

**ALLEGANY COUNTY, MARYLAND  
SINGLE AUDIT REPORT – AS RESTATED  
JUNE 30, 2006**

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

**ALLEGANY COUNTY, MARYLAND**  
**SINGLE AUDIT REPORT – AS RESTATED**  
**TABLE OF CONTENTS**

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 <i>Government Auditing Standards</i>	1 - 2
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	3 - 5
Schedule of Expenditures of Federal Awards – As Restated	6 - 8
Notes to Schedule of Expenditures of Federal Awards – As Restated	9
Schedule of Findings and Questioned Costs – As Restated	10 - 11
Summary Schedule of Prior Audit Findings	12



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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, 2006, which collectively comprise Allegany County, Maryland's basic financial statements and have issued our report thereon dated January 25, 2007. 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.

*Trumbull, Hoover & Kahl, P.C.*

Cumberland, Maryland  
January 25, 2007



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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, 2006. 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 \$11,967,821 and \$4,371,625 of federal awards, respectively, which are not included in the schedule during the year ended June 30, 2006. 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, 2006.

### 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.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Allegany County, Maryland's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. A reportable condition is described in the accompanying schedule of findings and questioned costs as item 2006-1.

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 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. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions, and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, the reportable condition described above is considered to be a material weakness.

### 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, 2006, and have issued our report thereon dated January 25, 2007. 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.

*Tumbull, Hoover; Kahl, P.C.*

Cumberland, Maryland

January 25, 2007

(except for Note 3, as to which the date is November 29, 2007)

ALLEGANY COUNTY, MARYLAND  
PRIMARY GOVERNMENT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - AS RESTATED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Federal CFDA#	Federal Grant Number	Pass-Through Grantor's Number	Program Award Amount	Federal Expenditures	Pass Through to Subrecipients
<b>Department Of Agriculture</b>						
Direct:						
Rural Development:						
Community Facilities Grant	10.766	00-55-24-001-052600870	N/A	16,600	16,600	
Marion Business Park WWTP	10.766	24-001-0526000870	N/A	371,000	242,758	
Allconet II	10.769	00-47/48	N/A	520,000	31,115	
Klondike Water Project Grant	10.770	44	N/A	1,000,000	1,900	
Morantown Water Grant	10.770	00-37, 00-46	N/A	637,500	141,188	
PA BG/C Sewerage System Rehab	10.760		N/A	2,285,000	1,638,675	
Georges Creek Sewerage System Rehab	10.760		N/A	506,000	66,148	
Natural Resource Conservation Service						
Emergency Watershed Protection-2004	10.904	68-3B19-5-488/489/490	N/A	1,528,000	667,302	
Indirect:						
Food and Nutrition Service						
Pass-Through Maryland Dept of Human Resources:						
Food Distribution To The Needy	10.550	N/A	CSA/FNS 05-001	16,204	5,754	5,754
Food Distribution To The Needy	10.550	N/A	CSA/FNS 06-001	18,046	11,627	11,627
Pass-Through Maryland Dept of Education						
Summer Camp Program	10.559	N/A	N/A	N/A	739	739
<b>Total U.S. Department Of Agriculture</b>					<b>\$ 2,823,806</b>	<b>\$ 18,120</b>
<b>U.S. Department of Commerce</b>						
Direct:						
Economic Development Administration:						
Upper Potomac Industrial Park Flood	11.300	01-01-07534.01	N/A	\$ 1,406,000	290,251	\$ -
<b>Total U.S. Department Of Commerce</b>					<b>\$ 290,251</b>	<b>\$ -</b>
<b>U.S. Department of Housing and Urban Development</b>						
Indirect:						
Community Planning and Development						
CDBG Project Income Housing	14.219	N/A	N/A	N/A	7,117	
CDBG Project Income Housing	14.219	N/A	N/A	N/A	2,620	
Pass-Through Md Dept of Housing and Community Development						
Georges Creek Sewer Improve.	14.219	N/A	B-01-24-0001	425,000	249,700	
Mt. Savage Flood Acquisition	14.219	N/A	B-04/05-24-0001	243,800	188,151	
Niners Lane Sewer Project	14.219	N/A	B-04/05-24-0001	294,500	299,226	
Federal Lead Program	14.905	N/A	N/A	N/A	132,892	
Emergency Shelter Grant	14.231	N/A	2004-ESG-BOS-1	33,900	30,978	30,978
Emergency Shelter Grant	14.231	N/A	2005-ESG-BOS-1	37,575	21,388	21,388
Special Target Area Grant	14.239	N/A	N/A	N/A	145,949	
Pass-Through Maryland Dept of Housing and Community Development						
Section 8 Mod Rehab	14.856	P-3525	MD06-K020	N/A	16,035	
Section 8 Mod Rehab Admin	14.856	P-3525	MD06-K020	N/A	2,746	
Section 8 Voucher-Admin	14.871	P-3507V	MD06-V020	N/A	61,997	
Section 8 Voucher	14.871	P-3507V	MD06-V020	N/A	695,394	
<b>Total U.S. Department of HUD</b>					<b>\$ 1,854,193</b>	<b>\$ 52,366</b>



