

BARRY GLASSMAN
HARFORD COUNTY EXECUTIVE

BILLY BONIFACE
DIRECTOR OF ADMINISTRATION



KAREN D. MYERS
DIRECTOR OF PROCUREMENT

REQUEST FOR PROPOSAL FOR BID NO. 16-135
Independent External Audit Services

Jan 13, 2016

Ladies and Gentlemen:

The purpose of this addendum is to provide clarification(s) to all prospective proposers.

Question No. 1: Can we obtain copies of all the reports that are references in Attachment A Section D of the RFP?

Answer No. 1: Yes, they will be attached.

Question No. 2: Can we get a breakdown of fees for the prior year audit as detailed in Appendix 1 of the RFP?

Answer No. 2: Audit fees for prior years were as follows:
FY2015: \$89,800 (Contract allowed up to \$92,800)
FY2014: \$89,800
FY2013: \$87,773
FY2012: \$85,390

Question No. 3: Who prepares the schedule of federal awards?

Answer No. 3: The County Treasurer's Office

Question No. 4: Are all funds in the CAFR on the same accounting software of the County and under one internal control system?

Answer No. 4: Harford County's financial reporting information is aggregated in the County's FAMIS system. A number of other related systems are described in Attachment B the RFP. Component Units maintain their own financial systems and internal control systems.

Question No. 5: How many audit adjustments were made in the prior year audit?

Answer No. 5: There were no significant adjustments identified during the audit process. A copy of the FY2015 required communications will be attached.

Question No. 6: Can interim audit work be performed?

Answer No. 6: Yes. Interim fieldwork may be performed. The timing of those procedures should be communicated to the County Auditor and coordinated with the County Treasurer.

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THIS DOCUMENT IS AVAILABLE IN ALTERNATIVE FORMAT UPON REQUEST

Question No. 7:

Are component units reports received timely?

Answer No. 7:

Component unit reports are expected to be provided the County Treasurer in Mid-September and have historically been received timely.

Question No. 8:

Who calculates the liabilities for the landfill?

Answer No. 8:

The County's Department of Public Works calculates the liability in accordance with 40 CFR Part 258.

Question No. 9:

Who calculates the liability for the self insurance?

Answer No. 9:

Mr. Steven Glicksman, Glicksman Consulting, LLC

Question No. 10:

Who are the actuaries for the pension plan?

Answer No. 10:

Bolton Partners, Inc.

Question No. 11:

Who is the actuary for the post employment?

Answer No. 11:

Bolton Partners, Inc.

Question No. 12:

Has the County looked at the impact of the New Uniform Guidance over its grants programs?

Answer No. 12:

There have been no changes in protocol to ensure compliance with the new Uniform Guidance. The Treasurer's Office is currently reviewing the new guidance and plans to make changes as needed.

Question No. 13:

In the RFP sections for the Technical Proposal where do you want us to discuss our audit approach for the audit?

Answer No. 13:

The audit approach can be explained along with the 'Identification of Anticipated Potential Audit Problems' or with the 'Firm Qualifications and Experience'. Ultimately, the quality of the approach is more important than its location in the presentation.

Sincerely,



Aaron Hall

**HARFORD COUNTY, MARYLAND
SHERIFF'S OFFICE PENSION SYSTEM**

**Financial Statements and Supplementary Schedules
Together with Report of Independent Public Accountants**

For the Year Ended June 30, 2015



SB & COMPANY, LLC
KNOWLEDGE • QUALITY • CLIENT SERVICE

JUNE 30, 2015

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors
Harford County, Maryland
Sheriff's Office Pension System

Report on the Financial Statements

We have audited the accompanying statement of plan net position and statement of changes in plan net position of Harford County, Maryland Sheriff's Office Pension System (the Plan), a pension trust fund of Harford County, Maryland, as of and for the year ended June 30, 2015, and the related notes to the financial statement, which collectively comprise the Plan's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Plan's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion of these financial statements based on our audit. We conducted our audit in accordance with auditing standards general accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



SB & COMPANY, LLC
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net position of the Harford County, Maryland Sheriff's Office Pension System as of June 30, 2015, and the changes in its plan net position for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Other Matters

Accounting principles generally accepted in the United States of America require that the accompanying schedule of changes in the county's net pension liability and related ratios, schedule of county contributions, and schedule of investment returns be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Hunt Valley, Maryland
October 19, 2015

SB & Company, LLC

HARFORD COUNTY, MARYLAND, SHERIFF'S OFFICE PENSION SYSTEM

**Statement of Plan Net Position
As of June 30, 2015**

ASSETS	
Equity in pooled cash and investments	\$ 403,146
Investments, at fair value:	
Cash equivalents	1,123,962
Fixed income fund	11,239,673
Equities and equivalents	37,911,151
Total investments	<u>50,274,786</u>
Total Assets	<u><u>50,677,932</u></u>
 LIABILITIES	
Accounts payable	14,832
Net Position Held In Trust for Pension Benefits	<u><u>\$ 50,663,100</u></u>

The accompanying notes are an integral part of this financial statement.

HARFORD COUNTY, MARYLAND, SHERIFF'S OFFICE PENSION SYSTEM

Statement of Changes in Plan Net Position For the year ended June 30, 2015

ADDITIONS	
Contributions:	
Employer	\$ 2,490,164
Employee	485,297
Total Contributions	<u>2,975,461</u>
Investment earnings:	
Net appreciation in fair value of investments	1,320,308
Interest and dividends	859,571
Less: investments expense	184,937
Net investment earnings	<u>1,994,942</u>
Total Additions	<u>4,970,403</u>
DEDUCTIONS	
Administrative expenses	49,460
Benefits	2,824,515
Total Deductions	<u>2,873,975</u>
Change in net position	2,096,428
Net Position, beginning of year	48,566,672
Net Position, End of Year	<u>\$ 50,663,100</u>

The accompanying notes are an integral part of this financial statement.

HARFORD COUNTY, MARYLAND, SHERIFF'S OFFICE PENSION SYSTEM

Notes to the Financial Statements June 30, 2015

1. PLAN DESCRIPTION

Plan Administration

The Sheriff's Office Pension System (the SOPS or the Plan) is a single employer defined benefit pension plan, established by Harford County, Maryland (the County) effective July 1, 1997, for certain law enforcement and correctional employees of the Office of the Sheriff of Harford County. Bill No. 97-20 assigns the authority to establish and amend the benefit provisions of the Plan to Harford Government by county ordinance. The SOPS provide retirement, disability and death benefits to plan members and their beneficiaries. The SOPS is considered part of the County's financial reporting entity and is included in the County's financial statements as a pension trust fund.

