allegany County, Maryland'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 control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Frank W. Kahl, CPA". The signature is fluid and cursive, with "Frank" and "W." being the initials, "Kahl" being the surname, and "CPA" being the professional designation.

Cumberland, Maryland  
May 18, 2017

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## Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Allegany County Commissioners  
Cumberland, Maryland

### **Report on Compliance for Each Major Federal Program**

We have audited Allegany County, Maryland's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Allegany County, Maryland's major federal programs for the year ended June 30, 2016. 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.

Allegany County, Maryland's basic financial statements include the operations of the Allegany County Board of Education, Allegany College of Maryland and LaVale Sanitary Commission, which received \$13,428,924, \$16,741,185, and \$612,107 in federal awards, respectively, which is not included in Allegany County, Maryland's schedule of expenditures of federal awards during the year ended June 30, 2016. Our audit, described below, did not include the operations of the Allegany County Board of Education and LaVale Sanitary Commission because the component units engaged other auditors to perform an audit in accordance with the Uniform Guidance.

### **Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of Allegany County, Maryland's major federal programs based on our audit of the types of compliance requirements referred to above. 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 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). Those standards and the Uniform Guidance 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 considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Allegany County, Maryland's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, Allegany County, Maryland, complied, in all material respects, with the types of 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, 2016.

### **Report on Internal Control Over Compliance**

Management of Allegany County, Maryland, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Allegany County, Maryland's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Allegany County, Maryland's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Report on Schedule of Expenditures of Federal Awards Required by the Uniform  
Guidance**

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, 2016, and the related notes to the financial statements, which collectively comprise Allegany County, Maryland's basic financial statements. We issued our report thereon dated May 18, 2107, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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.

A handwritten signature in black ink, appearing to read "Turnbull, Howard & Kahl, P.A." The signature is cursive and somewhat stylized.

Cumberland, Maryland  
May 18, 2017

**ALLEGANY COUNTY, MARYLAND**  
**PRIMARY GOVERNMENT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

|  | <b>Federal<br/>CFDA#</b> | <b>Federal<br/>Grant Number</b> | <b>Pass-Through<br/>Grantor's<br/>Number</b> | <b>Program<br/>Award Amount</b> | <b>Federal<br/>Expenditures</b> | <b>Pass<br/>Through to<br/>Subrecipients</b> |
|--|--------------------------|---------------------------------|--|---------------------------------|---------------------------------|--|
| <b>U.S. Department Of Agriculture</b>                        |                          |                                 |  |                                 |                                 |  |
| Direct:  |                          |                                 |  |                                 |                                 |  |
| Rural Development:   |                          |                                 |  |                                 |                                 |  |
| Rawlings-Detention Center                                    | 10.760                   | USDA Grant                      |  | 869,000                         | 601,069                         |  |
| Rawlings Phase III   | 10.760                   | USDA Grant                      |  | 450,000                         | 312,992                         |  |
| Route 36 Water Project                                       | 10.760                   | USDA Grant                      | 00-48  | 600,000                         | 330,749                         |  |
| Route 36 Water Project                                       | 10.760                   | USDA Loan                       | 00-48  | 100,000                         | 100,000                         |  |
| Wright's Crossing Pump Station                               | 10.760                   | USDA Loan                       |  | 3,000,000                       | 1,486,060                       |  |
| <b>Total U.S. Department Of Agriculture</b>                  |                          |                                 |  |                                 | <b>\$ 2,830,870</b>             | <b>\$ -</b>                                  |
| <b>U.S. Department of Housing and Urban Development</b>      |                          |                                 |  |                                 |                                 |  |
| Indirect   |                          |                                 |  |                                 |                                 |  |
| Pass-Through Md Dept of Housing and<br>Community Development |                          |                                 |  |                                 |                                 |  |
| CDBG-Property Acquisition                                    | 14.228                   | N/A                             | MD-15-DR-2                                   | 295,000                         | 70,640                          | 50,190                                       |
| CDBG-Bowling Green Water Phase I                             | 14.228                   | N/A                             | MD-15-CD-30                                  | 1,613,433                       | 1,234,688                       |  |
| Emergency Solutions Grant                                    | 14.231                   | N/A                             | 14-ESG-01-2013                               | 107,257                         | 68,541                          | 68,541                                       |
| Emergency Solutions Grant                                    | 14.231                   | N/A                             | 15-ESG-12-2014                               | 121,930                         | 88,247                          | 88,247                                       |
| Emergency Solutions Grant                                    | 14.231                   | N/A                             | 16-ESG-01-2015                               | 112,306                         | 14,123                          | 14,123                                       |
| Pass-Through Md Dept of Housing and<br>Community Development |                          |                                 |  |                                 |                                 |  |
| Section 8 Voucher  | 14.871                   | P-3507V                         | MD06-V020                                    | N/A                             | 939,998                         | 939,998                                      |
| <b>Total U.S. Department of HUD</b>                          |                          |                                 |  |                                 | <b>\$ 2,416,237</b>             | <b>\$ 1,161,099</b>                          |

