

MEMORANDUM

March 20, 2023

TO: Audit Committee
FROM: Blaise DeFazio, Senior Legislative Analyst
SUBJECT: **Briefing: Results from the FY22 External Audit and Review of SB & Company's Contract Renewal**

On March 23rd, the Audit Committee will:

- Receive a briefing from SB & Company, the County Government's independent auditor, and Executive Branch staff on the results of audits of the County Government's FY22 financial statements, financial statements of the County Government's retirement plans, financial statements of the Montgomery County Consolidated Retiree Health Benefits Trust, results of other audit-related work; and
- Review a contract amendment to extend SB & Company's contract for an additional year.

The table below identifies staff from the independent auditor and County Government representatives scheduled to attend the briefing:

Organization	Representative
SB & Company	William Seymour, Audit Partner
	Tiana Wynn, Benefit Plans Engagement Manager
	Tobi Hollander, Audit Manager
Department of Finance	Michael Coveyou, Director
	Karen Hawkins, Chief Operating Officer
	David Crow, Acting Controller
	Michael Lee, General Accounting Manager
Montgomery County Employee Retirement Plans	Kevin Killeavy, Acting Executive Director
	Yan Yan, Chief Operating Officer
	Ge Lee, Chief Financial Officer

Item #1. Briefing on External Audit Findings

Each year, an external certified public accounting firm performs audit work required by the County Charter and the County Code. The auditor's engagement is made up of several components. The primary components are listed below.

1	Audit of the Financial Statements of the:	<ul style="list-style-type: none">• County Government• Montgomery County Employee Retirement Plans• Montgomery County Retiree Health Benefits Trust• Montgomery County Union Employees Deferred Compensation Plan
2	Single Audit	Examination and review of information and transactions related to the County Government's spending of federal funds
3	Agreed-Upon Procedures related to:	<ul style="list-style-type: none">• The County Government's preparation of a report to the National Transit Database• The County Government's certification of information required by the Federal Environmental Protection Agency related to local solid waste landfill facilities
4	Maryland 9-1-1 Emergency Number Systems Program of Montgomery County	Audit of the Schedule of Maintenance and Operating Revenue and Expenditures

In the coming week SB & Company will complete the Single Audit. The Single Audit is not due until March 31st and is still being finalized; the majority of the work is completed and no material weaknesses were found. In the coming months SB & Company will also complete the audit of the financial statements of the Montgomery County Union Employees Deferred Compensation Plan (MCUEDCP). The MCUEDCP closes its books on December 31st each year. Consequently, the information required to complete the audit work is not available until the beginning of the calendar year and the audit work is completed on a different schedule than the audit of the County Government's and the retirement plans' financial statements. When both audits are complete, OLO will forward the findings to the Audit Committee with an explanatory cover memo.

Definition of Audit-Related Terms. SB & Company's findings include terminology that auditors use to report their findings.¹ These terms, which have specific meanings, are explained below. A control deficiency represents the lowest degree of risk to the County and a material weakness the greatest.

- **Control Deficiency** – When the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.
- **Significant Deficiency** – A deficiency, or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.
- **Material Weakness** – A deficiency, or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis.

¹ To report their findings, auditors use a classification structure found in Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters Identified in an Audit*.

A. FY22 Audit of the County Government Financial Statements

SB & Company (SB) audited the basic financial statements of the County Government and issued two reports summarizing its findings. SB did not identify any significant deficiencies or material weaknesses related to the audit of the County's financial statements.

Independent Auditor's Report. SB & Company issued an *Internal Auditor's Report*, bound in the County Government's FY22 Comprehensive Annual Financial Report (CAFR). This report states SB & Company found the County's financial statements present fairly, in all material respects, the financial position of the County Government. *See page 7.*

Report on Internal Control. The *Report on Internal Control Over Financial Reporting* recognizes any significant deficiencies or material weaknesses identified by SB & Company. For FY22, SB & Company did not identify any material weaknesses or significant deficiencies related to its audit of the County's financial statements. *See page 10.*

Management Letter. SB & Company issues a Management Letter if it identifies matters it wants to bring to the attention of management, but the matters do not rise to the level of significant deficiencies or material weaknesses. For FY22, SB & Company did not issue a Management Letter for the audit of the County Government's financial statements.

B. FY22 Audit of the Montgomery County Employee Retirement Plans

SB & Company audited the financial statements of the Montgomery County Employee Retirement Plans for the year ended June 30, 2022. In an *Independent Auditors' Report* bound in the Retirement Plans' CAFR, the auditors state the financial statements present fairly, in all material respects, the net position of the Plans and changes in the financial position for FY22. *See page 25.* SB & Company issued a *Report on Internal Control Over Financial Reporting* stating it did not identify any significant deficiencies or material weaknesses related to its audit of the Retirement Plans' financial statements. *See page 28.* SB did not issue a Management Letter for the Retirement Plans.

C. FY22 Audit of the Montgomery County Consolidated Retiree Health Benefits Trust

SB & Company audited the financial statements of the Montgomery County Consolidated Retiree Health Benefits Trust for the year ended June 30, 2022. In an *Independent Auditors' Report*, the auditors state the financial statements present fairly, in all material respects, the net position of the Trust and changes in the financial position for FY22. *See page 34.* SB & Company issued a *Report on Internal Control Over Financial Reporting* stating it did not identify any significant deficiencies or material weaknesses related to its audit of the Trust's financial statements. *See page 37.*

D. Other Audit Work

The subsections below summarize SB & Company's findings from other audit work performed and completed this year.

- a. Agreed-Upon Procedures – Related to the Annual Certification of Financial Assurance Mechanisms for Local Government Owners and Operators of Municipal Solid Waste Landfill Facilities**

These agreed-upon procedures² are related to an assessment of the County’s compliance with federal financial assurance criteria related to local government-owned and -operated solid waste landfills. SB & Company found no exceptions as a result of the procedures they performed. *See page 43.*

b. Agreed-Upon Procedures – Related to the Federal Transit Administration’s National Transit Database

These agreed-upon procedures are performed to assist users in evaluating assertions by County Government management of the County Government’s compliance with data recording and reporting requirements related to the Federal National Transit Database. SB & Company’s report indicates there were no unusual findings noted in the examination of County data and information. *See page 48.*

c. Maryland 9-1-1 Emergency Number Systems Program – Schedule of Maintenance and Operating Revenues and Expenses

SB & Company audited the Schedule of Maintenance and Operating Revenue and Expenditures of the Maryland 9-1-1 Emergency Number Systems Program of Montgomery County (the Program) for the year ended June 30, 2022. The auditor found the Schedule presents fairly, in all material respects, the revenue and expenditures of the Program for the year ended June 30, 2022. *See page 58.*

Item #2. Extension of External Audit Contract with SB & Company

Staff Recommendation: **Approve a resolution authorizing the Council President to contract with SB & Company to conduct the audit of the FY23 financial statements, with no change in the current contract rates.**

The Council and SB & Company entered into Contract #184472915 for the audit of County Government financial statements, the audit of financial statements of the Montgomery County Employee Retirement Plans, the audit of financial statements of the Montgomery County Consolidated Retiree Health Benefits Trust, the audit of financial statements of the Montgomery County Union Employees Deferred Compensation Plan, and related services on April 14, 2020. The contract states the Council may renew the contract, one year at a time, for three additional one-year periods. Contract Amendment #3 will renew the contract for a third and final time to complete FY23 audit work (a request for proposals for a new contract will occur this fall). The County Attorney’s Office reviewed the amendment for form and legality. *See page 72.*

A Council resolution to authorize the Council President to contract for these audit services for the fiscal year ending June 30, 2023, and the calendar year ending December 31, 2023, is on *page 65*. If the resolution is approved by this Committee, the Council is scheduled to act on April 11, 2023.

According to the Council’s contract with SB & Company, the fees for audit services are fixed for the first two years of the contract and for the third year of the contract SB & Company received an increase in audit fees of 6.0%. In the upcoming fourth year of the contract, there will be no fee changes. *See page 69.*

² For the agreed-upon procedures work, the auditor performs procedures agreed to by County Government management.

