

FREDERICK COUNTY, MARYLAND

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

For the Year Ended June 30, 2016



SB & COMPANY, LLC
KNOWLEDGE • QUALITY • CLIENT SERVICE

JUNE 30, 2016

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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 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, 2016, 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.



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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, 2016, 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.

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.

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 audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), (collectively, the Supplemental Information), are presented for purposes of additional analysis and are not a required part of the basic financial statements.



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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 21, 2016, 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 21, 2016



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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, 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, 2016, 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 21, 2016.

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 21, 2016

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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 THE UNIFORM GUIDANCE**

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) 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, 2016. 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 compliance audit 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 (CFR) 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 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.

FREDERICK COUNTY, MARYLAND

Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2016

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, 2016.

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 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 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Hunt Valley, Maryland
January 17, 2017



FREDERICK COUNTY, MARYLAND

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016**

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	<u>Cluster Total</u>
U.S. Department of Housing and Urban Development			
Pass-through Maryland Department of Housing and Community Development:			
Emergency Shelter Grant Program	14.231	\$ 24,116	
Home Investment Partnerships Program	14.239	1,621	
Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	14.856	130,905	
Housing Voucher Cluster:			
Section 8 Housing Choice Voucher	14.871	5,790,700	
Total Housing Voucher Cluster			\$ 5,790,700
Total U.S. Department of Housing and Urban Development		<u>5,947,342</u>	
U.S. Department of Interior			
Payments in Lieu of Taxes	15.226	26,701	
Total U.S. Department of Interior		<u>26,701</u>	
U.S. Department of Justice			
Pass-through Governor's Office of Crime Control and Prevention			
Crime Victim Assistance	16.575	99,530	
Edward Byrne Memorial Justice Assistance Grant	16.738	98,873	
Total U.S. Department of Justice		<u>198,403</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	8,847	
Disabled Veterans' Outreach Program	17.801	2,091	
Total Employment Service Cluster:			10,938
Trade Adjustment Assistance	17.245	642	
WIA Cluster:			
WIA Adult Program	17.258	275,192	
WIA Youth Activities	17.259	321,654	
WIA Dislocated Workers Formula Grants	17.278	719,234	
Total WIA Cluster			1,316,080
Temporary Labor Certification for Foreign Workers	17.273	395	
Total U.S. Department of Labor		<u>1,328,055</u>	
U.S. Department of Transportation			
Pass-through Maryland Department of Transportation			
Highway Planning and Construction - Federal-Aid Highway Program	20.205	5,263,623	
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	58,150	
Federal Transit - Formula Grants - Urbanized Area Formula Program	20.507	3,324,340	
Formula Grants for Rural Areas	20.509	1,802,965	
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	1,280	
Interagency Hazardous Materials Public Sector Training & Planning	20.703	12,155	
Total U.S. Department of Transportation		<u>10,462,513</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, 2016**

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures	Cluster Total
National Endowment for the Humanities			
Pass-through American Library Association			
Promotion of the Humanities- Public Programs	45.164	\$ 8,035	
Pass-through Maryland State Department of Education			
State Library Program	45.310	23,067	
Total National Endowment for the Humanities		31,102	
U.S. Environmental Protection Agency			
Pass-through Maryland Department of the Environment			
Nonpoint Source Implementation Grants - Lower Monocacy	66.460	31,818	
Chesapeake Bay Program - Neighborhood Green Grant	66.466	119,144	
Total U.S. Environmental Protection Agency		150,962	
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	164,532	
Special Education - Preschool Grants - Individuals Disabilities Education Act (IDEA part B 619)	84.173	15,942	
Total Special Education Cluster			\$ 180,474
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	38,331	
Special Education - Grants for Infants and Families with Disabilities - Individuals Disabilities Education Act (IDEA part C)	84.181	215,326	
Race to the Top - Early Learning Challenge	84.412	10,000	
Total U.S. Department of Education		444,131	
U.S. Department of Health and Human Services			
Pass-through Maryland Office of Aging			
Special Programs for the Aging - Title VII, Chapter 3 - Prevention of Elder Abuse, Neglect, and Exploitation	93.041	3,390	
Special Programs for the Aging - Title VII, Chapter 2 - Ombudsman Services for Older Individuals	93.042	12,047	
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	93.043	10,335	
Aging Cluster:			
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	219,204	
Special Programs for the Aging - Title III, Part C - Nutrition Services Nutrition Services Incentive Program	93.045 93.053	224,217 55,554	
Total Aging Cluster			498,975
Special Programs for the Aging - Title IV and Title II - Discretionary Projects	93.048	4,322	
National Family Caregiver Support - Title III, Part E	93.052	66,647	
Medicare Enrollment Assistance Program- MIPPA	93.071	7,688	
State Health Insurance Assistance Program	93.324	25,003	
Balancing Incentives Program	93.778	30,883	

