

**ALLEGANY COUNTY, MARYLAND
SINGLE AUDIT REPORT
JUNE 30, 2005**

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

ALLEGANY COUNTY, MARYLAND
SINGLE AUDIT REPORT
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Independent Auditor's Report 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 Allegany
County Commissioners

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 Allegany County, Maryland as of and for the year ended June 30, 2005, which collectively comprise Allegany County, Maryland's basic financial statements and have issued our report thereon dated May 3, 2006. 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.

Internal Control Over Financial Reporting

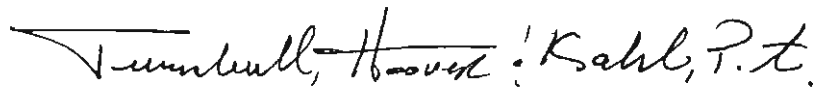
In planning and performing our audit, we considered Allegany County, Maryland's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts that would be material in relation to the financial statements 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 financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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 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*.

This report is intended solely for the information of management, the Board of Commissioners of Allegany County, Maryland, 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.

A handwritten signature in black ink, appearing to read "J. Kahl, P.C." with a stylized flourish at the beginning.

Cumberland, Maryland
May 3, 2006

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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, 2005. 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 \$12,483,834 and \$4,725,462 of federal awards, respectively, which are not included in the schedule during the year ended June 30, 2005. Our audit described below, did not include the operations of the Allegany County Board of Education because the component unit 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, 2005.

Internal Control Over Compliance

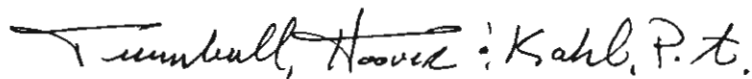
The management of Allegany County, Maryland is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Allegany County, 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 caused by error or fraud 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 financial statements of governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Allegany County, Maryland as of and for the year ended June 30, 2005, and have issued our report thereon dated May 3, 2006. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Allegany County, Maryland's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for 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 management, the Board of Commissioners of Allegany County, Maryland, 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.

 T. Kahl, P. C.

Cumberland, Maryland
May 3, 2006

ALLEGANY COUNTY, MARYLAND
PRIMARY GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

FEDERAL CFDA NUMBER	FEDERAL GRANT NUMBER	PASS-THROUGH GRANTOR'S NUMBER	PROGRAM/ AWARD AMOUNT	EXPENDITURES	PASS THROUGH TO SUBRECIPIENTS
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US Dept. of Agriculture:

Direct:

Rural Development

Alconet II	10.769	00-47	N/A	525,000	4,190	
Alconet II	10.769	00-48	N/A	520,000	478,802	
Klondike Water Project Grant	10.770	44	N/A	1,000,000	727,902	
Morantown Water Grant	10.770	00-37 00-46	N/A	637,500	314,610	
Georges Creek I&I Design	10.770	N/A	N/A	506,000	127,912	
Bowling Green & Cresaptown I&I Design	10.770	N/A	N/A	1,910,000	16,771	
Natural Resource Conservation Service						
Dry Run Watershed	10.904	68-3B19-0-410	N/A	1,875,000		-
Emergency Watershed Protection - 2004	10.904	68-3B19-5-488/489/490	N/A	1,528,000	891,622	

Indirect:

Food and Nutrition Service:

Pass through Maryland Dept Of Human Resources

Food Distribution To The Needy	10.550	N/A	CSA/FNS 04-001	12,300	7,144	7,144
Food Distribution To The Needy	10.550	N/A	CSA/FNS 05-001	16,204	10,450	10,450

Pass through Maryland Dept. of Education:

Summer Camp Program	10.559	N/A	N/A	N/A	3,415	3,415
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Total US Department of Agriculture

	2,582,818	21,009
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US Department of Commerce:

Direct:

Economic Development Administration:

