

FREDERICK COUNTY, MARYLAND

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

For the Year Ended June 30, 2013



SB & COMPANY, LLC
EXPERIENCE • QUALITY • CLIENT SERVICE

JUNE 30, 2013

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	12
Schedule of Prior Year Findings and Questioned Costs	13



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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of County Commissioners
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 County Commissioners of Frederick County, Maryland (the County), as of and for the year ended June 30, 2013, 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, 2013, 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 supplemental schedules of funding progress and schedules of contributions from the employer for the Frederick County Employees Retirement Plan and 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.



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 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 13, 2013, 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 13, 2013

A handwritten signature in black ink that reads "SB & Company, LLC".



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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***

To the Board of County Commissioners
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 the County Commissioners of Frederick County, Maryland (the County) as of and for the year ended June 30, 2013, 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 13, 2013.

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 13, 2013

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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**

To the Board of County Commissioners
Frederick County, Maryland

Report on Compliance for Each Major Federal Program

We have audited the compliance 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, 2013. 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 on 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, 2013.

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 and 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
December 13, 2013

FREDERICK COUNTY, MARYLAND

Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2013

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures	Cluster Total
U.S. Department of Agriculture			
Pass-through Maryland Department of Human Resources			
Emergency Food Assistance - Temporary Food Assistance	10.568	\$ 4,999	
U.S. Department of Commerce			
Pass-through Maryland Department of Information Technology			
Broadband Technology Opportunities Program - ARRA	11.557	270,478	
Total U.S. Department of Commerce			
U.S. Department of Housing and Urban Development			
Pass-through Maryland Department of Housing and Community Development:			
Community Development Block Grant	14.228	14,669	
Emergency Shelter Program	14.231	33,816	
Special Loan Program/Star	14.239	90,000	
Mod-Rehab Program	14.856	145,418	
Housing Voucher Cluster:			
Voucher Program	14.871	5,604,094	
Family Unification Program (FUP)	14.880	430,807	
Total Housing Voucher Cluster			6,034,901
Total U.S. Department of Housing and Urban Development		<u>6,318,803</u>	
U.S. Department of Justice			
Alien Assistance Program	16.606	23,640	
Pass-through Governor's Office of Crime Control and Prevention			
Crime Victim Assistance	16.575	93,674	
Edward Byrne Memorial Justice Assistance Grant	16.738	73,630	
Total U.S. Department of Justice		<u>190,944</u>	
U.S. Department of Labor			
Pass-through Department of Labor, Licensing and Regulation			
WIA Cluster:			
WIA Adult Program	17.258	215,960	
WIA Youth Activities	17.259	259,282	
WIA Dislocated Workers	17.278	695,710	
Total WIA Cluster			1,170,952
Wagner Peyser Receptionist	17.207	18,587	
Emergency Unemployment Compensation Reemployment Eligibility Assessment	17.225	8,019	
Maryland Energy Sector Partnership-ARRA	17.275	191,258	
Total U.S. Department of Labor		<u>1,388,815</u>	

FREDERICK COUNTY, MARYLAND

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013**

<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 Transportation			
Pass-through Maryland Department of Transportation			
Bike Trails (TEP) Ballenger Creek	20.200	\$ 29,593	
Highway Planning and Construction - Highway Capital Projects - ARRA	20.205	2,216	
Highway Planning and Construction Cluster:			
Federal Transit - Formula Grants - Mass Transit/Capital Outlay	20.507	2,023,674	
Federal Transit - Formula Grants - Mass Transit/Capital Outlay - ARRA	20.507	83,199	
Total Federal Transit - Formula Grants Cluster			2,106,874
Formula Grants for Other than Urbanized Areas - Rural Public Transportation	20.509	243,245	
Highway Safety Grant Cluster:			
Highway Safety Grant	20.600	3,915	
Alcohol and Impaired Driving Countermeasures Incentive	20.601	7,904	
Total Highway Safety Grant Cluster			11,819
Interagency Hazardous Materials Public Sector Training & Planning	20.703	12,972	
		<u>2,406,719</u>	
Pass-through Maryland Institute for Emergency Medical Services Systems			
Highway Safety Grant	20.600	6,000	
Total U.S. Department of Transportation		<u>2,412,719</u>	
U.S. Environmental Protection Agency			
Climate Showcase Communities Grant	66.041	166,951	
Pass-through Maryland Department of the Environment			
Capitalization Grants for Clean Water State Revolving Funds Cluster:			
Capitalization Grants for Clean Water State Revolving Funds -			
Ballenger McKinney WWTP ENR Upgrade & Expansion Loan - ARRA	66.458	1,829,991	
Capitalization Grants for Clean Water State Revolving Funds -			
Ballenger McKinney WWTP ENR Upgrade & Expansion Loan	66.458	19,260,925	
Total Capitalization Grants for Clean Water State Revolving Funds Cluster			21,090,917
Lower Monocacy	66.460	49,908	
Neighborhood Green Grant	66.466	70,811	
Total U.S. Environmental Protection Agency		<u>21,378,586</u>	
U.S. Department of Energy			
Energy Efficiency Conservation Block Grant - ARRA	81.128	496,839	
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	102,526	
Special Education - Preschool Grants - Individuals Disabilities			
Education Act (IDEA part B 619)	84.173	5,227	
Total Special Education Cluster			107,753
Rehabilitation Services - DORS Year Round	84.126	85,325	
Special Education - Grants for Infants and Families with Disabilities -			
Individuals Disabilities Education Act (IDEA part C)	84.181	352,303	
Total U.S. Department of Education		<u>545,381</u>	