**ALLEGANY COUNTY, MARYLAND**  
**PRIMARY GOVERNMENT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - AS RESTATED**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**U.S. Department of Justice**

Indirect:

Governor's Office of Crime Control and Prevention					
Sheriff Response/Bryne Memorial Grant	16.579	2005-DJ-BX-0591		24,000	24,000
Violence Against Women Grant	16.588	VAWA-2003-1167		26,791	26,791
City of Cumberland, Maryland					
AG Grant	16.579	2005-F4517-MD-DJ		4,955	4,955
<b>Total U.S. Department Of Justice</b>				<b>\$ 55,746</b>	<b>\$ 26,791</b>

**U.S. Department of Transportation**

Direct:

Federal Highway Administration:

Passed Through Maryland Dept of Transportation

Allegheny Highland Trail	20.205	N/A	SHA-AL6805225	1,817,248	82,445
Barton Park Drive with Appurtenances	20.205	N/A	SHA-AL308ZM1	603,335	603,335
Allegany Highlands	23.003	N/A	SHA-AL6805225	400,000	212,393

Urban Mass Trans Admin:

Passed Through Maryland Dept of Transp

Capital Assistance MTA	20.507	MD-90-0069	MD-90-0069	1,120	1,120
Capital Assistance MTA	20.507	MD-90-0063/0069/0094	MD-90-0063/0069/0094	19,465	19,465
Capital Assistance MTA	20.507	MD-90-0094	MD-90-0094	51,407	51,407
Capital Assistance MTA	20.507	MD-90-0101	MD-90-0101	322,964	322,964
Operating Assistance	20.507	MD-90-4101	MD-90-4101	245,447	245,447
Operating Assistance	20.507	MD-90-4089	MD-90-4089	150,517	150,517
Job Access & Reverse Commute	20.516	MD-37-4006	MD-37-4006	87,453	87,453

Urban Mass Trans. Admin & Federal Highway Administration

Passed-Through Maryland Dept of Transportation

Unified Planning Work Program 06	20.505	N/A	N/A	N/A	79,561
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Federal Highway Administration

Passed through MD Inst Emergency Medical Services

EMT - Region 1 Fire Equipment	20.600	N/A	N/A	N/A	42,184
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**Total U.S. Department Of Transportation**

**\$ 1,898,291      \$ -**

**Appalachian Region Commission**

Direct:

Appalachian Region Commission

ARC Training/Conference	23.011	N/A	N/A	N/A	532
Section 302 Grant	23.011	MD-8890-83	N/A	300,000	24,221

Indirect:

Passed Through Maryland Office of Planning:

Maryland Mountainside Wireless Kisok	23.011	N/A	MD-14950-0-1	50,000	19,335
GIS Coordination Plan	23.011	N/A	ARC-10952-C12	30,000	30,000

**Total Appalachian Region Commission**

**\$ 74,088      \$ -**

ALLEGANY COUNTY, MARYLAND  
 PRIMARY GOVERNMENT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - AS RESTATED  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