The FY23 audit fees are summarized in the table below:

SB & Company Fees Related to FY23 Audit Work

FY23 Audit Fees	Work
	Source of Funds: Independent Audit NDA
\$200,446	Audit of the County Government Financial Statements and the Single Audit
\$7,208	Agreed-Upon Procedures for the National Transit Database Report
\$14,458	Audit of the Montgomery County Union Employees Deferred Compensation Plan
	Source of Funds: Employees' Retirement System, the Retirement Savings Plan, and the Consolidated Retiree Health Benefits Trust
\$34,153	Audit of the Employee Retirement Plans Financial Statements
\$23,829	Audit of the Consolidated Retiree Health Benefits Trust
	Source of Funds: Solid Waste Disposal Fund
\$2,099	Agreed-Upon Procedures for the Chief Financial Officer's Annual Certification of Financial Assurance Mechanisms for Local Government Owners and Operations of Municipal Solid Waste Landfill Facilities
	Source of Funds: State of Maryland Emergency Number Systems Board
\$3,848	9-1-1 System Audit
Total	
\$286,041	

The following documents are attached:

Begins on

Audit of the County Government’s FY22 Financial Statements

Independent Auditor’s Report	7
Report on Internal Control	10
Governance Letter	12

Audit of the FY22 Financial Statements of the Montgomery County Employee Retirement Plans

Independent Auditor’s Report	25
Report on Internal Control	28
Governance Letter	30

Audit of the FY22 Financial Statements of the Consolidated Retiree Health Benefits Trust

Independent Auditor’s Report	34
Report on Internal Control	37
Governance Letter	39

Other FY22 Audit Work

Landfill Closure and Post-Closure Costs – Independent Accountant’s Report on Agreed-Upon Procedures	43
National Transit Database – Independent Accountant’s Report on Agreed-Upon Procedures	48
Maryland 9-1-1 Emergency Number Systems Program – Schedule of Maintenance and Operating Revenues and Expenditures	58

Contract Renewal

Amendment #3 to Contract #184472915	65
Resolution for Renewal of Council Contract for Audit Services	69

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON THE AUDIT OF THE FINANCIAL STATEMENTS

The Honorable County Council of Montgomery County, Maryland
Rockville, Maryland

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Montgomery County, Maryland (the County), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Montgomery County Public Schools, Housing Opportunities Commission of Montgomery County, Montgomery College, Montgomery County Revenue Authority, and Bethesda Urban Partnership, Inc. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for Montgomery County Public Schools, Housing Opportunities Commission of Montgomery County, Montgomery College, Montgomery County Revenue Authority, and Bethesda Urban Partnership, Inc. are based solely on the reports of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the County, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for one year after the financial statements are available for issue, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal controls relevant to the audit 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 County's internal controls. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal controls-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of revenues, expenditures, and changes in fund balance - budget and actual (Non-GAAP budgetary basis) for the general, housing initiative and grants funds, schedule of County's proportionate share of the net OPEB liability, schedule of County contributions (Consolidated Retiree Health Benefits Trust), schedule of County's proportionate share of the net pension liability and schedule of County contributions (Employee's Retirement System and Maryland State Retirement and Pension System) and schedule of changes in the total pension liability (Length of Service Award Program),

and the notes to required supplementary information, as listed in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the 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 and the other auditors 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 sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual fund financial statements (nonmajor governmental funds, nonmajor enterprise funds, internal service funds, fiduciary fund, and nonmajor component units) and schedules of revenues, expenditures, and changes in fund balance – budget and actual and schedules of expenses – budget and actual for special revenue funds are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and supplementary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures described above, and the reports of the other auditors, the combining and individual fund financial statements and supplementary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory and statistical sections but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Owings Mills, Maryland
December 9, 2022

SB + Company, LLC

**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS 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***

The Honorable County Council of Montgomery County, Maryland
Rockville, Maryland

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Montgomery County, Maryland (the County) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 9, 2022. The County's financial statements include the financial statements of Montgomery County Public Schools, Housing Opportunities Commission of Montgomery County, Montgomery College, Montgomery County Revenue Authority, and Bethesda Urban Partnership, Inc. as described in our report on the County's financial statements. Our audit described below did not include operations of these entities because these entities engaged their own separate audits in accordance with *Government Auditing Standards*, and Bethesda Urban Partnership, Inc. was not audited in accordance with *Government Auditing Standards*.

Report on Internal Controls over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal controls over financial reporting (internal controls) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal controls. Accordingly, we do not express an opinion on the effectiveness of the County's internal controls.

A *deficiency in internal controls* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal controls, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal controls that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal controls was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal controls that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal controls that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal controls and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal controls or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal controls and compliance. Accordingly, this communication is not suitable for any other purpose.

Owings Mills, Maryland
December 9, 2022

SB + Company, LLC

The Honorable County Council of Montgomery County, Maryland
Rockville, Maryland

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Montgomery County, Maryland (the County) as of and for the year ended June 30, 2022, and have issued our report thereon dated December 9, 2022. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our contract dated April 14, 2020, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal controls over financial reporting as a basis for designing 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 controls over financial reporting. Accordingly, as part of our audit, we considered the internal controls of the County solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal controls.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the County are described in Note I to the financial statements.

The County has adopted GASB Statement No. 92, *Omnibus 2020*, GASB Statement No. 93, *Replacement of Interbank Offered Rates*, GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, and GASB Statement No. 99, *Omnibus 2022*, during fiscal year 2022. The application of the other existing policies was not changed during fiscal year 2022.

We noted no transactions entered into by the County during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were the depreciable lives of capital assets, landfill post-closure costs, allowance for uncollectible loans, claims liabilities, including incurred but not reported claims for self-insurance and health insurance, postemployment benefits (OPEB) liability and pension costs.

- Management's estimate of the depreciable lives of capital assets is based on the implementation guides for GASB Statement No. 34 published by the Governmental Accounting Standards Board. We evaluated the key factors and assumptions used to estimate the useful lives for various asset classes including the depreciation of infrastructure in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the liability for landfill post-closure costs is based on estimates determined by an external engineering firm, which the County continues to monitor. We evaluated the key factors and assumptions used to develop the liabilities for landfill post-closure costs in determining that it is reasonable in relation to the financial statements taken as a whole.

- Management’s estimate of the allowance for uncollectible loans is based on loans that have met terms and conditions to be forgivable; however, the loan was not written off at year-end. We evaluated the key factors and assumptions used to develop the allowance for uncollectible loans in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management’s estimate of the claims liabilities, including incurred but not reported claims for self-insurance and health insurance, is based on computations performed by outside specialists, including actuarial computations of incurred but not reported claims that were relied upon to establish the amounts of claims liabilities under self-insurance programs. We evaluated the key factors and assumptions used to develop the claims liabilities in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management’s estimate of the other post-employment benefits (OPEB) liability is based on computations performed by outside specialists, including actuarial computations and assumptions that were relied upon to determine the Net OPEB Liability. We evaluated the key factors and assumptions used to develop the OPEB liability in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management’s estimate of the net pension liability is based on computations performed by outside specialists, including actuarial computations and assumptions that were relied upon. We evaluated the key factors and assumptions used to develop the net pension liability in determining that it is reasonable in relation to the financial statements as a whole.

Financial Statement Disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management did not identify, and we did not notify them of any uncorrected financial statement misstatements.

Corrected Misstatements

Management did not identify, and we did not notify them of any financial statement misstatements detected as a result of audit procedures.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

Management Representations

We have requested certain representations from management that are included in the attached management representation letter dated December 9, 2022.

Management Consultations with their Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the County's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Significant Issues Discussed with Management Prior to Engagement

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the County's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

Audits of Group Financial Statements

We noted no matters related to the group audit that we consider to be significant to the responsibilities of those charged with governance of the group.

Quality of Component Auditor's Work

There were no instances in which our evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work.

Limitations on the Group Audit

There were no restrictions on our access to information of components or other limitations on the group audit.

Other Information in Documents Containing Audited Financial Statements

With respect to the required supplementary information (RSI) accompanying the financial statements, identified in the table of contents, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

With respect to the schedule of expenditures of federal awards (SEFA) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the SEFA to determine that the SEFA complies with the requirements of the Uniform Guidance, the method of preparing it has not changed from the prior period or the reasons for such changes, and the SEFA is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the SEFA to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We will issue our report in March 2023.

With respect to the combining and individual fund financial statements and supplementary schedules (collectively, the supplementary information) as defined in the table of contents, accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period or the reasons for such changes, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated December 9, 2022.

The introductory and statistical sections (the other information) accompanying the financial statements, which are the responsibility of management, were prepared for purposes of additional analysis and is not a required part of the financial statements. Such information was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we did not express an opinion or provide any assurance on it.

Our auditors' opinion, the audited financial statements, and the notes to financial statements should only be used in their entirety. Inclusion of the audited financial statements in a document you prepare, such as an annual report, should be done only with our prior approval and review of the document.

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

Owings Mills, Maryland
December 9, 2022

SB + Company, LLC

December 9, 2022

SB & Company, LLC
10200 Grand Central Avenue
Suite 250
Owings Mills, Maryland 21117

SB & Company, LLC:

This representation letter is provided in connection with your audit of the financial statements of Montgomery County, Maryland (the County), which comprises the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows, for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, in accordance with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of December 9, 2022:

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the contract dated April 14, 2020, for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP. The financial statements include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.

