

**ALLEGANY COUNTY, MARYLAND
SINGLE AUDIT REPORT
JUNE 30, 2003**

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

**ALLEGANY COUNTY, MARYLAND
SINGLE AUDIT REPORT
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Independent Auditor's Report on Compliance and
on Internal Control Over Financial Reporting Based
On An Audit Of Financial Statements Performed In
Accordance With Government Auditing Standards

To the Board of Allegany
County Commissioners

We have audited the financial statements of Allegany County, Maryland as of and for the year ended June 30, 2003, and have issued our report thereon dated January 16, 2004. Our report was modified to refer to the reports of other auditors. 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.

Compliance

As part of obtaining reasonable assurance about whether Allegany County, Maryland's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Allegany County, Maryland's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and may not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the Board of Commissioners of Allegany County, Maryland, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Tumbull, Hoover; Kahl, P.A.

Cumberland, Maryland
January 16, 2004

Independent Auditor's Report on Compliance
with Requirements Applicable to Each
Major Program and On Internal Control Over
Compliance in Accordance with OMB Circular A-133

To the Board of Allegany
County Commissioners

Compliance

We have audited the compliance of Allegany County, Maryland with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. Allegany County, Maryland's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Allegany County, Maryland's management. Our responsibility is to express an opinion on Allegany County, Maryland's compliance based on our audit.

Allegany County's financial statements include the operations of the Allegany County Board of Education and Allegany College of Maryland, which received \$10,021,756 and \$4,281,854 of federal awards, respectively, which are not included in the schedule during the year ended June 30, 2003. Our audit described below, did not include the operations of the Allegany County Board of Education and Allegany College of Maryland because the component units engaged other auditors to perform an audit in accordance with OMB Circular A-133.

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 Allegany County, Maryland'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. Our audit does not provide a legal determination of Allegany County, Maryland's compliance with those requirements.

In our opinion, Allegany County, Maryland complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control Over Compliance

The management of Allegany County, Maryland is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Allegany County, Maryland's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of Allegany County, Maryland as of and for the year ended June 30, 2003, and have issued our report thereon dated January 16, 2004. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Commissioners of Allegany County, Maryland, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Cumberland, Maryland
January 16, 2004

**ALLEGANY COUNTY, MARYLAND
PRIMARY GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2003**

	FEDERAL CFDA NUMBER	FEDERAL GRANT NUMBER	PASS-THROUGH GRANTOR'S NUMBER	PROGRAM/ AWARD AMOUNT	EXPENDITURES	PASS THROUGH TO SUBRECIPIENTS
US Dept. of Agriculture:						
Direct:						
Rural Development:						
Grahamtown Waterline Ext. - Loan	10.770	N/A	N/A	600,000	-	-
Grahamtown Waterline Ext. - Grant	10.770	N/A	N/A	1,000,000	86,699	-
Consol Water Project Loan	10.770	N/A	N/A	104,500	91,379	-
Consol Water Project Grant	10.770	N/A	N/A	355,500	237,138	-
Klondike Water Project Loan	10.770	N/A	N/A	465,000	9,814	-
Carlos/Shaft/Water Tanks Water Grant	10.770	N/A	N/A	1,661,000	167,495	-
Natural Resource Conservation Service						
Dry Run Watershed	10.904	68-3B19-0-410	N/A	1,875,000	223,726	-
Site GC-5 Stewart, Moore's Run	10.904	69-3B19-2-437	N/A	8,250	8,175	-
Indirect:						
Food and Nutrition Service:						
Pass through Maryland Dept Of Human Resources						
Food Distribution To The Needy	10.550	N/A	CSA/FNS 03-001	12,300	10,246	10,246
Food Distribution To The Needy	10.550	N/A	CSA/FNS 02-001	11,685	7,521	7,521
Pass through Maryland Dept. of Education:						
Summer Camp Program	10.559	N/A	N/A	N/A	2,302	-
Total US Department of Agriculture					844,495	17,767
US Department of Commerce:						
Direct:						
Economic Development Administration:						
Renovations To Former PPG Plant	11.300	01-01-03723	N/A	995,000	-	-
Allegany Business Center At Frostburg	11.307	01-79-03880	N/A	550,000	-	-
Total US Department of Commerce					-	-
US Dept. of Housing and Urban Development						
Indirect:						
Community Planning and Development						
CDBG Project Income - Lonaconing	14.228	N/A	N/A	N/A	2,284	-
CDBG Project Income - Housing	14.228	N/A	N/A	N/A	2,395	-
CDBG Project Income - Economic Opportunity	14.228	N/A	N/A	N/A	-	-
Pass Through Md Dept of Housing & Community Development						
George's Creek Sewer Improvements	14.228	N/A	MD-02-CD-23	475,000	27,666	-
Housing Rehabilitation Program	14.228	N/A	MD-99-CD-1	25,000	-	-
Housing Rehabilitation Program	14.228	N/A	MD-01-CD-25	320,000	91,544	-
Housing Rehabilitation Program	14.228	N/A	MD-03-CD-33	390,000	23,189	-
Bowman's Addition Demolition	14.228	N/A	MD-01-CD-35	275,700	31,838	-
Emergency Shelter Grant Program	14.231	N/A	2001-ESG-BOS-1	34,380	19,568	19,568
Emergency Shelter Grant Program	14.231	N/A	2002-ESG-BOS-1	25,640	6,222	6,222
Special Target Area Program	14.239	N/A	N/A	N/A	120,853	-
Passed through Maryland Dept. of Economic and Community Development:						
Section 8 Existing	14.856	P-3507	MD06-E020	N/A	-	-
Section 8 Mod Rehab	14.856	P-3525	MD06-K020	N/A	18,354	-
Section 8 Voucher Program	14.871	P-3507V	MD06-V020	N/A	633,792	-
Total US Department of HUD					977,705	25,790