The Internal Revenue Service issued a determination letter on September 20, 2002, which stated that the Plan and its underlying trust qualify under the applicable provision of the Internal Revenue Code, and therefore the trust is exempt from Federal income taxes. In the opinion of the plan administrator, the Plan and its underlying trust have operated within the terms of the Plan and remain qualified under the applicable provisions of the Internal Revenue Code.

Management of the SOP is vested with the Trustees of the Plan. The County Plan has five trustees who shall be the County Treasurer or Acting Treasurer, The County Attorney or Acting County Attorney, the Director or Acting Director of Human Resources and two representatives who are each selected by the covered individuals of certified law enforcement employees and certified correctional service employees.

Plan Membership

The membership data related to the Harford County Sheriff's Office Pension Plan as of July 1, 2014, was as follows:

Plan Participants	
Retirees and beneficiaries currently receiving benefits	78
Terminated vested participants	6
Active plan members	135
Total	219

HARFORD COUNTY, MARYLAND, SHERIFF'S OFFICE PENSION SYSTEM

Notes to the Financial Statements June 30, 2015

1. PLAN DESCRIPTION (continued)

Benefits Provided

The SOP provides retirement, disability and death benefits to plan members and their beneficiaries. Effective May 20, 2013, per Bill 13-9, the cost of living adjustment shall not exceed 3 percent for a participant's benefit attributable to years of creditable service earned before July 1, 2013. Effective beginning with the cost of living adjustment (COLA) for July 1, 2014, with respect to the portion of a participant's benefit attributable to years of creditable service earned on or after July 1, 2013, the COLA shall not exceed 2.5 percent, if the actual rate of return of the plan's assets is less than 7 percent the COLA shall not exceed 1 percent applied each July 1 for all participants in pay status for the requisite 12 months.

Contributions

Plan members are required to contribute 7% of their annual covered salary. The County is required to contribute at an actuarially determined rate, currently 35.0% of covered payroll. Per Bill 97-20, contribution requirements of the plan members and the County are established and may be amended by County legislature. Administrative costs of the SOPS are to be paid by the trust unless the County decides to do so.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The SOPS fund uses the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates.

Method Used to Value Investments

Investments are reported at fair market value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price at current exchange rates. The County has hired an investment firm to manage the investments of the SOPS.

HARFORD COUNTY, MARYLAND, SHERIFF'S OFFICE PENSION SYSTEM

Notes to the Financial Statements
June 30, 2015

3. INVESTMENTS

Investment Policy

The investment policy of the pension plan does not limit investment maturities. Fluctuating rates of return are characteristic of the securities markets; the fund's greatest concern is long-term appreciation of assets and consistency of portfolio returns. However, cash and cash equivalent investments, such as commercial paper, repurchase agreements, etc. are limited to maturities of one year or less. As a means of minimizing risk and providing a consistent return, the investment policy requires diversification. U.S. corporate bonds shall be diversified by issuer type with no more than 5% of the portfolio invested in obligations of any one issuer and no more than 10% in any one outstanding debt issue.

Investments by security type are to be diversified as follows:

	Target Allocation
U.S. Large cap equities	36%
U.S. Mid cap equities	8%
U.S. Small cap equities	5%
International equities	21%
Fixed income	30%
Total	100%

Rate of Return

For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 4.64 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

4. NET PENSION LIABILITY OF THE COUNTY

Net Pension Liability of the County

The components of the net pension liability of the County at June 30, 2015, were as follows:

Total pension liability	\$ 63,845,750
Plan fiduciary net position	<u>(50,663,100)</u>
County's net pension liability	<u>\$ 13,182,650</u>

Plan fiduciary net position as a percentage of the total pension liability	79.35%
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HARFORD COUNTY, MARYLAND, SHERIFF'S OFFICE PENSION SYSTEM

Notes to the Financial Statements June 30, 2015

4. NET PENSION LIABILITY OF THE COUNTY (continued)

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2014 rolled forward to June 30, 2015 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Rates vary by participant service
Investment rate of return	7.0 percent, net of pension plan investment expenses includes inflation

Mortality rates were based on the RP-2000 Combined Healthy tables with generational projection using the scale AA.

The long-term expected rate of return of pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target allocation percentage and by adding expected inflation (3%). The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	49%	9.7%
International equity	21%	10.1%
Fixed income	30%	4.6%

Discount Rate

The discount rate used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed the plan member contributions will be made at the current contribution rate and that the County contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

HARFORD COUNTY, MARYLAND, SHERIFF'S OFFICE PENSION SYSTEM

Notes to the Financial Statements
June 30, 2015

4. NET PENSION LIABILITY OF THE COUNTY (continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the County, calculated using the discount rate of 7.0 percent, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0 percent) or 1 percentage point higher (8.0 percent) than the current rate:

	1% Decrease 6.00%	Discount Rate 7.00%	1% Increase 8.00%
County's net pension liability	<u>\$ 21,930,170</u>	<u>\$ 13,182,650</u>	<u>\$ 6,014,332</u>

REQUIRED SUPPLEMENTARY INFORMATION

HARFORD COUNTY, MARYLAND, SHERIFF'S OFFICE PENSION SYSTEM

Schedule of County Contributions June 30, 2015

	2015*	2014*
Total Pension Liability		
Service cost	\$ 1,622,000	\$ 1,412,000
Interest	4,176,000	3,982,000
Charges of benefit terms	54,000	68,000
Differences between expected and actual experience	(1,025,000)	-
Changes of assumptions	776,000	-
Benefit payments, including refunds of member contributions	(2,825,000)	(2,576,000)
Net Change in Total Pension Liability	2,778,000	2,886,000
Total pension liability, beginning	61,067,000	58,180,000
Total Pension Liability, Ending (a)	\$ 63,845,000	\$ 61,066,000
 Plan Fiduciary Net Position		
Contributions - employer	\$ 2,490,000	\$ 2,377,000
Contributions - member	485,000	452,000
Net investment income	1,995,000	7,089,000
Benefit payments, including refunds of member contributions	(2,825,000)	(2,576,000)
Administrative expenses	(49,000)	(53,000)
Net Change in Plan Fiduciary Net Position	2,096,000	7,289,000
Plan fiduciary net position, beginning	48,567,000	41,279,000
Plan Fiduciary Net Position, Ending (b)	\$ 50,663,000	\$ 48,568,000
 County's Net Pension Liability - Ending (a) - (b)	\$ 13,182,000	\$ 12,498,000
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79.35%	79.53%
Covered-employee Payroll	\$ 10,336,000	\$ 8,569,000
County's Net Pension Liability as a Percentage of Covered- Employee Payroll	127.53%	145.85%
Expected average remaining service years of all participants	5	6

* Numbers are rounded to the nearest 1,000.