- We acknowledge and have fulfilled our responsibility for 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.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- We have identified all accounting estimates and material concentrations that could be material to the financial statements, including the key factors and significant assumptions used in making those estimates, and we believe the estimates (including those measured at fair value) and the significant assumptions used in making those accounting estimates are reasonable.
- Significant estimates have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. Significant estimates are estimates at the financial statement date that could change materially within the next year.
- Related party relationships and transactions, including, but not limited to, revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been approximately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- We have not identified or been notified of any material uncorrected financial statement misstatements.
- The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
- Guarantees, whether written or oral, under which the County is contingently liable, if any, have been properly recorded or disclosed in accordance with U.S. GAAP.
- Arrangements with financial institutions involving repurchase, reverse repurchase, or securities lending agreements, compensating balances, or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements, have been properly recorded or disclosed in the financial statements.
- Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the financial statement date and have been reduced to their estimated net realizable value.

- We have no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
- Capital assets have been evaluated for impairment as a result of significant and unexpected decline in service utility, if any. Impairment loss, if any, and insurance recoveries have been properly recorded.
- Provision has been made to reduce excess or obsolete inventories to their estimated net realizable value.
- We believe that the actuarial assumptions and methods used to measure pension and other postemployment benefits (OPEB) liabilities and costs for financial accounting purposes are appropriate in the circumstances.
- We do not plan to make frequent amendments to our pension or other postemployment benefit plans.
- The financial statements of the component units as of June 30, 2022, which include Montgomery County Public Schools, Housing Opportunities Commission of Montgomery County, Montgomery College, Montgomery County Revenue Authority, and Bethesda Urban Partnership, Inc., were audited by other auditors who expressed unmodified opinions on those financial statements. We are not aware of any adjustments that are required for these statements, except for the Housing Opportunities Commission adjustment related to debt which we believe is not material to the financial statements.
- Except as disclosed in the financial statements, we are not aware of any pollution remediation obligations which would require an adjustment to or disclosure in the financial statements in accordance with GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*.
- We are not aware of any intangible assets which require an adjustment to or disclosure in the financial statements in accordance with GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*.

Information Provided

- We have provided you with:
 - Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
 - Additional information that you have requested from us for the purpose of the audit;
 - Unrestricted access to persons within the County from whom you determined it necessary to obtain audit evidence; and
 - Access to all audit or relevant monitoring reports, if any, received from funding sources.

- All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have provided to you our perspective of the County's ability to continue as a going concern, including significant conditions and events present, and if necessary, our analysis of management's plans, and our ability to achieve those plans.
- Except as made known to you, we have no knowledge of any fraud or suspected fraud that affects the County and involves:
 - Management;
 - Employees who have significant roles in internal control; or
 - Others where the fraud could have a material effect on the financial statements.
- Except as made known to you, we have no knowledge of any allegations of fraud, or suspected fraud, affecting the County's financial statements communicated by employees, former employees, grantors, regulators, or others.
- We have no knowledge of any instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse whose effects should be considered when preparing financial statements.
- We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- There are no other material liabilities or gain or loss contingencies that are required to be accrued or disclosed in accordance with U.S. GAAP.
- We have disclosed to you the identity of the County's related parties and all the related party relationships and transactions of which we are aware.
- The County has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset or future revenue been pledged as collateral, except as made known to you and disclosed in the financial statements.
- We have a process to track the status of audit findings and recommendations.
- We have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.


- We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to Montgomery County, Maryland, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
- There are no violations or possible violations of which we are aware of budget ordinances, laws or regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- The County has complied with all aspects of contractual or grant agreements that would have a material effect on the financial statements in the event of noncompliance.
- We have complied with all restrictions on resources (including donor restrictions) and all aspects of contractual and grant agreements that would have a material effect on the financial statements in the event of noncompliance. This includes complying with donor requirements to maintain a specific asset composition necessary to satisfy their restrictions.
- We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
- The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures, jointly governed organizations, and other related organizations.
- The financial statements properly classified all funds and activities.
- All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus* as amended, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
- All components of net position, nonspendable fund balance, and restricted, committed, assigned, and unassigned fund balance are properly classified and, if applicable, approved.


- Investments, derivative instruments, and land and other real estate held by endowments, if any, are properly valued.
- Provisions for material uncollectible receivables have been properly identified and recorded.
- All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
- All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- All interfund and intra-entity transactions and balances have been properly classified and reported.
- Special items and extraordinary items have been properly classified and reported.
- Deposit and investment risks have been properly and fully disclosed.
- Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
- Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position/fund balance are available is appropriately disclosed and net position/fund balance is properly recognized under the policy.
- We acknowledge our responsibility for the presentation of the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- We acknowledge our responsibility for presenting the supplementary information identified in the table of contents of the financial statements in accordance with U.S. GAAP, and we believe the supplementary information, including its form and content, is fairly presented in accordance with U.S. GAAP. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

- There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
- We have disclosed to you all nonexchange financial guarantees, under which we are obligated and have declared liabilities and disclosed properly in accordance with GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, for those guarantees where it is more likely than not that the entity will make a payment on any guarantee.
- For nonexchange financial guarantees where we have declared liabilities, the amount of the liability recognized is the discounted present value of the best estimate of the future outflows expected to be incurred as a result of the guarantee. Where there was no best estimate but a range of estimated future outflows has been established, we have recognized the minimum amount within the range.
- There are no:
 - Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62.
 - Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62.
 - Continuing disclosure consent decree agreements or filings with the Securities and Exchange Commission and we have filed updates on a timely basis in accordance with the agreements (Rule 240, 15c2-12).

DocuSigned by:

Richard S. Madaleno
Chief Administrative Officer

DocuSigned by:

Michael J. Coveyou, Director
Department of Finance

DocuSigned by:

David Crow, Acting Controller
Department of Finance

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Honorable County Council of Montgomery County, Maryland
Board of Investment Trustees
Montgomery County Employee Retirement Plans

Report on the Audit of the Financial Statements

Opinion

We have audited each of the accompanying statements of fiduciary net position of the Montgomery County Employee Retirement Plans (the Plans) as of June 30, 2022, and the related statements of changes in fiduciary net position for the year then ended, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the fiduciary net position of the Plans as of June 30, 2022, and the respective changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Plans and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plans' ability to continue as a going concern for one after the date that the financial statements are available for issuance.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is

not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal controls relevant to the audit 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 Plans' internal controls. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plans' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal controls–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of changes in the employers' net pension liability and related ratios, employer contributions and investment returns, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the 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 sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Plans' basic financial statements. The schedules of administrative expenses, payments to consultants and investment expenses, the statements of fiduciary net position and changes in fiduciary net position for the Employees' Retirement System, Retirement Savings Plan and the Deferred Compensation Plan (supplementary information) as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the introduction, investment, actuarial, and statistical sections but does not include the financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 26, 2022, on our consideration of the Plans' internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the Plans' internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plans' internal controls over financial reporting and compliance.

Owings Mills, Maryland
October 26, 2022



**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS' 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**

The Honorable County Council of Montgomery County, Maryland
Board of Investment Trustees
Montgomery County Employee Retirement Plans

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Montgomery County Employee Retirement Plans (the Plans), as of and for the year ended June 30, 2022, and the related notes to the financial statements, and have issued our report thereon dated October 26, 2022.

Report on Internal Controls over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Plan's internal controls over financial reporting (internal controls) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal controls. Accordingly, we do not express an opinion on the effectiveness of the Plan's internal controls.

A *deficiency in internal controls* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal controls, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal controls that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal controls was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal controls that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Plan's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal controls and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal controls or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal controls and compliance. Accordingly, this communication is not suitable for any other purpose.

Owings Mills, Maryland
October 26, 2022

SB + Company, LLC

The Honorable County Council of Montgomery County, Maryland
Board of Trustees
Montgomery County Employee Retirement Plans

We have audited the financial statements of the Montgomery County Employee Retirement Plans (the Plans) as of and for the year ended June 30, 2022, and have issued our report thereon dated October 26, 2022. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated May 7, 2020, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Plans solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

Significant Risks Identified

We have not identified any significant risks related to the financial statements.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Plans is included in the respective Note B's to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during fiscal year 2022. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

Investments are stated at fair value. The fair value for public securities is generally based on quoted market prices at June 30, 2022. Fair value for private investment funds, including private equity, private debt, and private real assets, are determined using unit values supplied by the fund managers, which are based upon the fund managers' appraisals of the funds' underlying holdings. Such values involve subjective judgment and may differ from amounts which would be realized if such holdings were actually sold. The fair value of limited partnership investments are based on valuations of the underlying assets of the limited partnerships as reported by the general partner. Cash received as collateral on securities lending transactions and investments made with such cash are stated at fair value along with a related liability for collateral received.