<b>Environmental Protection Agency</b>							
Indirect:							
Passed Through Maryland Department of Environment							
Capitalization Grants for State Revolving	66.458	N/A	N/A	N/A	268,032		
<b>Total Environmental Protection Agency</b>					<b>\$ 268,032</b>	<b>\$ -</b>	
<b>U.S. Department of Health and Human Services</b>							
Indirect:							
Passed Through MD Institute for Emergency Medical Services							
MD Bioterrorism Hospital Preparedness	93.889	N/A	BT 01,02,03	100,146	100,146		
Passed Through Allegany County Department of Social Services							
TANF Grant	93.596	N/A	ACDSS/CCA 2005-001	218,000	218,000	213,640	
TANF Grant	93.596	N/A	ACDSS/FIA 2005-008	24,750	5,220	5,220	
TANF Grant	93.596	N/A	ACDSS/FIA 2006-008	24,750	23,340	22,590	
Family Support Administration:							
Pass Through Maryland Dept of Human Resources:							
Master's Program	93.563	N/A	CSEA/CR 06-003	73,095	73,095		
<b>Total U.S. Department of Health and Human Services</b>					<b>\$ 419,801</b>	<b>\$ 241,450</b>	
<b>Federal Emergency Management</b>							
Indirect:							
Passed Through Maryland Emergency Management Agency							
Hazard Mitigation Grant	97.039	N/A	N/A	13,100	8,100		
05 Flood Mitigation	97.029	N/A	N/A	192,375	119,589		
<b>Total Federal Emergency Management</b>					<b>\$ 127,689</b>	<b>\$ -</b>	
<b>U.S. Department of Homeland Security</b>							
Indirect:							
Passed Through Maryland Emergency Management Agency							
Citizens Corp	97.067	N/A	N/A	20,000	19,797		
Civil Defense	97.067	N/A	N/A	N/A	32,246		
FY 04 State Domestic Preparedness	97.067	N/A	N/A	689,354	424,225		
FY 05 State Domestic Preparedness	97.067	N/A	N/A	337,550	81,643		
<b>Total U.S. Department of Homeland Security</b>					<b>\$ 557,911</b>	<b>\$ -</b>	
<b>U.S. Department of Energy</b>							
Indirect:							
Passed Through Md Department of Housing and Community Development							
Weatherization Assistance for Low-Income	81.042			110,808	54,779	54,779	
<b>Total U.S. Department of Energy</b>					<b>\$ 54,779</b>	<b>\$ 54,779</b>	
<b>Grand Total</b>					<b>\$ 8,424,587</b>	<b>\$ 393,506</b>	

**ALLEGANY COUNTY, MARYLAND**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS –**  
**AS RESTATED**  
**JUNE 30, 2006**

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.

Note 3.           Restatement of Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards has been restated due to omission of a major federal program, CFDA# 10.760, on the originally prepared and submitted schedule.

**ALLEGANY COUNTY, MARYLAND**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – AS RESTATED**  
**YEAR ENDED JUNE 30, 2006**

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 were disclosed relating to the audit of the financial statements in the 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.
3. No instances of noncompliance material to the financial statements of Allegany County, Maryland, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. One reportable condition in internal control over major federal award programs disclosed during the audit is reported in the 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. The condition is reported as a material weakness.
5. The auditor's report on compliance for the major federal award programs for Allegany County, Maryland expresses an unqualified opinion on all major federal programs.
6. There are no findings, other than the aforementioned reportable condition, that is required to be reported in accordance with Section 510(a) of OMB Circular A-133 reported in this schedule.
7. The programs tested as major programs include:

U.S. Department of Housing and Urban Development	14.856 & 14.871
U.S. Department of Transportation	20.205 & 20.507
U.S. Department of Agriculture	10.760
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Allegany County, Maryland qualified as a low-risk auditee.

**ALLEGANY COUNTY, MARYLAND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – AS RESTATED  
YEAR ENDED JUNE 30, 2006**

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

None

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

**REPORTABLE CONDITIONS**

DEPARTMENT OF AGRICULTURE

2006-1 Omission of Waste and Waste Disposal Systems for Rural Communities Program

*Condition & Criteria:* Allegany County, Maryland failed to be in compliance with the requirement that all major federal program expenditures be reported on the Schedule of Expenditures of Federal Awards. This major program was inadvertently omitted from the schedule.

*Effect:* The Schedule of Expenditures of Federal Awards, as originally prepared and submitted, was incomplete.

*Cause:* Internal controls over compliance with requirements on major federal programs were deficient.

*Recommendation:* The auditor recommends that management design additional controls over the preparation of the Schedule of Expenditures of Federal Awards to prevent and detect noncompliance in a federal program on a timely basis.

*Grantee Response:* The County's Finance Department will coordinate regularly with other County departments and agencies to determine when Federal financial assistance is, or may be, awarded for pending, or on going, programs and projects.

**ALLEGANY COUNTY, MARYLAND  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2006**

None