Notes to Schedule:

Information for FY 2013 and earlier is not available.

Benefit Changes: FY15 reflects a change in the crediting of pre-employment military service. There were significant changes reflected in FY14 including: increased benefit accrual rates for future service, Early Retirement benefits, Average Compensation period, limitation to annual COLA for benefits based on service earned after June 30, 2013, and line of duty disability benefits.

Change of assumptions: FY15 reflects a change in the assumed rates of mortality for disabled members.

HARFORD COUNTY, MARYLAND, SHERIFF'S OFFICE PENSION SYSTEM

Schedule of County Contributions June 30, 2015

	2015	2014
Actuarially determined contribution	\$ 2,490,164	\$ 2,376,590
Contributions in relation of the actuarially determined contribution	2,490,164	2,376,590
Contribution Deficiency (Excess)	\$ -	\$ -
Covered-employee Payroll	\$ 10,336,000	\$ 8,569,280
Contributions as a Percentage of Covered-employee Payroll	24.09%	27.73%

Notes to Schedule:

Actuarially determined contribution amounts are calculated as of the beginning of the fiscal year (July 1) for the year immediately following the fiscal year. Actuarial valuations are performed every year.

Methods and assumptions used to determine contribution rates:

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level Percentage of Payroll
Remaining amortization period	15 years for gains and losses (open), 30 years for prior period and assumption changes, 15 years for July 1, 2013 plan changes
Asset value method	5-year smoothed market
Inflation	3.0 percent
Salary increases	Rates vary by participant age and service
Investment rate of return	7.0%, net of pension plan investment expense, including inflation
Retirement age	Rates vary by participant age and service
Mortality	RP-2000 Combined Healthy tables with generational projection by Scale AA

Information for FY2013 and earlier is not available.

HARFORD COUNTY, MARYLAND, SHERIFF'S OFFICE PENSION SYSTEM

Schedule of Investment Returns June 30, 2015

	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expenses	4.64%	17.11%

*Information for fiscal year 2013 and earlier years are not available.

**HARFORD COUNTY, MARYLAND
VOLUNTEER FIREFIGHTER LENGTH OF
SERVICE AWARD PROGRAM**

**Financial Statements and Supplementary Schedules
Together with Report of Independent Public Accountants**

For the Year Ended June 30, 2015



SB & COMPANY, LLC
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JUNE 30, 2015

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors of
Harford County, Maryland
Volunteer Firefighter Length of Service Award Program

Report on the Financial Statements

We have audited the accompanying statement of plan net position and statement of changes in plan net position of Harford County, Maryland, Volunteer Firefighter Length of Service Award Program (the Plan), a pension trust fund of Harford County, Maryland, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Plan's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion of these financial statements based on our audit. We conducted our audit in accordance with auditing standards general accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



SB & COMPANY, LLC
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net position of the Harford County, Maryland Volunteer Firefighter Length of Service Award Program, as of June 30, 2015, and the changes in its plan net position for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Other Matters

Accounting principles generally accepted in the United States of America require that the accompanying schedules of changes in the county's net pension liability and related ratios, schedule of county contributions, and schedule of investment returns be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Hunt Valley, Maryland
October 19, 2015

SB & Company, LLC

**HARFORD COUNTY, MARYLAND
VOLUNTEER FIREFIGHTER LENGTH OF SERVICE AWARD PROGRAM**

**Statement of Plan Net Position
As of June 30, 2015**

ASSETS	
Equity in pooled cash	\$ 372,702
Investments, at fair value:	
Cash equivalents	533,154
Fixed income fund	8,500,296
Equities and equivalents	<u>14,909,319</u>
Total investments	<u>23,942,769</u>
Total Assets	<u>24,315,471</u>
 LIABILITIES 	
Accounts payable	<u>10,467</u>
Net Position Held In Trust for Pension Benefits	<u>\$ 24,305,004</u>

The accompanying notes are an integral part of this financial statement.

**HARFORD COUNTY, MARYLAND
VOLUNTEER FIREFIGHTER LENGTH OF SERVICE AWARD PROGRAM**

**Statement of Changes in Plan Net Position
For the year ended June 30, 2015**

ADDITIONS

Contributions:

Plan Sponsor	\$ 2,030,844
Total Contributions	<u>2,030,844</u>

Investment earnings:

Net appreciation in fair value of investments	498,837
Interest and dividends	443,011
Less: investment expenses	101,735
Net investment earnings	<u>840,113</u>
Total Additions	<u>2,870,957</u>

DEDUCTIONS

Benefit payments	1,594,505
Administrative expenses	13,710
Total Deductions	<u>1,608,215</u>

Change in net position	1,262,742
Net position, beginning of year	23,042,262
Net Position, End of Year	<u>\$ 24,305,004</u>

The accompanying notes are an integral part of this financial statement.

**HARFORD COUNTY, MARYLAND
VOLUNTEER FIREFIGHTER LENGTH OF SERVICE AWARD PROGRAM**

**Notes to the Financial Statements
June 30, 2015**

1. PLAN DESCRIPTION

Plan Administration

Harford County (the County) instituted and began administering a single employer defined benefit length of service award program (LOSAP or the Plan), for volunteer firemen and ambulance personnel on January 31, 1975. LOSAP is considered part of the County's financial reporting entity and is included in the County's financial statements as a pension trust fund.

The Length of Service Award Program (LOSAP) is different from traditional qualified retirement plans. These plans are regulated under the Internal Revenue Code section 457(e)(11). The County's plan meets the requirements of this section, which means the payments on behalf of the fire fighters are not treated as current "wages"; and the County is an "eligible employer," as defined by the IRS, therefore the Plan is tax exempt.

The County Fire Chief's Association shall be responsible for administering the Volunteer Firefighter's Length of Service Award Program. The voting membership of the Fire Chief's Association is composed of the Volunteer Fire and Emergency Medical Services companies having first due responsibilities in Harford County, Maryland.

