



FREDERICK COUNTY GOVERNMENT

INTERAGENCY INTERNAL AUDIT AUTHORITY

Tricia Reaver, CPA, Director of Internal Audit

Memorandum

To: Interagency Internal Audit Authority

From: Tricia A. Reaver, CPA

A handwritten signature of Tricia A. Reaver.

Director, Internal Audit Division

Date: July 21, 2025

Subject: Annual Review of Frederick County, Frederick County Public Schools & Frederick Community College Financial Reports

The annual financial audits of Frederick County, Maryland, Frederick County Public Schools, and Frederick Community College have been completed by SB & Company, LLC for fiscal year 2024 as contracted by the County Council, Board of Education and Board of Trustees, respectively. Below is a breakdown of each report presented:

The following is a summary of the results of each report for **Frederick County, Maryland** (FCG):

- Annual Comprehensive Financial Report (ACFR)
 - Unmodified opinion, dated November 15, 2024
 - No noted prior period adjustments or restatements
 - Net Position - June 30, 2024: \$1,550,315,791; June 30, 2023: \$1,449,170,652. (increase of \$101,145,139)
 - Governmental Funds - June 30, 2024: \$732,147,824; June 30, 2023: \$657,433,998 (an increase of \$74,713,826)
 - Enterprise Funds - June 30, 2024: \$818,167,967; June 30, 2023: \$791,736,654 (an increase of \$26,431,313)
 - Total Governmental Fund Balances- June 30, 2024: \$657,758,017; June 30, 2023: \$730,816,375 (a decrease of \$73,058,358)
 - General Fund - June 30, 2024: \$179,287,196; June 30, 2023: \$195,865,942 (a decrease of \$16,578,746)
 - Grants Fund - June 30, 2024: \$36,384,830; June 30, 2023: \$38,299,291 (a decrease of \$1,914,461)
 - Capital Projects Fund - June 30, 2024: \$318,743,738; June 30, 2023: \$382,065,788 (a decrease of \$63,322,050)
 - Ag Preservation Fund - June 30, 2024: \$74,421,232; June 30, 2023: \$73,195,866 (an increase of \$1,225,366)

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RE: Annual Review of Frederick County, Frederick County Public Schools & Frederick Community College Financial Reports

July 21, 2025

Page 2

- Debt Service Fund – June 30, 2024: \$11,760,217; June 30, 2023: \$10,210,485 (an increase of \$1,558,732)
- Nonmajor Governmental Funds – June 30, 2024: \$37,160,804; June 30, 2023: \$31,188,003 (an increase of \$5,972,801)
- Noted subsequent events:
 - On July 23, 2024, the County entered into an Installment Purchase Agreement to purchase an easement of agricultural land. The borrowing was authorized under Council Bill 19-19 on January 19, 2019. The transaction is a 10-year obligation with interest paid annually at 4.0759% and final maturity on May 15, 2034, in the amount of \$212,251. This investment is recorded in the Agricultural Preservation Fund. (ACFR pg. 146)
 - On September 4, 2024, the County entered into an Installment Purchase Agreement to purchase an easement of agricultural land. The borrowing was authorized under Council Bill 19-19 on January 19, 2019. The transaction is a 20-year obligation with interest paid annually at 4.2118% and final maturity on May 15, 2044, in the amount of \$295,672. This investment is recorded in the Agricultural Preservation Fund. (ACFR pg. 146)
- New accounting pronouncements:
 - The County has adopted the provisions of GASB Statement No. 100 "Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62", and Implementation Guide No. 2023-1, "Implementation Guidance Update – 2023". (ACFR pg. 147)
 - The County will evaluate the effects of and adopt by effective dates: Statement No. 101 "Compensated Absences" and Statement No. 102 "Certain Risk Disclosures". (ACFR pg. 147)
- Risk management/ legal liabilities:
 - No items noted which would result in settled claims over and above what is covered by the County insurance policies or that would have a material adverse effect on the financial statements at this time. (ACFR pg. 116 & 117)
- 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
 - Dated November 15, 2024
 - No material weaknesses or significant deficiencies noted
 - No paragraph noting control deficiencies noted
 - No noted instances of non-compliance with laws, regulations, contracts, grant agreements, etc. noted

- Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance in Accordance with the Uniform Guidance
 - Unmodified opinion, dated January 31, 2025
 - No material weaknesses or significant deficiencies noted
 - No paragraph noting control deficiencies noted
 - No noted instances of non-compliance with federal grant programs
- Single Audit report
 - Unmodified opinion, dated January 31, 2025
 - Low risk auditee
 - Total federal expenditures \$34,234,069, a reduction from \$41,437,904 at June 30, 2023 (variance of \$7,203,835).
 - Total major programs tested \$15,040,261
 - No current year or prior year findings or deficiencies noted
 - Filed timely with the Federal Audit Clearinghouse (accepted on February 10, 2025; audit report date January 31, 2025)
- Annual required communications from the auditor
 - Nothing noted and no separate management letter presented
- Management representation letters
 - No special representations or items outside of the normal scope of the audit noted
- 911 Trust Fund Audit of Revenue and Expenditures
 - Unmodified opinion dated January 31, 2025; no issues noted
- Agreed-Upon Procedures to Federal Register Criteria for Municipal Solid Waste Landfills - Financial Assurance Criteria
 - Report dated January 2, 2025
 - No negative findings reported on agreed upon procedures engaged to perform
- Bell Court Apartments annual financial audit (as regulated by DHCD)
 - Annual audited financial statement report
 - Unmodified opinion, dated September 24, 2024
 - No prior period adjustments or restatements
 - No noted legal contingencies
 - No subsequent events noted
 - Report on Internal Controls Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards
 - Dated September 24, 2024
 - No material weaknesses or significant deficiencies noted
 - No paragraph noting communication to management regarding control deficiencies noted
 - No non-compliance noted

- Report on Compliance with Specific Requirements Applicable to DHCD-Assisted Programs
 - Dated September 24, 2024
 - No issued noted, complied in all material respects
- Electronic filing to DHCD
 - Completed and accepted by DHCD timely

The following is a summary of the results of each report for **Frederick County Public Schools, Maryland (FCPS)**:

- ACFR
 - Unmodified opinion, dated September 26, 2024
 - No noted prior period adjustments or restatements
 - Subsequent events - none noted
 - Net Position - June 30, 2024: \$125,641,391; June 30, 2023: \$76,470,562 (an increase of \$49,170,829)
 - Total Fund Balances - June 30, 2024: \$54,308,681; June 30, 2023: \$57,679,839 (a decrease of \$3,371,158)
 - General Fund - June 30, 2024: \$44,780,422; June 30, 2023: \$38,743,245 (an increase of \$6,037,177)
 - School Construction Fund - June 30, 2024: \$124,226; June 30, 2023: \$6,327,215 (a decrease of \$6,202,989)
 - Food and Nutrition Fund - June 30, 2024: \$8,589,390; June 30, 2023: \$12,367,396 (a decrease of \$3,778,006)
 - Artificial Turf Fund - June 30, 2024: \$814,643; June 30, 2023: \$241,983 (an increase of \$572,660)
 - New accounting pronouncements:
 - FCPS adopted the provisions of GASB Statement No. 100 "Accounting Changes and Error Corrections - An Amendment of GASB Statement No. 62". (ACFR pg. 48)
 - FCPS will evaluate the effects of and adopt by the effective dates: GASB Statement No. 101 "Compensated Absences", Statement 102 "Certain Risk Disclosures", and Statement No. 103 "Financial Reporting Model Improvements". (ACFR pg. 69)