**ALLEGANY COUNTY, MARYLAND
PRIMARY GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2003**

	FEDERAL CFDA NUMBER	FEDERAL GRANT NUMBER	PASS-THROUGH GRANTOR'S NUMBER	PROGRAM/ AWARD AMOUNT	EXPENDITURES	PASS THROUGH TO SUBRECIPIENTS
US Department of Justice:						
Direct:						
Bureau Of Justice Assistance:						
Bulletproof Vest Program	16.607	N/A	N/A	N/A	5,035	
Indirect:						
Passed through MD Emergency Management Agency						
State Domestic Preparedness Equipment	16.007	N/A	N/A	N/A	73,197	-
Total US Department of Justice:					<u>78,232</u>	<u>-</u>
US Dept. of Transportation:						
Indirect:						
Federal Highway Administration						
Passed through Maryland Department of Transportation						
Smouses Mill Bridge	20.205	N/A	A 001-0737(1)	425,413	205,362	-
Allegheny Highlands Trail	20.205	N/A	AL6805125	2,200,000	92,030	-
Sugar Maple Road	20.205	N/A	A 001-0014(1)	N/A	113,566	-
Radar Stalker Radar Grant	20.604	N/A	OP-02-01	3,000	2,995	-
Urban Mass Trans. Admin:						
Passed through Maryland Department of Transportation						
Capital Assistance	20.500	MD-03-0055-01	MD-03-0055-01	109,763	38,247	-
Capital Assistance	20.507	MD-90-0043	MD-90-0043		20,970	-
Capital Assistance	20.507	MD-90-0063	MD-90-0063		4,710	-
Capital Assistance	20.507	MD-90-0069	MD-90-0069		534	-
Capital Assistance	20.507	MD-90-0077	MD-90-0077	42,400	33,394	-
Capital Assistance	20.507	MD-90-0083	MD-90-0083		70,223	-
Operating Assistance (FY03)	20.507				262,714	-
Job Access & Reverse Commute	20.516	MD-37-4004	MD-37-4004	123,000	123,000	-
Urban Mass Trans. Admin. & Federal Highway Administration						
Passed through Maryland Department of Transportation						
Unified Planning Work Program 03	20.505	N/A	N/A	101,894	109,949	-
Federal Highway Administration						
Passed through Maryland Department of Transportation Traffic Safety Div.						
EMT Training Upgrade	20.215	N/A	N/A		34,607	-
Federal Highway Administration						
Passed through Maryland Department of Transportation and Allegany County Health Department						
Highway Safety Program	20.600	N/A	N/A	3,700	-	-
Total US Department of Transportation					<u>1,112,301</u>	<u>-</u>
Appalachian Regional Commission:						
Direct:						
Passed through US Dept of Commerce						
Economic Development Administration						
Renovations To Former PPG Plant	23.002	01-01-03723	N/A	625,000	-	-
Allegany Business Center At Frostburg	23.002	01-79-03880	N/A	462,000	-	-
Indirect:						
Passed through Maryland Office of Planning						
GIS Coordination Plan	23.011	N/A	ARC-10952-C10	30,000	30,000	-
Lonaconing Comprehensive Plan	23.011	N/A	ARC 10952-96	9,000	-	-
Total Appalachian Regional Commission					<u>30,000</u>	<u>-</u>