Plan Membership

The membership data related to the Volunteer Firefighter LOSAP Plan as of September 30, 2014, was as follows:

Plan Participants	
Retirees and beneficiaries currently receiving benefits	429
Terminated plan members entitled to but not yet receiving benefits	294
Active plan members	<u>1,170</u>
Total	<u><u>1,893</u></u>

**HARFORD COUNTY, MARYLAND
VOLUNTEER FIREFIGHTER LENGTH OF SERVICE AWARD PROGRAM**

**Notes to the Financial Statements
June 30, 2015**

1. PLAN DESCRIPTION (continued)

Benefits Provided

Based on County statutes, the firemen and ambulance personnel are eligible to participate upon accumulating "50 (fifty) points," which are determined in accordance with a specific point system. Benefits vest upon 25 years of service credit. The plan generally provides \$5,000 burial benefits and certain benefits for disability. Regular benefits are calculated at \$12 per month for each of the first 25 years of service plus \$6 per month for each year in excess of 25 years. The maximum benefit is \$450 per month. Normal form of benefit is a life annuity for the volunteer with a 50% survivor benefit for the spouse of the volunteer.

Contributions

Under provisions of County statutes, the County must provide annual contributions sufficient to satisfy the actuarially determined contribution requirements. Periodic County contributions to the pension plan are determined by an actuarially determined rate. Since there are no "salaries", the rate cannot be expressed as a percentage of covered payrolls. There are no participant financed benefits in this plan.

The annual required contribution for the year ended June 30, 2015, was determined as part of the September 30, 2012, actuarial valuation using the entry age normal funding method, with a 15-year amortization of the unfunded liability. Under this method, a normal cost is calculated, which would, if contributed annually, fund each volunteer's benefits during his or her career at a level dollar amount. The unfunded actuarial liability is calculated at each valuation date as the present value of all plan benefits, less current assets. The actuarial assumptions included a 6 % investment rate of return compounded annually. The firemen are voluntary and, therefore, would not have a projected salary increase.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The LOSAP plan used the accrual basis of accounting. County contributions are recognized in the period in which cash contributions are made. Benefits are recorded when due and payable in accordance with the terms of the Plan.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates.

**HARFORD COUNTY, MARYLAND
VOLUNTEER FIREFIGHTER LENGTH OF SERVICE AWARD PROGRAM**

**Notes to the Financial Statements
June 30, 2015**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Method Used to Value Investment

Investments are reported at fair market value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price at current exchange rates. The County has hired an investment firm to manage the investments of the Volunteer Fireman's LOSAP Plan.

3. INVESTMENTS

Investment Policy

The investment policies of the pension plans do not limit investment maturities. Fluctuating rates of return are characteristic of the securities markets; the fund's greatest concern is long-term appreciation of assets and consistency of portfolio returns. Cash and cash equivalent investments, such as commercial paper, repurchase agreements, etc., are limited to maturities of one year. As a means of minimizing risk and providing a consistent return, the investment policy requires diversification. U.S. corporate bonds shall be diversified by issuer type with no more than 5% of the portfolio invested in obligations of any one issuer and no more than 10% in any one outstanding debt issue.

Investments by security type are to be diversified as follows:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	38%
International equities	17%
Fixed income	45%
Total	100%

Rate of Return

For the year ended June 30, 2015, the annual money-weighted rate of return pension plan investments, net of pension plan investment expense, was 4.18 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**HARFORD COUNTY, MARYLAND
VOLUNTEER FIREFIGHTER LENGTH OF SERVICE AWARD PROGRAM**

**Notes to the Financial Statements
June 30, 2015**

4. NET PENSION LIABILITY OF THE COUNTY

The components of the net pension liability of the County as of June 30, 2015, were as follows:

Total pension liability	\$ 31,727,810
Plan fiduciary net position	<u>(24,305,004)</u>
County's net pension liability	<u>\$ 7,422,806</u>

Plan fiduciary net position as a percentage of the total pension liability	76.60%
--	--------

Actuarial Assumptions

The total pension liability in the September 30, 2014 actuarial valuation rolled forward to June 30, 2015 was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Not Applicable
Investment rate of return	6.0 percent, net of pension plan investment expenses, includes inflation

Mortality rates were based on the RP-2000 Combined Healthy Blue Collar set forward one year and with generational projection by Scale AA.

The above summary is a summary of key actuarial assumptions. Full Descriptions of the actuarial assumptions are available in the September 30, 2014 actuarial valuation report.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (3%). The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

**HARFORD COUNTY, MARYLAND
VOLUNTEER FIREFIGHTER LENGTH OF SERVICE AWARD PROGRAM**

**Notes to the Financial Statements
June 30, 2015**

4. NET PENSION LIABILITY OF THE COUNTY (continued)

Actuarial Assumptions (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	38.0%	9.7%
International equity	17.0%	10.1%
Fixed income	45.0%	4.6%

Discount Rate

The discount rate used to measure the total pension liability was 6.0 percent. The projection of cash flows used to determine the discount rate assumed the plan member contributions will be made at the current contribution rate and that the County contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount rate

The following presents the net pension liability of the County, calculated using the discount rate of 6.0 percent, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.0 percent) or 1 percentage point higher (7.0 percent) than the current rate:

	<u>1% Decrease 5.00%</u>	<u>Discount Rate 6.00%</u>	<u>1% Increase 7.00%</u>
County's net pension liability	<u>\$ 11,760,853</u>	<u>\$ 7,422,806</u>	<u>\$ 3,892,620</u>

REQUIRED SUPPLEMENTARY INFORMATION

**HARFORD COUNTY, MARYLAND
VOLUNTEER FIREFIGHTER LENGTH OF SERVICE AWARD PROGRAM**

**Schedule of Changes in the County's Net Pension Liability and Related Ratios
June 30, 2015**

	<u>2015*</u>	<u>2014*</u>
Total Pension Liability		
Service cost	\$ 678,000	\$ 645,000
Interest	1,806,000	1,755,000
Differences between expected and actual experience	(57,000)	-
Benefit payments, including refunds of member contributions	(1,595,000)	(1,511,000)
Net Change in Total Pension Liability	832,000	889,000
Total pension liability, beginning	<u>30,895,000</u>	<u>30,006,000</u>
Total Pension Liability, Ending (a)	<u>\$ 31,727,000</u>	<u>30,895,000</u>
Plan Fiduciary Net Position		
Contributions - employer	\$ 2,031,000	1,935,000
Net investment income	840,000	2,818,000
Benefit payments, including refunds of member contributions	(1,595,000)	(1,511,000)
Administrative expenses	(14,000)	(15,000)
Net Change in Plan Fiduciary Net Position	1,262,000	3,227,000
Plan fiduciary net position, beginning	<u>23,042,000</u>	<u>19,815,000</u>
Plan Fiduciary Net Position, Ending (b)	<u>\$ 24,304,000</u>	<u>\$ 23,042,000</u>
County's Net Pension Liability - Ending (a) - (b)	<u>\$ 7,423,000</u>	<u>\$ 7,853,000</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.60%	74.58%
Covered-employee Payroll	N/A	N/A
County's Net Position Liability as a Percentage of covered employees payroll	N/A	N/A
Expected average remaining service years of all participants	7	7

Information for Fiscal Year 2013 and earlier is not available.