The actuarially calculated information was based on the assumptions and methods adopted by the Board, including an investment rate of return of 7.50% per annum compounded annually. The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and contributions from the County and other participating agencies will be made at contractually required rates, actuarially determined. 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.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

Identified or Suspected Fraud

We have not identified or have obtained information that indicates that the following fraud may have occurred.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. There were no uncorrected misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. There were no material corrected misstatements as of June 30, 2022.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Plans' financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Circumstances that Affect the Form and Content of the Auditor's Report

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. There were no circumstances that affect the form and content of our auditor's report.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated October 26, 2022.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the Plans, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Plans' auditors.

Other Information in Documents Containing Audited Financial Statements

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

This report is intended solely for the information and use of the Board of Trustees, Management, and others within the Trust and is not intended to be and should not be used by anyone other than these specified parties.

Owings Mills, Maryland
October 26, 2022

SB + Company, LLC

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Honorable County Council of Montgomery County, Maryland
Board of Trustees
Montgomery County Consolidated Retiree Health Benefits Trusts

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying statement of fiduciary net position of Montgomery County Consolidated Retiree Health Benefits Trust (the Trust) as of June 30, 2022, and the related statement of changes in fiduciary net position for the year then ended and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, fiduciary net position of the Trust as of June 30, 2022, and the respective changes in its fiduciary position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Trust and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust's ability to continue as a going concern for one year beyond the date the financial statements are available to be issued, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal controls relevant to the audit 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 Trust's internal controls. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal controls–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of changes in the net OPEB liability and related ratios, employer contributions and investment returns and related notes, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the 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 sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2022 on our consideration of the Trust's internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's internal controls over financial reporting and compliance.

Owings Mills, Maryland
September 29, 2022

SB + Company, LLC

**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS 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***

The Honorable County Council of Montgomery County, Maryland
Board of Trustees
Montgomery County Consolidated Retiree Health Benefits Trust

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Montgomery County Consolidated Retiree Health Benefits Trust (the Trust), as of and for the year ended June 30, 2022, and the related notes to the financial statements, and have issued our report thereon dated September 29, 2022.

Report on Internal Controls over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Trust's internal controls over financial reporting (internal controls) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal controls. Accordingly, we do not express an opinion on the effectiveness of the Trust's internal controls.

A *deficiency in internal controls* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal controls, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal controls that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal controls was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal controls that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal controls that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Trust's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal controls and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal controls or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal controls and compliance. Accordingly, this communication is not suitable for any other purpose.

Owings Mills, Maryland
September 29, 2022

SB + Company, LLC

Board of Trustees
Montgomery County Consolidated Retiree Health Benefit Trust
Rockville, Maryland

We have audited the financial statements of the Montgomery County Consolidated Retiree Health Benefit Trust (the Trust) as of and for the year ended June 30, 2022 and have issued our report thereon dated September 29, 2022. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated May 7, 2020, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Trust solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Trust is included in Note B to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during fiscal year 2022. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

Management's estimate of the valuation of alternative investments, including private equity and real asset investments, is based on net asset values reported by the investment managers. We evaluated the key factors and assumptions used to develop the valuation of alternative investments and determined that it is reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

The actuarially calculated information was based on the assumptions and methods adopted by the Board, including an expected investment rate of return of 7.50% per annum compounded annually. The discount rate was a Single Discount Rate (SDR) of 6.20%. The SDR is required when assets are not projected to be sufficient to meet future benefit obligations. The SDR reflects (1) the expected investment rate of return on pension plan investments during the period in which the fiduciary net position is projected to be sufficient to pay benefits and (2) a tax-exempt municipal bond rate based on a bond buyers general obligation 20 year municipal bond index as of the measurement date (June 30, 2022), to the extent that the contributions for use with the long-term expected rate of return are not met.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

Identified or Suspected Fraud

We have not identified or have obtained information that indicates that the following fraud may have occurred.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. There were no uncorrected misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. There were no material corrected misstatements as of June 30, 2022.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Trust's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Circumstances that Affect the Form and Content of the Auditor's Report

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. There were no circumstances that affect the form and content of our auditor's report.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated September 29, 2022.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the Trust, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Trust's auditors.

Other Information in Documents Containing Audited Financial Statements

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

This report is intended solely for the information and use of the Board of Trustees, Management, and others within the Trust and is not intended to be and should not be used by anyone other than these specified parties.

Owings Mills, Maryland
September 29, 2022

SB + Company, LLC

MONTGOMERY 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, 2022

**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON
APPLYING AGREED-UPON PROCEDURES**

The Honorable County Council of
Montgomery County, Maryland

We have performed the procedures enumerated below on the Chief Financial Officer's letter (the Letter), including attachments, dated November 28, 2022, Annual Certification of Financial Assurance Mechanisms for Local Government Owners and Operators of Municipal Solid Waste Landfill Facilities, which addresses the Montgomery County, Maryland's (the County) 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, 2022. The County's management is responsible for the areas and information listed in this report.

The County has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of assisting in evaluating management's assertion, contained in the Letter, Annual Certification of Financial Assurance Mechanisms for Local Government Owners and Operators of Municipal Solid Waste Landfill Facilities of the County as of June 30, 2022. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures performed and the associated findings are as follows:

- A. Obtain the Letter from the Director of Finance that demonstrates financial assurance for closure and post-closure care costs as specified in 40 CFR §258, Subpart G, Financial Assurance Criteria:
 - 1. Compare the data and statements, as specified in the State Support Document for the Local Government Financial Test (prepared by the Environmental Protection Agency), contained in the accompanying letter with the audited financial statements of the County as of and for the year ended June 30, 2022.

We made the comparison in step 1 and no exceptions were identified. The financial statements as of and for the year ended June 30, 2022 were audited by SB & Company, LLC.

- B. Determine that compliance with 40 CFR §258, Subpart G, Financial Assurance Criteria with respect to the Local Government Financial Test is met by completing the following:

1. Obtain the total remaining closure and post-closure costs to be assured and the local government's total annual revenue. Calculate the ratio of remaining closure and post-closure costs to total annual revenue and determine this ratio satisfies the requirement of being less than or equal to 43%.

We recalculated the ratio based on the method above and confirmed the closure and post-closure costs were less than 43% of the local government's total annual revenue.

2. Inquire as to whether the County assumes other environmental obligations, including those associated with Underground Injection Control (UIC) facilities under 40 CFR §144.62, petroleum underground storage tank facilities under 40 CFR Part §280, Polychlorinated Biphenyls (PCB) storage facilities under 40 CFR Part §761, and Hazardous Waste Treatment, storage and disposal facilities under 40 CFR Parts §264 and §265. If yes, review the total remaining closure and post-closure costs from B1 above and determine costs for other environmental obligations are included.

Management informed us that no other environmental obligations were identified.

3. If costs in B1 or B2 above exceed the 43% limits, obtain evidence that an alternate financial assurance instrument exists, which includes a letter of credit, insurance or other collateral or guarantee.

We compared the costs in B1 and B2 above and observed that the costs did not exceed the 43% limits.

4. If there are outstanding, rated, general obligation bonds that are not secured by insurance, a letter of credit or other collateral or guarantee, obtain the current bond rating from Moody's and Standard and Poor's rating agencies and determined the ratings satisfy the following requirements.
 - a. Moody's – Aaa, Aa, A, or Baa or
 - b. Standard and Poor's – AAA, AA, A, or BBB.

We reviewed the Moody's rating report dated August 10, 2022 and observed the bonds are currently rated Aaa by Moody's.

5. If the bond rating requirements in B4 have not been met, recalculate the following ratios:
 - a. A ratio of cash plus marketable securities to total expenditures greater than or equal to 0.05.
 - b. A ratio of annual debt service to total expenditures less than or equal to 0.20.

This calculation is not required as the County's Moody's ratings were met as required in step B4 above.

6. Obtain the Annual Comprehensive Financial Report and by reading the independent public accountant's report, determine that:
 - a. The County prepares its financial statements in accordance with Generally Accepted Accounting Principles (GAAP), and they are audited by an independent Certified Public Accountant.
 - b. An adverse opinion, disclaimer of opinion, or other modified opinion was not issued from the independent Certified Public Accountant auditing the Comprehensive Annual Financial Report.

We read the County's prepared Annual Comprehensive Financial Report (ACFR) as of and for the year ended June 30, 2022 and confirmed that the County prepared its financial statements in accordance with generally accepted accounting principles (GAAP), and it was audited by SB & Company, LLC, independent public accountants, and the County received an unmodified opinion on the financial statements included in that ACFR.

7. Through inquiry with management determine that the County is not currently in default on any of its outstanding general obligations bonds.

We asked management if the County was in default on its outstanding general obligation bonds and were told that the County is not currently in default on any of its outstanding general obligation bonds.

