

FREDERICK COUNTY, MARYLAND

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

For the Year Ended June 30, 2015



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JUNE 30, 2015

CONTENTS

Report of Independent Public Accountants	1
Report of Independent Public Accountants on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	4
Report of Independent Public Accountants on Compliance for Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	6
Schedule of Expenditures of Federal Awards	8
Notes to the Schedule of Expenditures of Federal Awards	11
Schedule of Findings and Questioned Costs	13
Schedule of Prior Year Findings and Questioned Costs	15



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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

County Executive, Jan H. Gardner
Members of the County Council
Frederick County, Maryland

Report on the Financial Statements

We have audited the accompanying 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 Frederick County, Maryland (the County), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements.

Management's Responsibility for the Financial Statements

The County's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Frederick County, Maryland, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general and agricultural preservation funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note H to the financial statements, during the year ended June 30, 2015, the County adopted new accounting guidance from Government Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions". Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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



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Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, combining and individual fund statements, budgetary comparison schedules, capital assets used in the operation of governmental funds, statistical tables and the schedule of expenditures of Federal awards, as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budgetary comparison schedules, capital assets used in the operation of governmental funds and the schedule of expenditures of Federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic 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 accompanying combining and individual fund statements, budgetary comparison schedules, capital assets used in the operation of governmental funds, and the schedule of expenditures of Federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2015, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Hunt Valley, Maryland
November 19, 2015

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**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS 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***

County Executive, Jan H. Gardner
Members of the County Council
Frederick County, Maryland

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Frederick County, Maryland (the County) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 19, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County'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 the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County'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.

Hunt Valley, Maryland
November 19, 2015

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**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

County Executive, Jan H. Gardner
Members of the County Council
Frederick County, Maryland

Report on Compliance for Each Major Federal Program

We have audited Frederick County, Maryland's (the County's) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the County's major Federal programs for the year ended June 30, 2015. The County's major Federal programs are identified in the Summary of Independent Public Accountant's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County'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 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 the County'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 on compliance for each major Federal program. However, our audit does not provide a legal determination of the County's compliance.



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Opinion on Each Major Federal Program

In our opinion, the County 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, 2015.

Report on Internal Control over Compliance

Management of the County 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 compliance audit, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program as a basis for designing 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 OMB Circular A-133, 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 the County'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.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Hunt Valley, Maryland
December 11, 2015

SBC & Company, LLC

FREDERICK COUNTY, MARYLAND

Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2015

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures	Cluster Total
U.S. Department of Agriculture			
Pass-through National Fish and Wildlife Foundation			
Forest Stewardship Program	10.678	\$ 11,640	
Total U.S. Department of Agriculture		<u>11,640</u>	
U.S. Department of Housing and Urban Development			
Pass-through Maryland Department of Housing and Community Development:			
Community Development Block Grant	14.228	375,335	
Emergency Shelter Grant Program	14.231	40,683	
Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	14.856	149,111	
Housing Voucher Cluster:			
Section 8 Housing Choice Voucher	14.871	5,025,022	
Family Unification Program (FUP)	14.880	<u>342,181</u>	
Total Housing Voucher Cluster		<u>5,367,203</u>	
Total U.S. Department of Housing and Urban Development		<u>5,932,333</u>	
U.S. Department of Interior			
Payments in Lieu of Taxes	15.226	<u>22,430</u>	
Pass-through Maryland Association of Historic District Commissions			
Historic Preservation Fund Grants In Aid	15.904	<u>5,256</u>	
Total U.S. Department of Interior		<u>27,686</u>	
U.S. Department of Justice			
State Criminal Alien Assistance Program	16.606	35,617	
Pass-through Governor's Office of Crime Control and Prevention			
Crime Victim Assistance	16.575	97,128	
Edward Byrne Memorial Justice Assistance Grant	16.738	<u>21,960</u>	
Total U.S. Department of Justice		<u>154,706</u>	
U.S. Department of Labor			
Pass-through Maryland Department of Labor, Licensing and Regulation			
Employment Service Cluster:			
Employment Service/Wagner-Peyser Funded Activities	17.207	4,039	
Disabled Veterans' Outreach Program	17.801	1,304	
Local Veterans' Employment Representative Program	17.804	<u>871</u>	
Total Employment Service Cluster:			6,214
Trade Adjustment Assistance	17.245	823	
WIA Cluster:			
WIA Adult Program	17.258	282,343	
WIA Youth Activities	17.259	306,491	
WIA Dislocated Workers Formula Grants	17.278	815,996	
Total WIA Cluster			1,404,830
Temporary Labor Certification for Foreign Workers	17.273	<u>411</u>	
Total U.S. Department of Labor		<u>1,412,278</u>	

The accompanying notes are an integral part of this schedule.