**ALLEGANY COUNTY, MARYLAND**  
**PRIMARY GOVERNMENT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**U.S. Department of Justice**

Indirect:

|   |        |     |                |        |                        |
|---|--------|-----|----------------|--------|------------------------|
| Maryland State Police                   | 16.738 | N/A | BJAG-2010-0033 | 56,545 | 34,914                 |
| JAG Grant                               |        |     |                |        | <hr/> <u>\$ 34,914</u> |
| <b>Total U.S. Department Of Justice</b> |        |     |                |        | <b>\$ -</b>            |

**U.S. Department of Transportation**

Indirect:

|  |        |     |            |         |                         |
|--|--------|-----|------------|---------|-------------------------|
| Urban Mass Trans Admin:                        |        |     |            |         |                         |
| Passed Through Maryland Dept of Transp         |        |     |            |         |                         |
| Capital Assistance MTA                         | 20.507 | N/A | MD-90-0118 | 18,000  | 2,060                   |
| Capital/ Operating Assistance\Preventive Maint | 20.507 | N/A | MD-90-4118 | 808,837 | 745,009                 |
| <br>Urban Mass Trans. Admin & Federal          |        |     |            |         |                         |
| Highway Administration                         |        |     |            |         |                         |
| Passed-Through Maryland Dept of                |        |     |            |         |                         |
| Transportation                                 |        |     |            |         |                         |
| Unified Planning Work Program 13               | 20.505 | N/A | FY15 UPWP  | N/A     | 91,959                  |
| Maryland Motor Vehicle Admin                   | 20.607 | N/A | LE 16-053  | N/A     | 12,753                  |
| <b>Total U.S. Department Of Transportation</b> |        |     |            |         | <hr/> <u>\$ 851,781</u> |
|  |        |     |            |         | <b>\$ -</b>             |

**ALLEGANY COUNTY, MARYLAND**  
**PRIMARY GOVERNMENT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**Appalachian Region Commission**

|           |        |                |         |            |   |
|-----------|--------|----------------|---------|------------|---|
| ARC Grant | 23,011 | MD-17560-C1-15 | 100,000 | \$ 100,000 | - |
|-----------|--------|----------------|---------|------------|---|

**Total Appalachian Region Commission**

**U.S. Department of Health and Human Services**

|   |     |                |        |           |   |
|---|-----|----------------|--------|-----------|---|
| Family Support Administration:                |     |                |        |           |   |
| Pass Through Maryland Dept of Human Resources |     |                |        |           |   |
| Master's Program                              |     |                |        |           |   |
| 93,563  | N/A | CSEA/CR 06-003 | 64,495 | \$ 64,495 | - |