8. Obtain the total annual revenues and total annual expenditures for the County for the past two fiscal years. Calculate the operating surplus or deficit for each year by subtracting the total annual expenditures from the total annual revenues. If the County operated at a deficit for either of the past two fiscal years, determine that the deficit was not equal to 5% or more of its total annual revenue.

We recalculated the County's operating surplus or deficit as defined above for the years ended June 30, 2022 and 2021, and confirmed the County did not operate at a deficit for either of the years ended June 30, 2022 and 2021.

9. Obtain and read the footnote(s) for closure and post-closure costs, determine that the following is disclosed in the audited financial statements:
 - a. Nature and source of closure and post-closure care requirements.
 - b. The reported liability of closure and post-closure costs at the balance sheet date.
 - c. The estimated total closure and post-closure care costs remaining to be recognized.
 - d. The percentage of landfill capacity used to date.
 - e. The estimated landfill life in years.

We read the footnote for closure and post-closure costs in the audited financial statements for the year ended June 30, 2022 and observed that items a through e in step B9 were disclosed in the footnotes to the 2022 financial statements.

We were engaged by the County to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion, respectively, on the County's compliance with the reporting requirements as specified by the U.S. Environmental Protection Agency (EPA) pursuant to Federal Register (40 CFR Part §258, Subpart G) *Criteria for Municipal Solid Waste Landfills – Financial Assurance Criteria* for the year ended June 30, 2022. 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.

We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

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

Owings Mills, Maryland
December 21, 2022

Handwritten signature in cursive script that reads "SB + Company, LLC".

**FEDERAL TRANSIT ADMINISTRATION'S
NATIONAL TRANSIT DATABASE
MONTGOMERY COUNTY, MARYLAND**

**Report of Independent Public Accountants on
Agreed-Upon Procedures**

For the Year Ended June 30, 2022

**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS
ON APPLYING AGREED-UPON PROCEDURES**

The Honorable County Council
Montgomery County, Maryland

We have performed the procedures enumerated below on Montgomery County, Maryland's (the County) compliance with 49 CFR Part 630, *Federal Register*, December 6, 2007, in accordance with the Federal Transit Administration's *National Transit Database 2022 Policy Manual* (the *2022 Policy Manual*), as of and for the fiscal year ended June 30, 2022. The management of the County is responsible for compliance with 49 CFR Part 630, *Federal Register*, December 6, 2007, in accordance with the Federal Transit Administration's *2022 Policy Manual*.

The County has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the County's compliance with the 49 CFR Part 630, *Federal Register*, December 6, 2007, in accordance with the Federal Transit Administration's *2022 Policy Manual*. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The agreed-upon procedures and the associated findings are as follows:

1. Inspect a copy of written system procedures for reporting and maintaining data in accordance with the National Transit Database (NTD) requirements and definitions set forth in 49 CFR Part 630, *Federal Register*, December 6, 2007, and as presented in the *2022 Policy Manual*.

We read the procedures relating to the system for reporting and maintaining data in accordance with NTD requirements and definitions set forth in 49 CFR Part 630, *Federal Register*, December 6, 2007, and as presented in the *2022 Policy Manual*.

No findings were noted.

2. Confirm procedures through discussion with the personnel assigned responsibility for supervising the preparation and maintenance of NTD data to determine:
 - a. The extent to which the transit agency followed the procedures on a continuous basis; and
 - b. Whether these transit personnel believe such procedures result in accumulation and reporting of data consistent with NTD definitions and requirements set forth in 49 CFR Part 630, *Federal Register*, and December 6, 2007, and as presented in the *2022 Policy Manual*.

We confirmed through discussion with management, the procedures, set forth in item (1) above, with the personnel responsible for supervising the preparation and maintenance of the NTD data, and were informed that the County followed the procedures on a continuous basis, and that it believes such procedures result in accumulation and reporting of data consistent with the NTD definitions and requirements set forth in 49 CFR Part 630, *Federal Register*, December 6, 2007, and as presented in the *2022 Policy Manual*.

No findings were noted.

3. Confirm the retention policy that the transit agency follows as to source documents supporting NTD data reported on the Federal Funding Allocation Statistics form.

We confirmed through discussion with management that the retention policy with the personnel that is responsible for supervising the preparation and maintenance of the NTD data concerning the retention policy that the County followed the *2022 Policy Manual* with respect to source documents supporting NTD data reported on the Federal Funding Allocation Statistics Form (FFA-10). The County follows a retention policy of at least three years for the noted documentation.

No findings were noted.

4. Based on a description of the transit agency's procedures obtained in items (1) and (2) above, identify all of the source documents that the transit agency must retain for a minimum of three years. For each type of source document, select three months out of the year and determine whether the document exists for each of these periods.

The County provides the following transportation mode:

- Bus Service Motorbus – Directly Operated

We identified the Oracle system (Accounting), Cubix System (Fareboxes), Hubodometers (Fleet Mileage Counter), Faster System (Motorpool) and Computer Aided Dispatch system (Bus tracker) as the source documents for each of the information systems used to develop the reported vehicle revenue miles, passenger travel miles, and operating expenses.

We selected the months of September 2021, January 2022, and June 2022 to view source documents. We viewed a sample of each type of source document identified above for each month and observed that each type of source document exists for the County mode of transportation.

No findings were noted.

5. Confirm the existence of a system of internal controls. Inquire whether separate individuals (independent of the individuals preparing source documents and posting data summaries) inspect the source documents (identified at (4) above) and data summaries for completeness, accuracy, and reasonableness and how often these individuals perform such reviews.

We confirmed the system of internal controls through discussion with the personnel responsible for supervising and maintaining the NTD data. We confirmed whether personnel, independent of those preparing the source documents and posting data summaries, read the source documents and data summaries for completeness, accuracy, and reasonableness. Additionally, we confirmed the frequency of the inspection. We noted that an individual independent of preparing the source documents and posting the data summaries was responsible for reviewing the source documents and data summaries for completeness, accuracy, and agreements of amounts reviewed at year-end, prior to the report's submission.

No findings were noted.

6. Select a random sample of the source documents (identified at (4) above) and determine whether supervisors' signatures are present as required by the system of internal controls. If supervisors' signatures are not required, confirm how personnel document supervisors' reviews.

We randomly selected 3 months (September 2021, January 2022, and June 2022) and inspected all of the source documents for the selected months. We noted that there was no formal documentation of a review on each of the month's source documents. However, per discussion with management, financial reviews as well as service information are reviewed monthly and considered in management decisions. In addition, we obtained a copy of the transmittal form that is attached to the final NTD report prior to its submission, which contains the name of the originator of the report and is physically signed by the reviewer. We verbally confirmed with management that the Chief of Management Services and the Chief of Division of Transit Services reviews the NTD report, which is then officially submitted by the Chief, Division of Transit Services.

No findings were noted.

7. Inspect the worksheets used to prepare the final data that the transit agency transcribes onto the Federal Funding Allocation Statistics form. Compare the periodic data included on the worksheets to the periodic summaries prepared by the transit agency. Compute the arithmetical accuracy of the summaries.

We inspected the worksheets utilized by the County to prepare the final data that are transcribed onto the Federal Funding Allocation Statistics Form (FFA-10). We compared the periodic data included on the worksheets to the periodic summaries prepared by the County and we re-computed the arithmetical accuracy of the summaries.

No findings were noted.

8. Confirm the procedure for accumulating and recording passenger miles traveled (PMT) data in accordance with NTD requirements with transit agency staff. Inquire whether the procedure is one of the methods specifically approved in the *2022 Policy Manual*.

We confirmed the County's procedure for accumulating and recording passenger travel mile data in accordance with NTD requirements through discussion with the County's staff. We were informed that passenger travel mile data accumulation is completed utilizing an estimate based on statistical sampling for Motorbus Directly Operated. We were informed that the County uses an alternative sampling method which is approved by a qualified statistician in writing and meets the Federal Transit Administration's (FTA) statistical requirements.

No findings were noted.

9. Confirm through discussion with transit agency staff the transit agency's eligibility to conduct statistical sampling for PMT data every third year. Determine whether the transit agency meets NTD criteria that allow transit agencies to conduct statistical samples for accumulating PMT data every third year rather than annually. Specifically:
 - a. According to the 2010 Census, the public transit agency serves an urbanized area (UZA) with a population less than 500,000.
 - b. The public transit agency directly operates fewer than 100 revenue vehicles in all modes in annual maximum revenue service (VOMS) (in any size UZA).
 - c. Service purchased from a seller is included in the transit agency's NTD report.
 - d. For transit agencies that meet one of the above criteria, review the NTD documentation for the most recent mandatory sampling year (2022) and determine that statistical sampling was conducted and meets the 95% confidence and +/- 10% precision requirements.
 - e. Determine how the transit agency estimated annual PMT for the current report year.

