

**FREDERICK COUNTY
INTERAGENCY INTERNAL AUDIT AUTHORITY**

**FREDERICK COUNTY
AGRICULTURAL TRANSFER TAX RECEIPTS,
EXPENDITURES AND CHANGES IN
FUND BALANCE
FOR THE FISCAL YEAR 2007**

**REPORT # 08-07
JANUARY 29, 2008**





INTERAGENCY INTERNAL AUDIT DIVISION FREDERICK COUNTY, MARYLAND

COUNTY GOVERNMENT PUBLIC SCHOOLS COMMUNITY COLLEGE
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January 29, 2008

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Jan H. Gardner
President

David P. Gray
Vice President

Kai J. Hagen

Charles A. Jenkins

John L. Thompson, Jr.

Mr. Joseph Lilly
Fiscal Administrator
State of Maryland
Department of Agriculture
50 Harry S. Truman Parkway
Annapolis, MD 21401

Dear Mr. Lilly:

Attached are the opinion letter and audited financial statement for the Agricultural Transfer Tax Receipts, Expenditures and Changes in Fund Balance of Frederick County, Maryland for the period July 1, 2006 through June 30, 2007.

If you have any questions regarding this matter, please feel free to contact me at (301) 600-1675, or Sonja Erickson, Auditor, at (301) 600-1609.

COUNTY MANAGER

Ronald A. Hart

Sincerely,

/s/ Richard A. Kaplan
Richard A. Kaplan, Director
Internal Audit Division

CAE/DIRECTOR

Richard A. Kaplan

cc: Kelly Hammond, Audit Manager, Internal Audit Division

Attachments





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Mr. Joseph Lilly
Fiscal Administrator
State of Maryland
Department of Agriculture
50 Harry S. Truman Parkway
Annapolis MD 21401

We have audited the Agricultural Transfer Tax Receipts, Expenditures and Changes in Fund Balance of Frederick County, Maryland for the period July 1, 2006 through June 30, 2007, as shown on the accompanying statement. We audited for compliance with the Annotated Code of Maryland, Tax-Property Title 13, Subtitle 3, Agricultural Land Transfer Tax §13-301 through §13-308; State Finance and Procurement Title 5, Subtitle 4, §5-408; as well as the Code of Maryland Regulations (COMAR), Title 14.24.8.10. This statement is the responsibility of the County's management. Our responsibility is to express our opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used, internal controls and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. Although we did not find a material misstatement in the financial statement, we found an internal control weakness, as discussed below, that we will report to management in a separate letter.

The Code of Maryland Regulations (COMAR), Title 14.24.8.10, requires each county with a certified Agricultural Land Preservation Program to submit recertification materials every three years in order to retain 75% of its Agricultural Transfer Tax revenue. We found that Frederick County had not submitted materials for recertification since 1998, but had continued to retain 75% of the Agricultural Transfer Tax revenue. The County did submit a recertification package in November 2007. The Maryland Department of Planning, who administers the Agricultural Land Preservation Program, has indicated that they consider Frederick County to be a certified county, and that they will not seek repayment of certification funds collected and retained during the years that the County had not applied for recertification. The County Attorney indicated that the Maryland Department of Planning's position confirms that since the State is unlikely to seek and obtain recovery of such funds, there is no need to establish a contingent liability.

Accordingly, in our opinion the financial statement referred to above does present fairly, in all material respects, the Agricultural Transfer Tax fund balances of Frederick County, Maryland for the years ended June 30, 2007 and 2006, respectively, in conformity with accounting principles generally accepted in the United States of America.

January 29, 2008

/s/ Interagency Internal Audit Authority
Interagency Internal Audit Authority

FREDERICK COUNTY, MARYLAND
COMPARATIVE STATEMENT OF AGRICULTURAL TRANSFER TAX
RECEIPTS, EXPENDITURES AND CHANGES IN FUND BALANCE
For Year Ended June 30, 2007

	<u>2007</u>	<u>2006</u>
RECEIPTS		
Agricultural		
Transfer Tax	\$1,871,197	\$1,102,557
Interest	\$7,038	\$8,836
Refunds	<u>(\$8,070)</u>	<u>\$0</u>
Net Receipts	\$1,870,165	\$1,111,393
Less: State Share	<u>(\$467,541)</u>	<u>(\$277,848)</u>
County Share of Agricultural Transfer Tax Receipts	\$1,402,624	\$833,545
Woodland		
Transfer Tax	\$0	\$7,373
Interest	\$0	\$0
Less: State Share	<u>\$0</u>	<u>(\$7,373)</u>
County Share of Woodland Transfer Tax Receipts	\$0	\$0
Total County Share of Receipts	<u>\$1,402,624</u>	<u>\$833,545</u>
EXPENDITURES		
Matching MALPF Acquisition	\$490,407	\$411,369
Administrative	<u>\$45,251</u>	<u>\$39,247</u>
Total Expenditures	<u>\$535,658</u>	<u>\$450,616</u>
Excess (Deficit) of Receipts over Expenditures	<u>\$866,966</u>	<u>\$382,929</u>
BEGINNING FUND BALANCE, July 1	\$2,624,663	\$2,241,734
ENDING FUND BALANCE, June 30	<u><u>\$3,491,629</u></u> ¹	<u><u>\$2,624,663</u></u> ¹

¹ These amounts include \$1,487 and \$4,818 in administrative expenditures from fiscal years 2007 and 2006 respectively, not included on the year-end *Collection of Agricultural Transfer Tax* reports due to filing deadline requirements.