**ALLEGANY COUNTY, MARYLAND
PRIMARY GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2003**

	FEDERAL CFDA NUMBER	FEDERAL GRANT NUMBER	PASS-THROUGH GRANTOR'S NUMBER	PROGRAM/ AWARD AMOUNT	EXPENDITURES	PASS THROUGH TO SUBRECIPIENTS
Environmental Protection Agency						
Indirect:						
Passed through Md Dept of Natural Resources						
Georges Creek Watershed Restoration						
Strategies Plan						
	66.460	C9003497-99-0		45,000	2,692	-
Lonaconing Island Restoration						
	66.460			57,500	-	-
Total Environmental Protection Agency					<u>2,692</u>	<u>-</u>
Federal Emergency Management Agency:						
Direct:						
Disaster Resistant Community						
	83.551	EMW-97-GR-0525	N/A	39,125	6,329	
Disaster Resistant Community - Prog Inc						
	83.551	EMW-97-GR-0525			2,628	
Indirect:						
Hazard Mitigation						
Passed through Maryland Emergency						
February Snowstorm						
	83.544	001-000C2-00	N/A	37,765	37,765	
Georges Creek Flood Mitigation						
	83.548	N/A	N/A		406,372	-
Locust Grove Property Acquisition						
	83.548	N/A	N/A	308,230	-	-
State and Local Programs Support						
Passed through Maryland Emergency						
and Civil Defense Agency:						
Civil Defense FY 2002						
	83.552	N/A	N/A	N/A	14,460	-
Civil Defense FY 2003						
	83.552	N/A	N/A	N/A	25,803	-
Total Federal Emergency Management Agency					<u>493,357</u>	<u>-</u>
US Department of Health and Human Services:						
Indirect:						
Administration for children and families:						
Pass through Maryland Dept. of						
Human Resources and Allegany						
County Dept of Social Services						
Child Specific Benefit						
	93.596	N/A	ACDSS/FIA 2003-014	9,956	5,874	5,874
Daycare/After School Center (TANF)						
	93.596	N/A	ACDSS/CCA 2003-001	182,763	182,763	182,763
Job/Readiness/Work Experience						
	93.596	N/A	ACDSS/FIA 2002-009	24,750	2,499	2,499
Job/Readiness/Work Experience						
	93.596	N/A	ACDSS/FIA 2003-008	24,000	21,887	21,887
Family Support Administration:						
Pass through Maryland Dept. of						
Human Resources:						
Masters Program						
	93.563	N/A	CSEA/CR-03-003	74,147	74,147	-
Total US Department of Health and Human Services					<u>287,170</u>	<u>213,023</u>
Total Expenditures of Federal Awards					<u>\$ 3,825,952</u>	<u>\$ 256,680</u>

ALLEGANY COUNTY, MARYLAND
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2003

Note 1. Summary of Significant Accounting Policies

Basis of Presentation

This schedule has been prepared on the modified accrual basis of accounting in accordance with generally accepted accounting principles in order to facilitate comparability to the County's financial statements prepared on the same basis of accounting.

The accompanying Schedule of Expenditures of Federal Awards includes all financial activity of Allegany County Primary Government Unit only. The Financial Statements for the Allegany County Reporting Entity include the following component units in accordance with Governmental Accounting Standards Board ("GASB") Statement 14 who are responsible for administering their own Federal programs and submitting their own Single Audit reports, if necessary.

- Allegany County Board of Education
- Allegany County Library System
- Allegany College of Maryland
- LaVale Sanitary Commission

Note 2. Oversight Agency

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

**ALLEGANY COUNTY, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2003**

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Allegany County, Maryland.
2. No reportable conditions relating to the financial statements of Allegany County, Maryland are reported in the Independent Auditor's Report on Compliance and Internal Control over Financial Reporting.
3. No instances of noncompliance material to the financial statements of Allegany County, Maryland were disclosed during the audit.
4. No reportable conditions relating to the audit of major federal award programs are reported in the Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance.
5. The auditor's report on compliance for the major federal award programs for Allegany County, Maryland expresses an unqualified opinion.
6. There are no audit findings relative to the major federal award programs for Allegany County, Maryland to be reported in Part C of this Schedule.
7. The programs tested as major programs include:

Department of Transportation	20.205
Mass Transit Capital Assistance	20.507
Federal Emergency Management	83.548
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Allegany County, Maryland qualified as a low risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None

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

None

**ALLEGANY COUNTY, MARYLAND
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2003**

None