*Numbers are rounded to the nearest 1,000

**HARFORD COUNTY, MARYLAND
VOLUNTEER FIREFIGHTER LENGTH OF SERVICE AWARD PROGRAM**

**Schedule of County Contributions
June 30, 2015**

	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 1,981,000	\$ 1,934,886
Contributions in relation to the actuarially determined contribution	<u>2,030,844</u>	<u>1,934,886</u>
Contribution Deficiency (Excess)	<u>\$ (49,844)</u>	<u>\$ -</u>
Covered-employee Payroll	N/A	N/A
Contributions as a Percentage of Covered-employee Payroll	N/A	N/A

Valuation Date: Actuarially determined contribution rates are calculated as of September 30 for the second fiscal year immediately following the current fiscal year. Actuarial valuations are performed every year.

Notes to the Schedule

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level payment over closed periods
Remaining amortization period	15 years
Asset value method	Market Value as of June 30, projected to September 30
Inflation	3.0 percent
Salary increases	N/A
Investment rate of return	6.0 percent, net of pension plan investment expense, including inflation
Retirement age	Upon first eligibility for benefits
Mortality	RP-2000 Combined Healthy Blue Collar tables, set forward 1 year with Generational projection by Scale AA

Information for FY2013 and earlier is not available.

**HARFORD COUNTY, MARYLAND
VOLUNTEER FIREFIGHTER LENGTH OF SERVICE AWARD PROGRAM**

**Schedule of Investment Returns
June 30, 2015**

	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expenses	4.18%	13.97%

*Information for Fiscal year 2013 and earlier is not available.

HARFORD COUNTY, MARYLAND
9-1-1 Trust Fund Receipts and Expenditures of
Harford County, Maryland
Together with Report of Independent Public Accountants
For the Year Ended June 30, 2015



SB & COMPANY, LLC
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JUNE 30, 2015

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Honorable Members of the County Council
Harford County, Maryland

Report on the Schedule

We have audited the accompanying Schedule of 9-1-1 Trust Fund Receipts and Expenditures (the Schedule) of Harford County, Maryland (the County) for the year ended June 30, 2015, and the related notes to the Schedule.

Management's Responsibility for the Schedule

Management is responsible for the preparation and fair presentation of this Schedule in accordance with the rules and regulations of Public Safety Article §1-301 through §1-312 of the *Annotated Code of Maryland* as described in Note 1; this includes determining that the basis of accounting is an acceptable basis for the preparation of the schedule given the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedule that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Schedule based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Schedule.



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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Schedule referred to above presents fairly, in all material respects, the County's 9-1-1 Trust Fund Receipts and Expenditures for the year ended June 30, 2015, in accordance with the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the Schedule, which describes the basis of accounting. The Schedule is prepared on the modified accrual basis of accounting, in compliance with the rules and regulations of Public Safety Article §1-301 through §1-312 of the *Annotated Code of Maryland*.

Hunt Valley, Maryland
October 19, 2015

SB & Company, LLC

9-1-1 TRUST FUND OF HARFORD COUNTY, MARYLAND

Schedule of 9-1-1 Trust Fund Receipts and Expenditures For the Year Ended June 30, 2015

Revenue (County Fee and County portion of the 9-1-1 Pre-Paid Fee)	
Revenue remitted to the County	\$ 1,532,715
Pre-paid revenue remitted to the County	<u>123,453</u>
Total Revenue (County Fee and County portion of the 9-1-1 Pre-Paid Fee)	<u><u>1,656,168</u></u>
Operating Expenditures	
Salary, wages, and fringe benefits	4,921,127
Contractual or part-time staff	52,211
Overtime	464,765
Training	7,233
Supplies and materials	10,039
Travel	5,031
Telephone	478,395
Repairs and maintenance	137,891
Utilities	11,239
Other miscellaneous	954
Total Operating Expenditures	<u><u>6,088,885</u></u>
Revenue over (under) expenditures	(4,432,717)
Amount of the County's general fund contribution to PSAP Operation	<u>4,432,717</u>
Net	<u><u>\$ -</u></u>
County Fee Analytical Support	
Total authorized salary expenditures on PSAP 9-1-1 call taker staff	<u><u>\$ 4,783,102</u></u>
Total authorized salary expenditures of PSAP support staff (support staff may include supervisory, administrative, GIS, CAD, timekeeping, and other personnel - with expenditures calculated on percentage of time allotted to 9-1-1 operations)	<u><u>\$ 138,025</u></u>
County fee revenue received to offset PSAP Operation	<u><u>\$ 1,656,168</u></u>
Amount of County's General Fund Contribution to PSAP Operation	<u><u>\$ 4,432,717</u></u>

The accompanying notes are an integral part of this schedule.

9-1-1 TRUST FUND OF HARFORD COUNTY, MARYLAND

Notes to the Schedule of 9-1-1 Trust Fund Receipts and Expenditures For the Year Ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Schedule of 9-1-1 Trust Fund Receipts and Expenditures (the Schedule) is excerpted from the fund financial statements of the general fund of Harford County, Maryland (the County) whose funds are accounted for using the modified accrual basis of accounting.

9-1-1 System receipts are deposited in the common bank account maintained in the County's general fund. Separate general ledger receipts and expense accounts in the general fund are used to account for 9-1-1 transactions. Deferred amounts related to unexpended funds, if any, are recorded in the County's general fund.

Use of Estimates in the Preparation of the Schedule

The preparation of the Schedule in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of receipts and expenditures during the reporting period. Actual results could differ from those estimates.

Payroll Allocation

Salaries directly associated with the 9-1-1 System are allocated at 100%.

2. RECEIPTS AND EXPENDITURES

Receipts are funded by the Maryland Emergency Number Systems Board to reimburse the cost of authorized equipment and operating expenditures of the 9-1-1 System.