We confirmed through discussion with the County's staff that the County is not eligible to conduct statistical sampling for passenger travel mile data every third year. We confirmed by discussion with the County's staff and review of the County's supporting documents for items a and b, and noted that the County does not meet any of the three criteria that would allow it to conduct statistical sampling for accumulating passenger mile traveled data every third year; therefore, the County conducts statistical sampling annually.

10. Inspect a description of the sampling procedure for estimation of PMT data used by the transit agency. Inspect a copy of the transit agency's working papers or methodology used to select the actual sample of runs for recording PMT data. If the transit agency used average trip length, determine that the universe of runs was the sampling framework. Determine that the methodology used to select specific runs from the universe resulted in a random selection of runs. If the transit agency missed a selected sample run, determine that a replacement sample run was random. Determine that the transit agency followed the stated sampling procedure.

We inspected a description of the sampling procedures for estimation of passenger travel mile data used by the County and a copy of the County's working papers and methodology used to select the actual sample of runs for recording passenger mile traveled data. The County uses alternative sampling procedures for estimating passenger miles traveled. The procedures have been approved in writing by a statistician who determined that the County's procedures meet the FTA's statistical requirements of 95% confidence rate and +/- 10% precision.

No findings were noted.

11. Select a random sample of the source documents (identified in (4) above) for accumulating PMT data and determine that the data are complete (all required data are recorded) and that the computations are accurate. Select a sample of the accumulation periods and re-compute the accumulations for each of the selected periods. List the accumulations periods that were inspected. Compute the mathematical accuracy of the summary.

The County provides the following transportation mode:

- Bus Service Motorbus – Directly Operated

We randomly selected 3 months (September 2021, January 2022, and June 2022) and inspected the source documents related to accumulating passenger travel mile data for the selected months. We compared the documentation to the accumulating PMT data reported in the NTD report to determine if the information was adequately supported and accurately re-computed.

No findings were noted.

12. Confirm the procedures for systematic exclusion of charter, school bus, and other ineligible vehicle miles from the calculation of actual vehicle revenue miles with transit agency staff and determine that they follow the stated procedures. Select a random sample of the source documents used to record charter and school bus mileage and compute the arithmetical accuracy of the computations.

We discussed the procedures for the systematic exclusion of charter services and school services from the calculation of vehicle revenue miles with the County's staff. We verbally confirmed with management that the County does not provide school or charter services. We inspected the summary schedules of vehicle revenue miles and noted that these services are excluded from the calculation.

No findings were noted.

13. For actual vehicle revenue mile (VRM) data, document the collection and recording methodology and determine that deadhead miles are systematically excluded from the computation. This is accomplished as follows:
 - a. If actual VRMs are calculated from schedules, document the procedures used to subtract missed trips. Select a random sample of the days that service is operated and re-compute the daily total of missed trips and missed VRMs. Compute the arithmetical accuracy of the summary.
 - b. If actual VRMs are calculated from hubodometers, document the procedures used to calculate and subtract deadhead mileage. Select a random sample of the hubodometer readings and determine that the stated procedures for hubodometer deadhead mileage adjustments are applied as prescribed. Compute the arithmetical accuracy of the summary of intermediate accumulations.
 - c. If actual VRMs are calculated from vehicle logs, select random samples of the vehicle logs and determine that the deadhead mileage has been correctly computed in accordance with FTA definitions.

For vehicle revenue mile data, we documented the collection and recording methodology. We inspected the summaries of completed trips, noting that deadhead miles are excluded from the computation.

No findings were noted.

14. For rail modes, review the recording and accumulation sheets for actual VRMs and determine that locomotive miles are not included in the computation.

Per discussion with County staff, the County does not have rail modes.

15. If Fixed Guideway or High Intensity Busway directional route miles (FG or HIB DRM) are reported, interview the person responsible for maintaining and reporting NTD data whether the operations meet FTA's definition of fixed guideway (FG) or High Intensity Busway (HIB).

Per discussion with County staff, the County does not operate Fixed Guideway (FG) or High Intensity Busway (HIB) routes.

16. Confirm the measurement of FG and HIB DRM with the person reporting NTD data and determine that he or she computed mileage in accordance with FTA definitions of FG/HIB and DRM. Inquire if any service changes during the year that resulted in an increase or decrease in DRMs. If a service change resulted in a change in overall DRMs, re-compute the average monthly DRMs, and reconcile the total to the FG/HIB DRM reported on the Federal Funding Allocation Statistics form.

Per discussion with County staff, the County does not operate FG or HIB routes.

17. Confirm if any temporary interruptions in transit service occurred during the report year. If these interruptions were due to maintenance or rehabilitation improvements to a FG segment(s), the following apply:
 - a. Report DRMs for the segment(s) for the entire report year if the interruption is less than 12 months in duration. Report the months of operation on the FG/HIB segments form as 12. The transit agency should document the interruption.
 - b. If the improvements cause a service interruption on the FG/HIB DRMs lasting more than 12 months, the transit agency should contact its NTD validation analyst to discuss. The FTA will make a determination on how to report the DRMs.

Per discussion with County staff, the County does not operate FG or HIB routes.

18. Measure FG/HIB DRM from maps or by retracing route.

Per discussion with County staff, the County does not operate FG or HIB routes.

19. Confirm through discussion whether other public transit agencies operate service over the same FG/HIB as the transit agency. If yes, determine that the transit agency coordinated with the other transit agency (or agencies) such that the DRMs for the segment of FG/HIB are reported only once to the NTD on the Federal Funding Allocation form. Each transit agency should report the actual VRM, PMT, and OE for the service operated over the same FG/HIB.

Per discussion with County staff, the County does not operate FG or HIB routes.

20. Review the FG/HIB segments form. Discuss the Agency Revenue Service Start Date for any segments added in the 2022 report year with the persons reporting NTD data. This is the commencement date of revenue service for each FG/HIB segment. Determine that the date reported is the date that the agency began revenue service. This may be later than the Original Date of Revenue Service if the transit agency is not the original operator. If a segment was added for the 2022 report year, the Agency Revenue Service Date must occur within the transit agency's 2022 fiscal year. Segments are grouped by like characteristics. Note that for apportionment purposes, under the State of Good Repair (§5337) and Bus and Bus Facilities (§5339) programs, the 7-year age requirement for fixed guideway/High Intensity Busway segments is based on the report year when the segment is first reported by any NTD transit agency. This pertains to segments reported for the first time in the current report year. Even if a transit agency can document an Agency Revenue Service Start Date prior to the current NTD report year, FTA will only consider segments continuously reported to the NTD.

Per discussion with County staff, the County does not operate FG or HIB routes.

21. Compare operating expenses with audited financial data after reconciling items are removed. We compared and noted that the reconciliation of the operating expenses on the Operating Summary Form (F-40) agrees with the County's June 30, 2022 audited financial data and the operating expenses on Form F-30, which is a supporting schedule to Form F-40.

No findings were noted.

22. If the transit agency purchases transportation services, interview the personnel reporting the NTD data on the amount of PT-generated fare revenues. The PT fare revenues should equal the amount reported on the Contractual Relationship form.

Per discussion with County staff, the County does not purchase transportation services.

23. If the transit agency's report contains data for PT services and assurances of the data for those services are not included, obtain a copy of the IAS-FFA regarding data for the PT service. Attach a copy of the statement to the report. Note as an exception if the transit agency does not have an Independent Auditor Statement (IAS) for the PT data.

Per discussion with County staff, the County does not purchase transportation services.

24. If the transit agency purchases transportation services, obtain a copy of the PT contract and determine that the contract specifies the public transportation services to be provided; the monetary consideration obligated by the transit agency or governmental unit contracting for the service; the period covered by the contract (and that this period overlaps the entire, or a portion of, the period covered by the transit agency's NTD report); and is signed by representatives of both parties to the contract. Interview the person responsible for retention of the executed contract and determine that copies of the contracts are retained for three years.

Per discussion with County staff, the County does not purchase transportation services.

25. If the transit agency provides service in more than one UZA, or between an UZA and a non-urbanized area (non-UZA), confirm the procedures for allocating the statistics between UZAs and non-UZAs. Inspect the FG segment worksheets, route maps, and urbanized area boundaries used for allocating the statistics, and determine that the stated procedure is followed and that the computations are correct.

We confirmed through discussion with the County's staff responsible for maintaining the NTD data regarding the procedures for allocating statistics between more than one UZA, as there are no non-UZAs in the County. We inspected the worksheets and route maps used for allocating the statistics, and determined that the stated procedure is followed and that the computations are correct.

No findings were noted.

26. Compare the data reported on the Federal Funding Allocation Statistics Form to data from the prior report year and calculate the percentage change from the prior year to the current year. For actual VRM, PMT or OE data that have increased or decreased by more than 10%, or FG DRM data that have increased or decreased by more than 10%. Interview transit agency management regarding the specifics of operations that led to the increases or decreases in the data relative to the prior reporting period.