- Risk management/legal liabilities:
 - No items noted which would result in settled claims over and above what is covered by FCPS or that would have a material adverse effect on the financial statements at this time (ACFR pg. 69).
 - The liability balance within the FCPS self-insurance claims fund on June 30, 2024, was \$12,515,971 (an increase of \$465,050 from the prior year). (ACFR pg. 63).
 - The self-insurance fund recognized a negative change in net position of \$11.5 million, resulting in a net position deficit of \$3.5 million. During FY24, the Board transferred a one-time subsidy from the General Fund of \$5 million through an appropriation from Frederick County Government.
- 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
 - Dated September 26, 2024
 - No material weaknesses or significant deficiencies noted
 - No paragraph noting control deficiencies noted
 - No noted instances of non-compliance with laws, regulations, contracts, grant agreements, etc.
- Report on Compliance for Each Major Federal Program and Report on Internal Controls Over Compliance in Accordance with the Uniform Guidance
 - Unmodified opinion, dated December 4, 2024
 - No material weaknesses or significant deficiencies noted
 - No paragraph noting control deficiencies noted
 - No noted instances of non-compliance with federal grant programs
- Single Audit report
 - Unmodified opinion, dated December 4, 2024
 - Low risk auditee
 - Total federal expenditures \$48,803,169
 - Total major programs tested \$22,688,081
 - No current year or prior year findings or deficiencies noted
 - Filed timely with the Federal Audit Clearinghouse (Filed on December 19, 2024, report dated December 4, 2024; within 30 business days)
- Annual required communications from the auditor
 - Nothing noted and no separate management letter presented
- Management representation letter
 - No special representations or items outside of the normal scope of the audit noted

The following is a summary of the results of each report for **Frederick Community College, Maryland** (FCC) and the **Frederick Community College Foundation Inc.**

- Annual audited financial statement report (FCC)
 - Unmodified opinion, dated September 20, 2024
 - No noted prior period adjustments or restatements
 - Subsequent events - none noted (Pg. 41)
 - Net Position- June 30, 2024: \$116,423,217; June 30, 2023: \$110,951,037 (an increase of \$5,472,180).
 - New accounting pronouncements:
 - FCC has adopted the provisions of GASB Statement No. 99 "Omnibus 2022" and Statement No. 100 "Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62". The adoption of these two statements did not have a significant impact on the financial statements. (Pg. 22)
 - FCC will evaluate the effects of and adopt by the effective dates: GASB Statement No. 101 "Compensated Absences", Statement 102 "Certain Risk Disclosures", and Statement No. 103 "Financial Reporting Model Improvements". (Pg. 22 & 23)
 - Risk Management/legal liabilities:
 - No items noted which would result in settled claims over and above what is covered by FCC or that would have a material adverse effect on the financial statements at this time (Pg. 33)
- 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
 - Report dated September 20, 2024
 - No material weaknesses or significant deficiencies noted
 - No paragraph noting control deficiencies noted
 - No noted instances of non-compliance with laws, regulations, contracts, grant agreements, etc.
- Report on Compliance for Each Major Federal Program and Report on Internal Controls Over Compliance in Accordance with the Uniform Guidance
 - Report dated October 1, 2024
 - No material weaknesses or significant deficiencies noted
 - No paragraph noting control deficiencies noted
 - No prior year compliance findings or deficiencies noted

- Single Audit report
 - Unmodified opinion, dated October 1, 2024
 - Low risk auditee
 - Total federal expenditures \$9,809,341
 - Total major programs tested \$8,626,641
 - No current year findings noted
 - No prior year findings noted
 - Filed timely with the Federal Audit Clearinghouse (Filed on October 31, 2024; report dated October 1, 2024)
- Annual required communications from the auditor
 - Nothing noted and no separate management letter presented
- FCC Foundation- annual audited financial statement report
 - GAAP based financial statements, dated September 20, 2024
 - Unmodified opinion
 - No noted prior period adjustments or restatements
 - New accounting pronouncements: none noted
 - No subsequent events noted
 - Net Assets – June 30, 2024: \$22,049,967; June 30, 2023: \$20,765,678 (an increase of \$1,284,289)
 - No matters noted as probable or likely for disclosure or as a contingent liability on the books of the Foundation
- Management representation letters
 - No special representations or items outside of the normal scope of the audit noted

I have reviewed each of the above listed reports (from management) and opinions from SB & Company. It appears the reports were appropriately formulated and the ACFRs have all necessary sections to obtain the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting. New accounting pronouncements appear to have been properly implemented and noted. Overall, each entity received a “clean” unmodified audit opinion, and no material weaknesses, significant deficiencies or compliance findings were noted on the financial statement reports. Additionally, no material weaknesses, significant deficiencies or compliance findings on major programs were noted on the uniform guidance reports.

Please let me know if you have any specific questions regarding the above-mentioned reports.

Pc: Dawn Reed, Coordinator, Internal Audit