Receipts are restricted in use to pay the costs of maintaining and operating the 9-1-1 System. All expenditures are subject to the limitations stated in the Annotated Code of Maryland, Public Safety Article §1-301 through §1-312.

3. 9-1-1 RECEIPTS

Receipts recognized in the Schedule of 9-1-1 Trust Fund Receipts and Expenditures for the County, for the year ended June 30, 2015, are wired and wireless fees of \$1,656,168. The receipts include amounts received from the State for the months of April 2014 through March 2015.

HARFORD COUNTY, MARYLAND

**Report of Independent Public Accountants on Applying
Agreed-Upon Procedures to Federal Register *Criteria For
Municipal Solid Waste Landfills - Financial Assurance Criteria***

For the Year Ended June 30, 2015



S B & COMPANY, LLC
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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON APPLYING AGREED-UPON PROCEDURES

The Honorable Members of the County Council
Harford County, Maryland

We have performed the procedures enumerated below, which were agreed to by the management of Harford County, Maryland (the County) and the County Council, solely to assist you in evaluating the County's compliance with the Federal Register (40 CFR Part 258, Subpart G) *Criteria For Municipal Solid Waste Landfills - Financial Assurance Criteria* for the year ended June 30, 2015. The County's management is responsible for compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purposes.

The procedures performed and the associated findings are as follows:

1. We recalculated the ratio of cash plus marketable securities to total expenditures as required and defined by the Federal Register (40 CFR Part 258, Subpart G). Paragraph (f)(1)(i)(B)(1) of the Federal Register (40 CFR Part 258, Subpart G, Sec. 258.74) requires the ratio of cash plus marketable securities to total expenditures to be greater than or equal to 0.05. We recalculated the related computation to be 0.44.
2. We recalculated the ratio of annual debt service to total expenditures as defined by the Federal Register (40 CFR Part 258, Subpart G). Paragraph (f)(1)(i)(B)(2) of the Federal Register (40 CFR Part 258, Subpart G, Sec. 258.74) requires the ratio of annual debt service to total expenditures to be less than or equal to 0.20. We recalculated the related computation to be 0.13.
3. We obtained a copy of the County's June 30, 2015, audited financial statements, noting that the opinion was unmodified and that the financial statements were prepared in conformity with accounting principles generally accepted in the United States of America.



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4. We recalculated the ratio of the deficit to total revenue for each of the past two fiscal years. Paragraph (f)(1)(iii)(C) of the Federal Register (40 CFR Part 258, Subpart G, Sec. 258.74) requires that the County not operate at a deficit equal to five percent or more of total annual revenue in each of the past two fiscal years. With respect to the computation of excess of revenue over expenditures, the County has not operated at a deficit in each of the past two fiscal years.
5. We obtained the County's Chief Financial Officer letter dated October 9, 2015, and agreed the financial data included therein with the audited financial statements for the year ended June 30, 2015.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the County's compliance with Federal Register (40 CFR Part 258, Subpart G) *Criteria for Municipal Solid Waste Landfills – Financial Assurance Criteria* for the year ended June 30, 2015. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the County Council and management of the County, and is not intended to be and should not be used by anyone other than these specified parties.

Hunt Valley, Maryland
October 19, 2015

SB & Company, LLC

**HARFORD COUNTY, MARYLAND
LOCAL MANAGEMENT BOARD**

**Schedule of Revenue and Expenditures
Regulatory Basis**

For the Year Ended June 30, 2015



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JUNE 30, 2015

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Board of Directors of the
Local Management Board
Harford County, Maryland

Report on the Schedule

We have audited the accompanying schedule of revenue and expenditures – regulatory basis of the Harford County, Maryland – Local Management Board (the Board) for the year ended June 30, 2015, and the related notes to the schedule of revenue and expenditures.

Management's Responsibility for the Schedule

Management is responsible for the preparation and fair presentation of this schedule in accordance with the accounting practices prescribed by the Governor's Office for Children as described in Note 2 and is not intended to be a complete presentation of Harford County's revenue and expenditures. This includes determining that the modified accrual basis of accounting is an acceptable basis for the preparation of the schedule given the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedule that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the schedule of revenue and expenditures based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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Opinion

In our opinion, the schedule referred to above presents fairly, in all material respects, the revenue and expenditures of the Harford County, Maryland – Local Management Board described in Note 2 for the year ended June 30, 2015.

Basis of Accounting

We draw attention to Note 2 of the schedule, which describes the basis of accounting. The schedule is prepared on the regulatory basis in accordance with the accounting practices prescribed by the Governor's Office for Children.

As discussed in Note 2, the accompanying schedule presents only the transactions of the Board, and is not intended to present fairly the financial position of Harford County, Maryland as of June 30, 2015, and the changes in its financial position and, where applicable, its cash flows for the year then ended in accordance with the accounting practices prescribed by the Governor's Office for Children.

Hunt Valley, Maryland
October 19, 2015

S B & Company, LLC

**HARFORD COUNTY, MARYLAND
LOCAL MANAGEMENT BOARD**

**Schedule of Revenue and Expenditures – Regulatory Basis
For the Year Ended June 30, 2015**

Revenue	
Community Partnership Agreement (CPA)	
Governor's Office for Children	\$ 493,077
Non-CCIF Funds	
Other - Private	3,903
Total Revenue	<u>496,980</u>
Expenditures	
Community Partnership Agreement (CPA)	
Administrative supported from Children's Cabinet funds:	
Salaries	47,027
Fringe Benefits	9,124
Postage	47
Business Travel	436
Conferences/Conventions	4,388
Printing/ Duplication	373
Professional Dues/Publications/Subscriptions	90
Training	175
Advertising	428
Supplies	293
Other	2,619
Total administrative Supported From Children's Cabinet Funds	<u>65,000</u>
Administrative - Community Engagement (Non-CCIF Funds)	3,561
Total Administrative Expenditures	<u>68,561</u>
CPA Program:	
Maryland Coalition for Families	109,028
CINS Prevention	95,983
CINS Diversion	95,983
Teen Court	12,000
Youth Services Bureau	105,000
School Climate - PBIS Training HC Public Schools	10,000
Total CPA program expenditures	<u>427,994</u>
Total Expenditures	<u>496,555</u>
Excess of Revenue Over Expenditures	<u>\$ 425</u>

The accompanying notes are an integral part of this schedule.