The County provides the following transportation mode:

- Bus Service Motorbus – Directly Operated

We compared the data reported on the Federal Funding Allocations Statistics Form (FFA-10) to comparable data from the prior report year and calculated the percentage change from the prior year to the current year. Actual operating expense (OE) data did not increase or decrease by more than 10%. There was an increase of 13% on VRM and 55% increase in PMT. We interviewed transit agency management regarding the specifics of operations that led to the increases or decreases in the data relative to the prior reporting period. Management informed us that the 55% increase in PMT was due to the lifting of service limitations (in FY21 there were fewer trips and reduced service to outlying routes due to the COVID-19 pandemic). Similarly, the increase in VRM was due to services being restored closer to pre-pandemic levels.

We were engaged by the County to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the County's compliance with the 49 CFR Part 630, *Federal Register*, December 6, 2007, in accordance with the Federal Transit Administration's *National Transit Database 2022 Policy Manual*. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

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

Owings Mills, Maryland
March 14, 2023



**MONTGOMERY COUNTY, MARYLAND
MARYLAND 911 EMERGENCY NUMBER SYSTEMS PROGRAM**

**Schedule of Maintenance and Operating Revenues and Expenditures
Together with Report of Independent Public Accountants**

For the Year Ended June 30, 2022

JUNE 30, 2022

CONTENTS

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON THE AUDIT OF THE SCHEDULE	1
SCHEDULE OF MAINTENANCE AND OPERATING REVENUES AND EXPENDITURES	
Schedule of Maintenance, and Operating Revenues and Expenditures	3
Notes to the Schedule of Maintenance, and Operating Revenues and Expenditures	4

**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS
ON THE AUDIT OF THE SCHEDULE**

The Honorable County Council of Montgomery County, Maryland
Maryland 911 Emergency Number Systems Program
Rockville, Maryland

Opinion

We have audited the accompanying Schedule of Maintenance, and Operating Revenues and Expenditures (the Schedule) of the Maryland 911 Emergency Number Systems Program of Montgomery County, Maryland (the County 911 Program) for the year ended June 30, 2022, and the related notes to the Schedule.

In our opinion, the accompanying Schedule presents fairly, in all material respects, the revenues and expenditures of the County 911 Program for the year ended June 30, 2022, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under these standards are further described in the *Auditor's Responsibilities for the Audit of the Schedule* section of our report. We are required to be independent of Montgomery County, Maryland (the County) and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the accompanying Schedule presents only the transactions of the County 911 Program and is not intended to present fairly the financial position of the County as of June 30, 2022, and the changes in its financial position for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Responsibilities of Management for the Schedule

The County's management is responsible for the preparation and fair presentation of the Schedule in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls 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 for the Audit of the Schedule

Our objectives are to obtain reasonable assurance about whether the Schedule as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the Schedule.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the Schedule, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the Schedule.
- Obtain an understanding of internal controls relevant to the audit 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 County's internal controls. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the Schedule.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal controls-related matters that we identified during the audit.

Owings Mills, Maryland
December 15, 2022

SB + Company, LLC

Revenues

Revenue from County-imposed fees	\$ 8,793,070
Pre-paid revenue	353,308
Interest revenue	20,513
Total Revenues	<u>9,166,891</u>

Expenditures

Salary, wages and fringe benefits	23,157,582
Overtime	2,948,806
Supplies and materials	33,966
Travel	22,587
Telephone	1,157,671
Equipment - replacement	3,458
Repairs and maintenance	8,792
Fuel and utilities	273,987
Building expenses	220,654
Miscellaneous	573,854
Total Expenditures	<u>28,401,357</u>

Net operating expenditures	(19,234,466)
County funds required	19,234,466
Net	<u>\$ -</u>

County Fee Analytical Support

Total authorized salary expenditures on public safety answering points (PSAP) 911 call taker staff	<u>\$ 12,866,580</u>
--	-----------------------------

Total authorized salary expenditures of PSAP support staff (support staff may include supervisory, administrative, geographic information system (GIS), timekeeping, and other personnel - with expenditures calculated on percentage of time allotted to 911 operations)	<u>\$ 10,291,002</u>
---	-----------------------------

Amount of County Fee Contributed to PSAP Operation	<u>\$ 19,234,466</u>
---	-----------------------------

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

911 is the three-digit telephone number that has been designated for public use throughout the United States in requesting emergency assistance. The 911 System (the System) allows an individual to reach a centralized dispatch center for all emergency services, eliminating the need to recall the separate 10-digit numbers for each emergency service provided in a political jurisdiction. Generally, each political jurisdiction maintains a centralized dispatch center.

Basis of Accounting and Financial Statement Presentation

The Schedule of Maintenance, and Operating Revenues and Expenditures (the Schedule) is prepared on the modified accrual basis of accounting whereby revenues are recorded when susceptible to accrual, which is defined as when the revenues are both measurable and available. “Measurable” means the amount of the transaction can be determined, and “available” means collectible within the current period or soon thereafter to pay liabilities of the current period (i.e., within 60 days after year-end). Expenditures are recorded when the liability is incurred.

The accompanying Schedule was prepared to present the maintenance, and operating revenues and expenditures of the Maryland 911 Emergency Number Systems Program of Montgomery County, Maryland (the County 911 Program) centralized dispatch center pursuant to Section §1-312 of the Code, which prescribes accounting procedures for 911 maintenance, and operating revenues and expenditures, and establishes limits on the types and amounts of revenue that can be used for personnel and other maintenance and operating expenditures.

The Schedule reflects the designated revenues from the Emergency Number Systems Board of the Maryland Department of Public Safety and Correctional Services (the Board) and the expenditures incurred to run the County 911 Program. Montgomery County, Maryland (the County) funds the difference between the Board revenues and total expenditures.

2. STATUTORY REPORTING

The reported revenues and expenditures of the County 911 Program are included in the County’s General Fund and can be separately accounted for those related to the County 911 Program by their classification. The revenues and expenditures include the following:

2. STATUTORY REPORTING (continued)

Revenues

A County fee (additional charge) of \$.75 per month per subscriber to 911-accessible service and a prepaid wireless fee of \$.60 per retail transaction is deposited into the State 911 Trust Fund and distributed (on a quarterly basis) to the County by the Maryland Department of Public Safety and Correctional Services for eligible operation and maintenance costs. The County fee is pursuant to Title 1, Subtitle 3, Section §1-311 and Section §1-313 of the Annotated Code of Maryland. Distribution of any interest earned is done so at the discretion of the Board.

Expenditures

Reported expenditures for eligible operation and maintenance costs include telephone company charges, equipment costs, equipment lease charges, system enhancements, repairs, utilities, personnel costs, appropriate carryover costs from previous years and other miscellaneous expenditures (Maryland Annotated Code, Public Safety Article Section §1-312(b)).

CONTRACT AMENDMENT #3
CONTRACT NUMBER 184472915

This Amendment is entered into between MONTGOMERY COUNTY, MARYLAND, on behalf of the County Council for Montgomery County, Maryland (“Council”), and SB & Company, LLC, 10200 Grand Central Avenue, Suite 250, Owings Mills, MD 21117 (“Contractor”).

BACKGROUND

1. The Council and the Contractor entered into Contract No. 184472915 on April 14, 2020. The current contract expires on July 13, 2023.
2. The purpose of this Contract is to provide for auditing services as required by Section 315 of the Montgomery County Charter.
3. The Contractor’s services are needed to conduct the Fiscal Year 2023 audit. This Contract Amendment renews the contract for the final of the three (3) one-year renewal periods allowed under the Contract.
4. Under this Contract, Article V. “Payments”, Paragraph D. Payments in Subsequent Years., the Contractor may request a price adjustment based on the CPI for all urban consumers issued for the Washington-Baltimore, DC-MD-VA-WV Metropolitan area by the United States Department of Labor, Bureau of Labor Statistics. The Auditor did not request a price adjustment for conducting the Fiscal Year 2023 audit.

