

**FREDERICK COUNTY, MARYLAND**

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

**For the Year Ended June 30, 2014**



**SB & COMPANY, LLC**  
EXPERIENCE • QUALITY • CLIENT SERVICE

**JUNE 30, 2014**

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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, 2014, 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, 2014, 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 and schedule of employer contributions for the Frederick County Employees Retirement Plan, the schedules of funding progress and schedules of contributions from the employer 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 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.



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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 was derived from and relates 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 December 10, 2014, 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  
December 10, 2014



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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, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 10, 2014.

***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  
December 10, 2014

*SB & Company, LLC*



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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 of Frederick County, Maryland the County 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, 2014. 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 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.





### ***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, 2014.

### **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 programs 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  
January 15, 2015

*SB & Company, LLC*

**FREDERICK COUNTY, MARYLAND**

**Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2014**

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	<u>Cluster Total</u>
<b>U.S. Department of Agriculture</b>			
Pass-through National Fish and Wildlife Foundation			
Forest Stewardship Program	10.678	\$ 1,426	
Pass-through Maryland Department of Human Resources			
Emergency Food Assistance Program	10.568	<u>1,055</u>	
Total U.S. Department of Agriculture		<u>2,481</u>	
<b>U.S. Department of Commerce</b>			
Pass-through Maryland Department of Information Technology			
Broadband Technology Opportunities Program - ARRA	11.557	<u>100,780</u>	
<b>U.S. Department of Housing and Urban Development</b>			
Pass-through Maryland Department of Housing and Community Development:			
Community Development Block Grant	14.228	25,977	
Emergency Shelter Grant Program	14.231	59,420	
Home Investment Partnership Program	14.239	120,000	
Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	14.856	139,906	
Housing Voucher Cluster:			
Section 8 Housing Choice Voucher	14.871	5,309,900	
Family Unification Program (FUP)	14.880	<u>376,317</u>	
Total Housing Voucher Cluster			5,686,217
Total U.S. Department of Housing and Urban Development		<u>6,031,520</u>	
<b>U.S. Department of Interior</b>			
Payments in Lieu of Taxes	15.226	<u>26,601</u>	
<b>U.S. Department of Justice</b>			
Pass-through Governor's Office of Crime Control and Prevention			
Crime Victim Assistance	16.575	75,418	
Edward Byrne Memorial Justice Assistance Grant	16.738	<u>63,551</u>	
Total U.S. Department of Justice		<u>138,969</u>	
<b>U.S. Department of Labor</b>			
Pass-through Maryland Department of Labor, Licensing and Regulation			
WIA Cluster:			
WIA Adult Program	17.258	229,245	
WIA Youth Activities	17.259	271,165	
WIA Dislocated Workers Formula Grants	17.278	561,611	
Total WIA Cluster			1,062,021
Total U.S. Department of Labor		<u>1,062,021</u>	

The accompanying notes are an integral part of this statement.

**FREDERICK COUNTY, MARYLAND**

**Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2014**

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	<u>Cluster Total</u>
<b>U.S. Department of Transportation</b>			
Pass-through Maryland Department of Transportation			
Bike Trails (TEP) Ballenger Creek	20.200	\$ 3,497	
Highway Planning and Construction - Federal-Aid Highway Program	20.205	1,091,297	
Federal Transit Cluster:			
Federal Transit - Formula Grants - Urbanized Area Formula Program	20.507	97,432	
Federal Transit - Formula Grants - Urbanized Area Formula Program - ARRA	20.507	<u>51,850</u>	
Total Federal Transit Cluster			149,282
Formula Grants for Rural Areas	20.509	2,362,235	
Interagency Hazardous Materials Public Sector Training & Planning	20.703	<u>12,523</u>	
Total U.S. Department of Transportation		<u>3,618,834</u>	
<b>U.S. Environmental Protection Agency</b>			
Climate Showcase Communities Grant Program	66.041	224,272	
Pass-through Maryland Department of the Environment			
Nonpoint Source Implementation Grants - Lower Monocacy	66.460	101,956	
Chesapeake Bay Program - Neighborhood Green Grant	66.466	<u>100,809</u>	
Total U.S. Environmental Protection Agency		<u>427,037</u>	
<b>U.S. Department of Education</b>			
Pass-through Maryland Department of Education			
Special Education Cluster:			
Special Education - Grants to States - Individuals Disabilities Education Act (IDEA part B)	84.027	115,133	
Special Education - Preschool Grants - Individuals Disabilities Education Act (IDEA part B 619)	84.173	7,379	
Total Special Education Cluster			122,512
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	38,668	
Special Education - Grants for Infants and Families with Disabilities - Individuals Disabilities Education Act (IDEA part C)	84.181	<u>258,596</u>	
Total U.S. Department of Education		<u>419,776</u>	

The accompanying notes are an integral part of this statement.