**HARFORD COUNTY, MARYLAND
LOCAL MANAGEMENT BOARD**

**Notes to the Schedule of Revenue and Expenditures – Regulatory Basis
June 30, 2015**

1. BACKGROUND OF ORGANIZATION

The Harford County, Maryland – Local Management Board (the “Board”) is an agency of Harford County Government. The Board was established pursuant to Article 49(d), Section 11 of the Annotated Code of Maryland, and an Executive Order which requires each local jurisdiction to establish and maintain a local management board to ensure the implementation of a local, interagency service delivery system for children and families. Through the Executive Order, the Board is charged with facilitating collaboration and coordination among child-serving agencies, and promoting effective partnerships with public and private stakeholders throughout the County. While the transactions of the Board are recorded in separate program accounts in the County’s accounting records, the transactions of the Board are reported together with those of other programs in the County’s Comprehensive Annual Financial Report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting and Basis of Accounting

The revenue and expenditures of the Board are included in the County’s Special Revenue Grant Fund and comprise the following:

Revenue: The Board is primarily supported by a grant from the State of Maryland, Governor’s Office for Children. Funds received from these grants are deposited and invested along with other County funds until required for eligible operating costs.

County General Funds are provided to meet matching requirements for certain grants.

Expenditures: Expenditures for eligible operating costs include costs for the management and administrative operations of the Board as well as contractual services and grants made for direct program services.

Basis of Accounting

The schedule of revenue and expenditures – regulatory basis is prepared on a regulatory basis of accounting in accordance with the accounting practices prescribed by the Governor’s Office for Children. Revenue related to grants is recognized when awarded. Interest income is recognized when earned. Expenditures are recorded when the liability is incurred.

The accompanying schedule presents only the transactions of the Board, and is not intended to present fairly the financial position of Harford County, Maryland as of June 30, 2015.

**HARFORD COUNTY, MARYLAND
LOCAL MANAGEMENT BOARD**

**Notes to the Schedule of Revenue and Expenditures – Regulatory Basis
June 30, 2015**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates in Preparing the Schedule

The preparation of the schedule of revenue and expenditures – Regulatory Basis in conformity with accounting practices prescribed by the Governor’s Office for Children requires management to make estimates and assumptions that affect the reported amounts at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

3. OFFICE FOR CHILDREN GRANTS

Grants from the Governor’s Office for Children totaled \$493,077, for the year ended June 30, 2015.

4. PROGRAM COSTS

The Board has entered into contracts/agreements with various organizations to provide services for programs administered by the Board. For the year ended June 30, 2015, expenditures for services provided under the specific programs were made for the following programs:

Maryland Coalition for Families	\$ 109,028
CINS Prevention	95,983
CINS Diversion	95,983
Teen Court	12,000
Youth Services Bureau	105,000
School Climate - PBIS Training HC Public Schools	10,000
Total	<u>\$ 427,994</u>

5. RELATED PARTY TRANSACTIONS

Certain members of the Board’s governing body are associated with organizations that have received significant payments for program costs during the year ended June 30, 2015, as follows:

CINS Prevention	\$ 95,983
CINS Diversion	95,983
Teen Court	12,000
Total	<u>\$ 203,966</u>

**HARFORD COUNTY, MARYLAND
LOCAL MANAGEMENT BOARD**

**Notes to the Schedule of Revenue and Expenditures – Regulatory Basis
June 30, 2015**

6. VENDOR AUDITS

The Board is required under their agreement with the State of Maryland, Governor's Office for Children (GOC), to obtain and review audits of all Local Management Board vendors receiving GOC funds to ensure GOC funds are spent appropriately. During the current fiscal year, the Board obtained and reviewed financial audits for all vendors receiving material funds from the Board. Therefore the Board is in compliance with this requirement as of June 30, 2015.

7. SUBSEQUENT EVENTS

The Board evaluated the accompanying schedule of revenue and expenditures for subsequent events and transactions as of October 19, 2015, the date this schedule was available for issue and has determined that no material subsequent events have occurred that would affect the information presented in the accompanying schedule or require additional disclosure.

HARFORD COUNTY, MARYLAND

**Report of Independent Public Accountants on Applying
Agreed-Upon Procedures to Federal Register *Criteria For
Municipal Solid Waste Landfills - Financial Assurance Criteria***

For the Year Ended June 30, 2015



SB & COMPANY, LLC
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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON APPLYING AGREED-UPON PROCEDURES

The Honorable Members of the County Council
Harford County, Maryland

We have performed the procedures enumerated below, which were agreed to by the management of Harford County, Maryland (the County) and the County Council, solely to assist you in evaluating the County's compliance with the Federal Register (40 CFR Part 258, Subpart G) *Criteria For Municipal Solid Waste Landfills - Financial Assurance Criteria* for the year ended June 30, 2015. The County's management is responsible for compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purposes.

The procedures performed and the associated findings are as follows:

1. We recalculated the ratio of cash plus marketable securities to total expenditures as required and defined by the Federal Register (40 CFR Part 258, Subpart G). Paragraph (f)(1)(i)(B)(1) of the Federal Register (40 CFR Part 258, Subpart G, Sec. 258.74) requires the ratio of cash plus marketable securities to total expenditures to be greater than or equal to 0.05. We recalculated the related computation to be 0.44.
2. We recalculated the ratio of annual debt service to total expenditures as defined by the Federal Register (40 CFR Part 258, Subpart G). Paragraph (f)(1)(i)(B)(2) of the Federal Register (40 CFR Part 258, Subpart G, Sec. 258.74) requires the ratio of annual debt service to total expenditures to be less than or equal to 0.20. We recalculated the related computation to be 0.13.
3. We obtained a copy of the County's June 30, 2015, audited financial statements, noting that the opinion was unmodified and that the financial statements were prepared in conformity with accounting principles generally accepted in the United States of America.



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4. We recalculated the ratio of the deficit to total revenue for each of the past two fiscal years. Paragraph (f)(1)(iii)(C) of the Federal Register (40 CFR Part 258, Subpart G, Sec. 258.74) requires that the County not operate at a deficit equal to five percent or more of total annual revenue in each of the past two fiscal years. With respect to the computation of excess of revenue over expenditures, the County has not operated at a deficit in each of the past two fiscal years.
5. We obtained the County's Chief Financial Officer letter dated October 9, 2015, and agreed the financial data included therein with the audited financial statements for the year ended June 30, 2015.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the County's compliance with Federal Register (40 CFR Part 258, Subpart G) *Criteria for Municipal Solid Waste Landfills – Financial Assurance Criteria* for the year ended June 30, 2015. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the County Council and management of the County, and is not intended to be and should not be used by anyone other than these specified parties.