Upper Potomac Industrial Park	11.300	01-01-07534.01	N/A	1,406,000	1,059,433	-
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Total US Department of Commerce

	1,059,433	-
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US Dept. of Housing and Urban Development

Indirect:

Community Planning and Development

CDBG Project Income - Lonaconing	14.219	N/A	N/A	N/A	2,284	-
CDBG Project Income - Housing	14.219	N/A	N/A	N/A	6,211	-
CDBG Project Income - Economic Opportunity	14.219	N/A	N/A	N/A	-	-

Pass Through Md Dept of Housing & Community Development

George's Creek Sewer Improvements	14.219	N/A	MD-02-CD-23	475,000	118,383	-
Housing Rehabilitation Program	14.219	N/A	MD-03-CD-33	390,000	102,892	-
Child Care Operation	14.219	N/A	MD-04-CD-25	220,000	127,938	125,938
Phase II Study	14.219	N/A	MD-05-CD-01	17,500	17,500	-

Emergency Shelter Grant Program

Emergency Shelter Grant Program	14.231	N/A	2003-ESG-BOS-1	29,935	8,560	8,560
Emergency Shelter Grant Program	14.231	N/A	2003-ESG-BOS-1	33,250	8,773	8,773
Special Target Area Program	14.239	N/A	N/A	N/A	202,120	-
Federal Lead Program	14.905	N/A	N/A	N/A	9,721	-

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	14,646	-

Section 8 Voucher Program

Section 8 Voucher Program	14.871	P-3507V	MD06-V020	N/A	802,478	-
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Total US Department of HUD

	1,421,506	143,271
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US Department of Justice:

Direct:

Bureau Of Justice Assistance

Local Law Enforcement Block Grant	16.592	N/A	N/A	N/A	3,761	
Bulletproof Vest Partnership Program	16.607	N/A	N/A	N/A	3,210	

Indirect:

MD State Police

Marijuana Eradication	16.579	N/A	N/A	N/A	417	-
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Total US Department of Justice:

	7,388	-
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ALLEGANY COUNTY, MARYLAND
PRIMARY GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

	FEDERAL CFDA NUMBER	FEDERAL GRANT NUMBER	PASS-THROUGH GRANTOR'S NUMBER	PROGRAM/ AWARD AMOUNT	EXPENDITURES	PASS THROUGH TO SUBRECIPIENTS
<u>US Dept. of Transportation:</u>						
Indirect:						
Federal Highway Administration						
Passed through Maryland Department of Transportation						
Masons Road Bridge	20.205	N/A	ACR-092-03(1)	N/A	439,212	-
Rye Street Bridge	20.205	N/A	A-001-0395(1)	11,200	-	-
Allegheny Highlands Trail	20.205	N/A			2,267,095	-
Urban Mass Trans. Admin:						
Passed through Maryland Department of Transportation						
Capital Assistance	20.507	MD-90-0063-01	MD-90-0063-01	104,000	1,522	-
Capital Assistance	20.507	MD-90-0069	MD-90-0069	104,000	11,163	-
Capital Assistance	20.507	MD-90-0077	MD-90-0077	42,400	1,356	-
Capital Assistance	20.507	MD-90-0083	MD-90-0083		-	-
Capital Assistance	20.507	MD-90-0094	MD-90-0094	152,500	5,737	-
Capital Assistance	20.507	MD-90-0074/0063/0069	MD-90-0074/0063/0069	29,200	8,504	-
Operating Assistance	20.507	MD-18-4022	MD-18-4022	55,886	55,886	-
Operating Assistance	20.507	MD-90-4094	MD-90-4094	313,300	313,300	-
Job Access & Reverse Commute	20.516	MD-37-4005	MD-37-4005-01	123,000	123,000	-
Urban Mass Trans. Admin. & Federal Highway Administration						
Passed through Maryland Department of Transportation						
Unified Planning Work Program 04	20.505	N/A	N/A	72,823	46,504	-
Federal Highway Administration						
Passed through Maryland Department of Transportation Traffic Safety Div.						
EMT Training Upgrade	20.215	N/A	N/A	9,263	9,263	-
Total US Department of Transportation					3,282,542	-
<u>Appalachian Regional Commission:</u>						
Indirect:						
Passed through Maryland Office of Planning						
GIS Coordination Plan	23.011	N/A	ARC-10952-C12	30,000	30,000	-
Maryland Mountainside Wireless Kiosk Pilot	23.011	N/A	MD-14950-0-1	50,000	40,435	-
Lonaconing Comprehensive Plan	23.011	N/A	ARC 10952-96	9,000	-	-
Total Appalachian Regional Commission					70,435	-
<u>Environmental Protection Agency</u>						
Indirect:						
Passed through Maryland Department Of Environment						
Capitalization Grants For State Revolving Fun	66.458	N/A	N/A	N/A	771,992	-
Total Environmental Protection Agency					771,992	-
<u>Department Of Energy</u>						
Indirect:						
Pass Through Md Dept of Housing & Community Development						
Weatherization Assistance For Low-income Families	81.042	N/A	N/A	100,176	99,476	99,476
Total Department Of Energy					99,476	99,476