FREDERICK COUNTY, MARYLAND

Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2015

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures	Cluster Total
U.S. Department of Transportation			
Pass-through Maryland Department of Transportation			
Highway Planning and Construction - Federal-Aid Highway Program	20.205	3,910,233	
Federal Transit - Formula Grants - Urbanized Area Formula Program	20.507	2,197,424	
Formula Grants for Rural Areas	20.509	369,107	
Interagency Hazardous Materials Public Sector Training & Planning	20.703	6,317	
Total U.S. Department of Transportation		<u>6,483,082</u>	
National Endowment for the Humanities			
Pass-through American Library Association			
Promotion of the Humanities- Public Programs	45.164	1,965	
Pass-through Maryland State Department of Education			
State Library Program	45.310	<u>11,896</u>	
Total National Endowment for the Humanities		<u>13,861</u>	
U.S. Environmental Protection Agency			
Climate Showcase Communities Grant Program	66.041	13,911	
Pass-through Maryland Department of the Environment			
Nonpoint Source Implementation Grants - Lower Monocacy	66.460	42,440	
Chesapeake Bay Program - Neighborhood Green Grant	66.466	104,840	
Total U.S. Environmental Protection Agency		<u>161,192</u>	
U.S. Department of Education			
Pass-through Maryland Department of Education			
Special Education Cluster:			
Special Education - Grants to States - Individuals Disabilities			
Education Act (IDEA part B)	84.027	150,675	
Special Education - Preschool Grants - Individuals Disabilities			
Education Act (IDEA part B 619)	84.173	7,796	
Total Special Education Cluster			158,471
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	30,973	
Special Education - Grants for Infants and Families with Disabilities -			
Individuals Disabilities Education Act (IDEA part C)	84.181	224,059	
Total U.S. Department of Education		<u>413,502</u>	

The accompanying notes are an integral part of this schedule.

FREDERICK COUNTY, MARYLAND

Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2015

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures	Cluster Total
U.S. Department of Health and Human Services			
Pass-through Maryland Office of Aging			
Special Programs for the Aging - Title VII, Chapter 2 - Ombudsman Services for Older Individuals	93.042	\$ 11,402	
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	93.043	3,431	
Aging Cluster:			
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	204,847	
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	224,606	
Nutrition Services Incentive Program	93.053	28,744	
Total Aging Cluster			458,197
Special Programs for the Aging - Title IV and Title II - Discretionary Projects	93.048	7,917	
National Family Caregiver Support - Title III, Part E	93.052	76,893	
Medicare Enrollment Assistance Program- MIPPA	93.071	11,115	
Balancing Incentives Program	93.778	122,428	
Centers for Medicare and Medicaid Services Research, Demonstrations and Evaluations - Senior Health Insurance Program	93.779	15,797	
Pass-through Maryland Family Network			
Community-Based Child Abuse Prevention Grant - Family Support Center	93.590	26,067	
Pass-through Maryland Department of Human Resources			
Promoting Safe and Stable Families	93.556	178,916	
Temporary Assistance for Needy Families (TANF)	93.558	31,158	
Child Support Enforcement	93.563	981,713	
Pass-through Maryland Institute for Emergency Medical Services Systems			
Hospital Preparedness Program and Public Health Emergency Preparedness	93.074	66	
Total U.S. Department of Health and Human Services			<u>1,925,100</u>
U.S. Department of Homeland Security			
Assistance to Firefighters Grant	97.044	119,548	
Pass-through Maryland Emergency Management Agency			
Hazard Mitigation Grant Program (HMGP)	97.039	11,799	
Emergency Management Performance	97.042	129,257	
Homeland Security Grant Program	97.067	217,239	
Total U.S. Department of Homeland Security			<u>477,843</u>
Total Expenditures of Federal Awards			<u><u>\$ 17,013,221</u></u>

The accompanying notes are an integral part of this schedule.