**FREDERICK COUNTY, MARYLAND**

**Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2014**

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	<u>Cluster Total</u>
<b>U.S. Department of Health and Human Services</b>			
Pass-through Maryland Office of Aging			
Special Programs for the Aging - Title VII, Chapter 2 - Ombudsman Services for Older Individuals	93.042	\$ 7,826	
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	93.043	13,430	
Aging Cluster:			
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	154,779	
Special Programs for the Aging - Title III, Part C - Nutrition Services Nutrition Services Incentive Program	93.045 93.053	201,514 36,909	
Total Aging Cluster			393,202
Special Programs for the Aging - Title IV and Title II - Discretionary Projects	93.048	8,333	
National Family Caregiver Support - Title III, Part E	93.052	58,589	
Medicare Enrollment Assistance Program- MIPPA	93.071	9,136	
Centers for Medicare and Medicaid Services Research, Demonstrations and Evaluations - Senior Health Insurance Program	93.779	158,124	
Pass-through Maryland Family Network			
Community-Based Child Abuse Prevention Grant - Family Support Center	93.590	23,558	
Pass-through Maryland Department of Human Resources			
Promoting Safe and Stable Families	93.556	178,916	
Temporary Assistance for Needy Families (TANF)	93.558	29,190	
Child Support Enforcement	93.563	994,460	
Pass-through Maryland Institute for Emergency Medical Services Systems			
National Bioterrorism Hospital Preparedness Program	93.889	10,000	
Total U.S. Department of Health and Human Services		<u>1,884,764</u>	
<b>U.S. Department of Homeland Security</b>			
Assistance to Firefighters Grant	97.044	226,638	
Pass-through Maryland Emergency Management Agency			
Hazard Mitigation Grant Program (HMGP)	97.039	42,023	
Emergency Management Performance	97.042	239,963	
Homeland Security Grant Program	97.067	256,205	
Total U.S. Department of Homeland Security		<u>764,829</u>	
<b>Total Expenditures of Federal Awards</b>		<b><u>\$ 14,477,612</u></b>	

The accompanying notes are an integral part of this statement.

## FREDERICK COUNTY, MARYLAND

### Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2014

#### 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 2014 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, 2014, and have selected those major programs for testing. Our actual coverage was 31%. The major programs tested are listed below.

<u>Major Programs</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
<b>U.S Department of Labor</b>		
WIA Adult Program	17.258	\$ 229,245
WIA Youth Activities	17.259	271,165
WIA Dislocated Worker Formula Grants	17.278	<u>561,611</u>
Total WIA Cluster		<u>1,062,021</u>
<b>U.S. Department of Transportation</b>		
Formula Grants for Rural Areas	20.509	2,362,235
<b>U.S. Department of Health and Human Services</b>		
Child Support Enforcement	93.563	<u>994,460</u>
<b>Total Major Programs</b>		<u><u>\$ 4,418,716</u></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**

**Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2014**

**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
<b>U.S Department of Labor</b>		
WIA Adult Program	17.258	\$ 229,245
WIA Youth Activities	17.259	271,165
WIA Dislocated Worker Formula Grants	17.278	<u>561,611</u>
Total WIA Cluster		<b>1,062,021</b>
<b>U.S. Department of Transportation</b>		
Formula Grants for Rural Areas	20.509	2,362,235
<b>U.S. Department of Health and Human Services</b>		
Child Support Enforcement	93.563	<u>994,460</u>
<b>Total Major Programs</b>		<b><u>\$ 4,418,716</u></b>

Threshold for distinguishing between Type A and B programs	\$434,328
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, 2014**

**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, 2014**

No Prior Year Findings.