**Total U.S. Department of Health and Human Services**

**Federal Emergency Management**

|   |            |                      |            |            |            |
|---|------------|----------------------|------------|------------|------------|
| Indirect:   |            |                      |            |            |            |
| Passed Through Maryland Emergency Management Agency |            |                      |            |            |            |
| 2016 Snowstorm                                      |            |                      |            |            |            |
| 97,036  | N/A        | FEMA-4261-DR-MD      | 110,705    | \$ 110,705 | -          |
| Hazardous Materials Emergency                       |            |                      |            |            |            |
| Hazardous Materials Emergency-Flood Mitigation      |            |                      |            |            |            |
| Civil Defense                                       |            |                      |            |            |            |
| 97,042  | N/A        | FY 2016              | 8,880      | \$ 8,880   | -          |
| FEMA-DR-4091-MD-0025                                |            |                      |            |            |            |
| FY 2015   |            |                      |            |            |            |
| 97,042  | N/A        | FEMA-DR-4091-MD-0025 | 14,583     | \$ 14,583  | -          |
| 83,574  |            |                      |            |            |            |
| Total Federal Emergency Management                  |            |                      |            |            |            |
| \$ 217,742  | \$ 217,742 | \$ 217,742           | \$ 217,742 | \$ 217,742 | \$ 217,742 |

**U.S. Department of Homeland Security**

|   |              |              |              |              |              |
|---|--------------|--------------|--------------|--------------|--------------|
| Indirect:   |              |              |              |              |              |
| Passed Through Maryland Emergency Management Agency |              |              |              |              |              |
| State Domestic Preparedness                         |              |              |              |              |              |
| 97,073  | N/A          | SHSP         | 208,971      | \$ 208,971   | -            |
| Total U.S. Department of Homeland Security          |              |              |              |              |              |
| \$ 6,725,010  | \$ 6,725,010 | \$ 6,725,010 | \$ 6,725,010 | \$ 6,725,010 | \$ 6,725,010 |

**Grand Total**

**ALLEGANY COUNTY, MARYLAND**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2016**

Note 1.

**Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal award activity of Allegany County, Maryland under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the 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). Because the schedule presents only a selected portion of the operations of Allegany County, Maryland, it is not intended to and does not present the financial position, changes in financial position, or cash flows of Allegany County, Maryland.

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.

**Summary of Significant Accounting Policies**

Expenditures reported on the schedule of expenditures of federal awards are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or 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*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3.

**Oversight Agency**

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

**ALLEGANY COUNTY, MARYLAND**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2016**

Note 4. Pass-Through to Subrecipients  
Allegany County, Maryland provided federal awards to subrecipients as follows:

| <b><u>Program Title</u></b> | <b><u>CFDA Number</u></b> | <b><u>Provided</u></b> |
|-----------------------------|---------------------------|------------------------|
| CDBG-Property Acquisition   | 14.228                    | \$50,190               |
| Emergency Solutions Grant   | 14.231                    | \$ 170,911             |
| Section 8 Voucher           | 14.871                    | \$ 939,998             |

Note 5. Indirect Cost Rate  
Allegany County, Maryland has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

**ALLEGANY COUNTY, MARYLAND**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2016**

**A. SUMMARY OF AUDITORS' RESULTS**

1. The auditors' report expresses an unmodified opinion on whether the financial statements of Allegany County, Maryland were prepared in accordance with generally accepted accounting principles.
2. No significant deficiencies disclosed during the audit of the financial statements are reported in the Independent Auditors' 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*.
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 the major federal awards programs are reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The auditors' report on compliance for the major federal award programs for Allegany County, Maryland expresses an unmodified opinion on all major federal programs.
6. There are no audit findings that are required to be reported in accordance with 2 CFR section 200.516(a).
7. The programs tested as major programs included:

|  |        |
|--|--------|
| U.S. Department of Housing and Urban Development | 14.228 |
| U.S. Department of Housing and Urban Development | 14.871 |

8. The threshold used for distinguishing Types A and B programs was \$750,000.
9. Allegany County, Maryland was determined to be a low-risk auditee.

**B. FINDINGS - FINANCIAL STATEMENTS AUDIT**

None

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

None

**ALLEGANY COUNTY, MARYLAND**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**YEAR ENDED JUNE 30, 2016**

D. FINANCIAL STATEMENT AUDIT

None

E. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS  
AUDIT

None