CHANGE

1. Article V. “Payments”, Paragraph A., Subparagraph 1. Payment for Subparagraph 1 (County Government Basic Financial Statements):
 - Basic Financial Statements Audit
 - Single Audit
 - Maryland State Uniform Financial Report
 - Management Letter
 - Report on Internal Controls Over Financial Reporting and Compliance
 - Assistance with GFOA Certificate of Achievement for Excellence in Financial Reporting
 - Fiscal Year Closing

is amended by adding the following:

- c. The County will pay the Contractor a fixed fee not to exceed \$200,446 for Fiscal Year 2023 audit services performed under this portion of the Contract. The Council will pay the Contractor on a monthly basis for work completed during the month, on the condition that the Contract Administrator determines, in his or her sole discretion, that the Contractor is making satisfactory progress toward completing all auditing services. The Independent Audit Non-Departmental Account is the source of funds. The Contract Administrator is responsible for approving invoices and paying the Contractor for services satisfactorily performed under this portion of the Contract.
2. Article V. “Payments”, Paragraph A., Subparagraph 2. Payment for Subparagraph 2 (Employee Retirement Plans’ Financial Statements):
 - Basic Financial Statements Audit

- Opinion Over Schedules Allocating Net Pension Liability Among Participating Employers
- Management Letter
- Report on Internal Controls Over Financial Reporting and Compliance
- Assistance with GFOA Certificate of Achievement for Excellence in Financial Reporting

is amended by adding the following:

- c. The County will pay the Contractor a fixed fee not to exceed \$34,153 for Fiscal Year 2023 audit services performed under this portion of the Contract. The County will pay the Contractor on a monthly basis for work completed, on the condition that the Board of Investment Trustees' designee determines that the Contractor is making satisfactory progress toward completing all auditing services. The Employees' Retirement System, the Retirement Savings Plan, and the County's General Fund (on behalf of the Deferred Compensation Plan) will be the source of funds. The Board of Investment Trustees' designee is responsible for approving invoices and paying the Contractor for services satisfactorily performed under this portion of the Contract.

3. Article V. "Payments", Paragraph A., Subparagraph 3. Payment for Subparagraph 3 (Montgomery County Consolidated Retiree Health Benefits Trust):

- Trust Audit
- Opinion Over Schedules Allocating Net OPEB Liability Among Participating Employers
- Management Letter
- Report on Internal Controls Over Financial Reporting and Compliance

is amended by adding the following:

- c. The County will pay the Contractor a fixed fee not to exceed \$23,829 for Fiscal Year 2023 audit services performed under this portion of the Contract. The County will pay the Contractor on a monthly basis for work completed, on the condition that the Board of Investment Trustees' designee determines that the Contractor is making satisfactory progress toward completing all auditing services. The Consolidated Retiree Health Benefits Trust will be the source of funds. The Board of Investment Trustees' designee is responsible for approving invoices and paying the Contractor for services satisfactorily performed under this portion of the Contract.

4. Article V. "Payments", Paragraph A., Subparagraph 4. Payment for Subparagraph 4 (Montgomery County Union Employees Deferred Compensation Plan Basic Financial Statements):

- Basic Financial Statements Audit
- Management Letter
- Report on Internal Controls Over Financial Reporting and Compliance

is amended by adding the following:

- c. The County will pay the Contractor a fixed fee not to exceed \$14,458 for Fiscal Year 2023 audit services performed under this portion of the Contract. The County will pay the Contractor on a monthly basis for work completed, on the condition that the Contract Administrator determines, in his or her sole discretion, that the Contractor is making satisfactory progress toward completing all auditing services. The Independent Audit Non-Departmental Account is the source of funds. The Contract Administrator is responsible for approving invoices and paying the Contractor for services satisfactorily performed under this portion of the Contract.

5. Article V. "Payments", Paragraph A., Subparagraph 5. Payment for Subparagraph 5 (Agreed-Upon Procedures for the Chief Financial Officer's Annual Certification of Financial Assurance Mechanisms for Local Government Owners and Operators of Municipal Solid Waste Landfill Facilities) is amended by adding the following:
 - c. The County will pay the Contractor a fixed fee not to exceed \$2,099 for Fiscal Year 2023 audit services performed under this portion of the Contract. The County will pay the Contractor after the Council accepts the deliverables described in Article II. "Deliverables", Paragraph A., Subparagraph 5. The Solid Waste Disposal Fund will be the source of funds. The Department of Environmental Protection is responsible for approving invoices and paying the Contractor for services satisfactorily performed under this portion of the Contract.
6. Article V. "Payments", Paragraph A., Subparagraph 6. Payments for Subparagraph 6 (Agreed-Upon Procedures for the National Transit Database Report) is amended by adding the following:
 - c. The County will pay the Contractor a fixed fee not to exceed \$7,208 for Fiscal Year 2023 audit services performed under this portion of the Contract. The County will pay the Contractor in two equal installments, with the first installment paid upon completion of the Contractor's field work, and the second installment paid after the Council accepts the deliverables described in Article II. "Deliverables", Paragraph A., Subparagraph 7. The Independent Audit Non-Departmental Account is the source of funds. The Contract Administrator is responsible for approving invoices and paying the Contractor for services satisfactorily performed under this portion of the Contract.
7. Article V. "Payments", Paragraph A., Subparagraph 7. Payments for Subparagraph 7 (9-1-1 System Audit) is amended by adding the following:
 - c. The State of Maryland will pay the Contractor a fixed fee not to exceed \$3,848 for Fiscal Year 2023 audit services performed under this portion of the Contract. The State will pay the Contractor upon the Emergency Number Systems Board's acceptance of the deliverables described in Article II. "Deliverables", Paragraph B., Subparagraph 8. Emergency Number Systems Board funds will be the source of funds. The Emergency Number Systems Board is responsible for approving invoices and paying the Contractor for services satisfactorily performed under this portion of the Contract.
8. This Contract is renewed for an additional term of one year from July 14, 2023 through July 13, 2024.

EFFECT

1. Existing Contract terms remain in effect unless specifically changed by this Amendment.
2. This Amendment is entered into prior to the expiration of the Contract.
3. This Amendment is entered into on the date of signature by the President of the County Council for Montgomery County, Maryland.
4. No goods or services are to be provided pursuant to this Amendment until it is signed by the President of the County Council for Montgomery County, Maryland.

(Signature Page Follows)

WITNESS

SB & Company, LLC

BY: _____
Graylin E. Smith, Managing Partner
SB & Company, LLC

DATE _____

Montgomery County, Maryland

BY: _____
Evan Glass, President
Montgomery County Council

DATE _____

Approved to as to form and legality:

BY: _____
Walter Wilson
Associate County Attorney

DATE _____

Resolution No.: _____
Introduced: _____
Adopted: _____

**COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND**

Lead Sponsor: Audit Committee

SUBJECT: Renewal of Council Contract for Audit Services

Background

1. Section 315 of the Montgomery County Charter states that: “The Council shall contract with, or otherwise employ, a certified public accountant to make annually an independent post audit of all financial records and actions of the County, its officials and employees.”

The Montgomery County Code (Section 33-51(c)) indicates that: “An independent audit of the retirement system will be completed annually by the firm of certified public accountants under contract with the Council.”

The Montgomery County Code (Section 21-24(d)) states that: “Financial transactions involving County fire tax funds must be included in the annual audit required by the Charter.”

2. Council Resolution No. 16-326, adopted October 2, 2007, established Council procedures for the selection of the independent auditor. The procedures direct the Council’s Management and Fiscal Policy Committee to perform the functions of the Contractor Qualification and Selection Committee, including reviewing and evaluating proposals and recommending independent auditors to the County Council.
3. Council Resolution No. 16-826, adopted January 27, 2009, established a Council Audit Committee consisting of the members of the Management and Fiscal Policy Committee (currently known as the Government Operations and Fiscal Policy Committee) and the Council President and Council Vice President as ex officio members. The Audit Committee is charged with providing oversight of, among other things, County audit activities and fulfills the functions of the Management and Fiscal Policy Committee established in Council Resolution No. 16-326.

4. The procedures in Council Resolution No. 16-326 indicate that the final selection of the independent auditor will be made by the County Council.
5. The Audit Committee unanimously recommends that the Council renew the contract with the firm of SB & Company LLC to conduct the audit of the County Government financial statements for the fiscal year ending June 30, 2023; the audit of the Montgomery County Employee Retirement Plans financial statements for the fiscal year ending June 30, 2023; the audit of the Montgomery County Consolidated Retiree Health Benefits Trust for the fiscal year ending June 30, 2023; the audit of the Montgomery County Union Employees Deferred Compensation Plan financial statements for the calendar year ending December 31, 2023; and other tests, reviews and certifications. This is the last renewal for the contract with SB & Company LLC.

Action

The County Council for Montgomery County, Maryland approves the following resolution:

The County Council for Montgomery County, Maryland authorizes the Council President to renew the contract with SB & Company LLC to conduct the audit of the County Government financial statements for the fiscal year ending June 30, 2023; the audit of the Montgomery County Employee Retirement Plans financial statements for the fiscal year ending June 30, 2023; the audit of the Montgomery County Consolidated Retiree Health Benefits Trust for the fiscal year ending June 30, 2023; the audit of the Montgomery County Union Employees Deferred Compensation Plan financial statements for the calendar year ending December 31, 2023; and other tests, reviews and certifications.

This is a correct copy of Council action.

Judy Rupp
Clerk of the Council