Hunt Valley, Maryland
October 19, 2015

SB & Company, LLC



Required Communications

1. Auditor's Responsibilities Under Generally Accepted Auditing Standards (GAAS)

The financial statements are the responsibility of management. Our audit was designed in accordance with auditing standards generally accepted in the United States of America on Government Auditing Standards, and provide for reasonable, rather than absolute, assurance that the financial statements are free of material misstatement

2. Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application.

The significant accounting policies used by management are described in the notes to the financial statements.

3. Auditor's Judgments About the Quality of Accounting Principles

We discuss our judgments about the quality, not just the acceptability, of accounting principles selected by management, the consistency of their application, and the clarity and completeness of the financial statements, which include related disclosures.

We have reviewed the significant accounting policies adopted by the County and have determined that these policies are acceptable accounting policies.



Required Communications

(continued)

4. Audit Adjustments

We are required to inform the County's oversight body about adjustments arising from the audit (whether recorded or not) that could in our judgment either individually or in the aggregate have a significant effect on the entity's financial reporting process. We also are required to inform the County's oversight body about unadjusted audit differences that were determined by management to be individually and in the aggregate, immaterial.

There were no significant adjustments identified during the audit process.

5. Fraud and Illegal Acts

We are required to report to the County's oversight body any fraud and illegal acts involving senior management and fraud and illegal acts (whether caused by senior management or other employees) that cause a material misstatement of the financial statements.

Our procedures identified no instances of fraud or illegal acts.

6. Material Weaknesses in Internal Control

We are required to communicate all significant deficiencies in the Town's systems of internal controls, whether or not they are also material weaknesses.

There were no material weaknesses noted during the audit.



Required Communications

(continued)

- 7. Other Information in Documents Containing Audited Financial Statements**
None.
- 8. Disagreements with Management on Financial Accounting and Reporting Matters**
None.
- 9. Serious Difficulties Encountered in Performing the Audit**
None.
- 10. Major Issues Discussed with Management Prior to Acceptance**
None.
- 11. Management Representations**
We received certain written representations from management as part of the completion of the audit.
- 12. Consultation with Other Accountants**
To our knowledge, there were no consultations with other accountants since our appointment as the County's independent public accountants.
- 13. Independence**
As part of our client acceptance process, we go through a process to ensure we are independent of the County.
We are independent of the County.



Required Communications

(continued)

14. Our Responsibility Related to Fraud

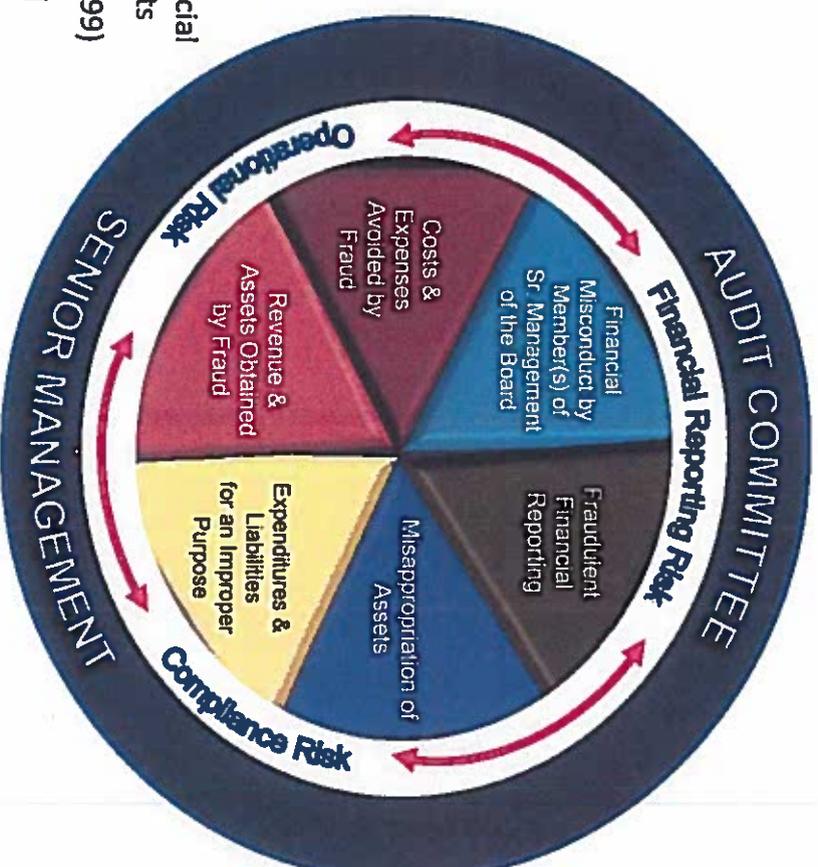
- Plan and perform the audit to obtain reasonable assurance that there is no material misstatement caused by error or fraud;
- Comply with AU-C Section 240: Consideration of Fraud in a Financial Statement Audit
- Approach all audits with an understanding that fraud could occur in any entity, at any time, by anyone; and
- Perform mandatory procedures required by GAAS and our firm policies.

Examples of Procedures Performed

- Discuss thoughts and ideas on where the financial statements might be susceptible to material misstatement due to fraud;
- Understand pressures on the financial statement results;
- Understand the tone and culture of the organization;
- Look for unusual or unexpected transactions, relationships, or procedures;
- Discussions with individuals outside of finance;
- Evaluate key processes and controls; and
- Consider information gathered throughout the audit.



Responsibility for Mitigating Fraud



- **External Auditor**
 - Evaluate management programs and controls to deter and detect fraud for identified risks
 - Reasonable assurance that financial statements are free of material misstatement due to fraudulent financial reporting or misappropriation of assets
 - Compliance with fraud standard (SAS 99)
 - Conversations with finance and operations personnel
 - Disaggregated analytics
 - Surprise audit procedures
 - Journal entry testing

- **Management:**
 - CFO/Controller: controls to deter and detect fraud
 - General Counsel/Compliance: monitoring

- **Audit Committee:**
 - Evaluate management identification of fraud risk
 - Evaluate implementation of fraud controls
 - Reinforce “tone at the top”
 - Conduct special investigations



Required Communications-Fraud



Opportunity

- Generally provided through weaknesses in internal control
- Tone at the top is important
- We assess controls and tone at the top

Pressure

- Pressure can be imposed due to economic troubles, personal vices and unrealistic deadlines and performance goals
- There are increased pressures due to economy and minimal salary increases

Rationalization

- Individuals develop a justification for their fraudulent activities
- Increased rationalization due to minimal salary increases and less personnel