ALLEGANY COUNTY, MARYLAND
PRIMARY GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

	FEDERAL CFDA NUMBER	FEDERAL GRANT NUMBER	PASS-THROUGH GRANTOR'S NUMBER	PROGRAM/ AWARD AMOUNT	EXPENDITURES	PASS THROUGH TO SUBRECIPIENTS
<u>US Department of Health and Human Services:</u>						
Indirect:						
Western Maryland AHEC						
Medical Reserve Corps	93.008	US2SG02010-01-0	N/A	9,460	4,818	-
Administration for children and families:						
Pass through Maryland Dept. of						
Human Resources and Allegany						
County Dept of Social Services						
Job/Readiness/Work Experience	93.596	N/A	ACDSS/FIA 2004-008	24,750	2,211	2,211
Job/Readiness/Work Experience	93.596	N/A	ACDSS/FIA 2005-008	24,750	19,530	19,530
Family Support Administration:						
Pass through Maryland Dept. of						
Human Resources:						
Masters Program	93.563	N/A	CSEA/CR-05-003	68,057	68,057	-
Total US Department of Health and Human Services					<u>94,616</u>	<u>21,741</u>
<u>Department Of Homeland Security</u>						
Indirect:						
Passed through Md. Emergency Management Agency						
Hazard Mitigation Grant	97.039	N/A	N/A	12,850	5,000	
Community Emergency Response Teams	97.054	N/A	N/A		8,000	
Planner Personnel Supplemental Program	97.051	N/A	N/A	60,000	50,695	
Civil Defense FY2004	97.067	N/A	N/A		10,749	
Civil Defense FY2005	97.067	N/A	N/A		32,246	
FY03 State Homeland Security Program	97.067	N/A	N/A	204,036	200,837	
FY04 State Homeland Security Program	97.067	N/A	N/A	689,354	179,715	
2003 Regional Grant	97.067	N/A	N/A		133,766	
SARA Hazardous Materials Training Grant	97.067	N/A	N/A	2,500	2,022	
2004 HMEP Training Grant	97.067	N/A	N/A	2,500	1,830	
Total Department Of Homeland Security					<u>624,860</u>	<u>-</u>
Total Expenditures of Federal Awards					<u>\$ 10,015,068</u>	<u>\$ 285,497</u>

ALLEGANY COUNTY, MARYLAND
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2005

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 fund 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 PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2005

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:

U.S. Department of Agriculture – Rural Development	10.770
U.S. Department of Agriculture – Natural Resource Conservation Service	10.904
U.S. Department of Housing and Urban Development	14.219
Environmental Protection Agency	66.458
Department of Homeland Security	97.067
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, 2005**

None