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, 2016**

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures	Cluster Total
U.S. Department of Health and Human Services (continued)			
Pass-through Maryland Family Network			
Community-Based Child Abuse Prevention Grant - Family Support Center	93.590	\$ 27,000	
Pass-through Maryland Department of Human Resources			
Promoting Safe and Stable Families	93.556	170,000	
TANF Cluster:			
Temporary Assistance for Needy Families (TANF)	93.558	26,709	
Total TANF Cluster			\$ 26,709
Child Support Enforcement	93.563	997,364	
Pass-through Maryland Institute for Emergency Medical Services Systems			
Hospital Preparedness Program and Public Health Emergency Preparedness	93.074	10,068	
Total U.S. Department of Health and Human Services		<u>1,890,431</u>	
Corporation for National and Community Service			
Pass-through Maryland Department of Labor, Licensing and Regulation			
Retired and Senior Volunteer Program	94.002	1,092	
Total Corporation for National and Community Service		<u>1,092</u>	
U.S. Department of Homeland Security			
Assistance to Firefighters Grant	97.044	1,795,514	
Staffing for Adequate Fire and Emergency Response	97.083	47,280	
Pass-through Maryland Emergency Management Agency			
Disaster Grants - Public Assistance	97.036	854,566	
Hazard Mitigation Grant Program (HMGP)	97.039	54,162	
Emergency Management Performance	97.042	31,573	
Homeland Security Grant Program	97.067	166,389	
Total U.S. Department of Homeland Security		<u>2,949,484</u>	
Total Expenditures of Federal Awards		\$ 23,430,216	

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, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

All Federal grant operations of Frederick County, Maryland (the County) are included in the scope of Title 2 U.S. Code of Federal Regulations part 200, Uniform Administration Requirement, Cost Principles, and Audit Requirements for Federal Awards (the Single Audit). The Single Audit was performed in accordance with the provisions of the OMB Compliance Supplement (the Compliance Supplement). Compliance testing of all requirements, as described in the Compliance Supplement, was performed for the grant programs noted below. The programs on the Schedule of expenditures of Federal awards represent all Federal award programs with fiscal year 2016, cash or non-cash expenditure activities. For single audit testing, we tested to ensure coverage of at least 20% of federally granted funds. Actual coverage was 34%. The major programs tested are listed below.

Expenditures reported on the schedule of expenditures of Federal awards are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, 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. The County has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Major Programs	CFDA Numbers	Federal Expenditures
U.S. Department of Transportation		
Highway Planning and Construction- Bridge Projects	20.205	\$ 5,263,623
U.S. Department of Homeland Security		
Assistance to Firefighters Grant	97.044	1,795,514
Disaster Grants-Public Assistance	97.036	854,566
Total Major Programs		\$ 7,913,703

2. BASIS OF PRESENTATION

The accompanying schedule of expenditures of Federal awards (the Schedule) includes the Federal award activity of the County under programs of the Federal government for the year ended June 30, 2016. The information in the 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 the County, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the County.

FREDERICK COUNTY, MARYLAND

**Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016**

3. SUB-RECIPIENTS

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

<u>Program</u>	<u>CFDA Number</u>	<u>Amounts Provided to Subrecipients</u>
U.S. Department of Housing and Urban Development		
Emergency Solutions Grant Program	14.231	\$ 24,116
U.S. Department of Homeland Security		
Homeland Security Grant Program	97.067	31,791
Total		<u>\$ 55,907</u>

FREDERICK COUNTY, MARYLAND

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

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 the Uniform Guidance?	No

Identification of Major Programs:

Major Programs	CFDA Numbers	Federal Expenditures
U.S. Department of Transportation		
Highway Planning and Construction- Bridge Projects	20.205	\$ 5,263,623
U.S. Department of Homeland Security		
Assistance to Firefighters Grant	97.044	1,795,514
Disaster Grants-Public Assistance	97.036	854,566
Total Major Programs		\$ 7,913,703

Threshold for distinguishing between Type A and B programs	\$750,000
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, 2016**

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, 2016**

There were no prior year findings in the June 30, 2015 single audit report.