FREDERICK COUNTY, MARYLAND

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

All Federal grant operations of Frederick County, Maryland (the County) are included in the scope of Office of Management and Budget (OMB) Circular A-133 audit (the Single Audit). The Single Audit was performed in accordance with the provisions of the OMB Circular A-133, Compliance Supplement (the Compliance Supplement). Compliance testing of all requirements, as described in the Compliance Supplement, was performed for the grant programs noted below. These programs represent all Federal award programs with fiscal year 2015 cash or non-cash expenditure activities in order to meet the 25% coverage requirement. We have evaluated the Federal financial assistance programs of the County for the year ended June 30, 2015, and have selected those major programs for testing. Our actual coverage was 67%. The major programs tested are listed below.

Major Programs	CFDA Number	Federal Expenditures
U.S. Department of Housing and Urban Development		
Section 8 Housing Choice Voucher	14.871	\$ 5,025,022
Family Unification Program (FUP)	14.880	<u>342,181</u>
Total Housing Voucher Cluster		<u>5,367,203</u>
U.S. Department of Transportation		
Highway Planning and Construction - Federal-Aid Highway Program	20.205	3,910,233
Federal Transit - Formula Grants - Urbanized Area Formula Program	20.507	<u>2,197,424</u>
Total Major Programs		<u>\$ 11,474,860</u>

2. BASIS OF PRESENTATION

The accompanying schedule of expenditures of Federal awards has been prepared on the accrual basis of accounting.

FREDERICK COUNTY, MARYLAND

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2015

3. SUB-RECIPIENTS

Of the Federal expenditures presented in the Schedule, the County provided Federal awards to recipients as follows:

Program	CFDA Number	Amounts Provided to Subrecipients
U.S. Department of Housing and Urban Development		
Community Development Block Grant	14.228	\$ 300,000
Emergency Shelter Grant Program - ESG Advocates	14.231	3,623
Emergency Shelter Grant Program - ESG Advocates	14.231	11,156
Emergency Shelter Grant Program - ESG Heartly House	14.231	14,222
Emergency Shelter Grant Program - ESG Heartly House	14.231	11,681
Total U.S. Department of Housing and Urban Development		<u><u>340,682</u></u>
U.S. Environmental Protection Agency		
Climate Showcase Communities Grant Program	66.041	<u>2,489</u>
Total U.S. Environmental Protection Agency		<u><u>2,489</u></u>
U.S. Department of Homeland Security		
Hazard Mitigation Grant Program (HMGP)	97.039	11,799
Homeland Security Grant Program - FFY13	97.067	22,553
Homeland Security Grant Program - FFY14	97.067	20,674
Total U.S. Department of Homeland Security		<u><u>55,026</u></u>
Total	\$	<u><u>398,197</u></u>

FREDERICK COUNTY, MARYLAND

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2015

Section I - Summary of Independent Public Accountant's Results

Financial Statements

Type of Independent Public Accountant's report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies?	None reported
Noncompliance material to the financial statements noted?	No

Federal Awards

Type of Independent Public Accountant's report issued on compliance for major programs:	Unmodified
Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies?	None reported
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	No

Identification of Major Programs:

Major Programs	CFDA Number	Federal Expenditures
U.S. Department of Housing and Urban Development		
Section 8 Housing Choice Voucher	14.871	\$ 5,025,022
Family Unification Program (FUP)	14.880	<u>342,181</u>
Total Housing Voucher Cluster		<u>5,367,203</u>
U.S. Department of Transportation		
Highway Planning and Construction - Federal-Aid Highway Program	20.205	3,910,233
Federal Transit - Formula Grants - Urbanized Area Formula Program	20.507	<u>2,197,424</u>
Total Major Programs		<u>\$ 11,474,860</u>

Threshold for distinguishing between Type A and B programs	\$510,397
Did the County qualify as a low risk auditee?	Yes

FREDERICK COUNTY, MARYLAND

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015**

Section II - Financial Statement Findings

None noted.

Section III - Federal Award Findings

None noted.

FREDERICK COUNTY, MARYLAND

**Schedule of Prior Year Findings and Questioned Costs
For the Year Ended June 30, 2015**

No Prior Year Findings.