FREDERICK COUNTY, MARYLAND

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013**

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			
Ombudsman Services for Older Individuals	93.042	\$ 34,078	
Special Programs for the Aging - Aging Title IIID	93.043	12,290	
Special Programs for the Aging Cluster:			
Special Programs for the Aging - Aging Title IIIB	93.044	154,137	
Special Programs for the Aging - Aging Title IIIC	93.045	254,320	
Nutrition Services Incentive Program	93.053	41,877	
Total Special Programs for the Aging Cluster			450,334
Special Programs for the Aging - Title IV - and Title II - Discretionary Projects	93.048	178,164	
National Family Caregiver Support	93.052	63,691	
Affordable Care Act- Medicare Improvements for Patients & Providers	93.518	4,795	
Medical Assistance Program - Medicaid Waiver Program	93.778	44,640	
Senior Health Insurance Program	93.779	21,520	
Money Follows the Person Rebalancing Demonstration	93.791	3,287	
Pass-through Maryland Family Network			
Family Support Center	93.590	23,558	
Pass-through Maryland Department of Human Resources			
Promoting Safe and Stable Families	93.556	178,915	
Temporary Assistance for Needy Families - Family Preservation/Youth			
Summer Jobs	93.558	30,818	
Child Support Enforcement	93.563	1,127,179	
Total U.S. Department of Health and Human Services		2,173,269	
U.S. Department of Homeland Security			
Assistance to Firefighters Grant	97.044	429,189	
Pass-through Maryland Emergency Management Agency			
Public Assistance - Hurricane Irene Disaster Reimbursement	97.036	150,799	
Emergency Management Performance	97.042	115,387	
Interoperable Emergency Communications	97.055	72,384	
Homeland Security Grant Program	97.067	425,872	
Total U.S. Department of Homeland Security		1,193,631	
Total Expenditures of Federal Awards		\$ 36,374,464	

FREDERICK COUNTY, MARYLAND

Notes to the Schedule of Expenditures of Federal Awards June 30, 2013

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 2013 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, 2013, and have selected those major programs for testing. Our actual coverage was 58%. The major programs tested are listed below.

<u>Major Program</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
Capitalization Grants for Clean Water State Revolving Funds - Ballenger McKinney WWTP ENR Upgrade & Expansion Loan - ARRA	66.458	\$ 1,829,991
Capitalization Grants for Clean Water State Revolving Funds - Ballenger McKinney WWTP ENR Upgrade & Expansion Loan	66.458	19,260,925
		<u>\$ 21,090,917</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, 2013**

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 Program	CFDA Number	Federal Expenditures
Capitalization Grants for Clean Water State Revolving Funds - Ballenger McKinney WWTP ENR Upgrade & Expansion Loan - ARRA	66.458	\$ 1,829,991
Capitalization Grants for Clean Water State Revolving Funds - Ballenger McKinney WWTP ENR Upgrade & Expansion Loan	66.458	19,260,925
		\$ 21,090,917
Threshold for distinguishing between Type A and B programs		\$1,091,234
Did the County qualify as a low risk auditee?		Yes

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, 2013**

No Prior Year Findings.