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Addendum # 1 Auditing Services

Date of Addendum: 3/6/25

NOTICE TO ALL BIDDERS AND PLANHOLDERS	
<p>The Proposal Documents for the above-referenced Project are modified as set forth in this Addendum. The original Proposal Documents and any previously issued addenda remain in full force and effect, except as modified by this Addendum, which is hereby made part of the Proposal Documents. Vendors will take this Addendum into consideration when preparing and submitting a Proposal and shall acknowledge receipt of this Addendum in the space provided in the Proposal Documents.</p>	

PROPOSAL SUBMITTAL DEADLINE	
<p>The Proposal submittal time has not been changed.</p>	

1.0 – ATTACHMENTS	
Item	Description
1.1	2024 Auditor Communication Package

2.0 – QUESTIONS AND ANSWERS	
<p>The following questions and answers are provided as a matter of information to clarify issues raised about the Proposal Documents.</p>	
Item	Questions and Answers
2.1	<p>Q. Who prepares the financial statements and ACFR information for the County? A. UHY, LLP currently prepares our ACFR and related statements subject to our review.</p>
2.2	<p>Q. If the County team prepares, who prepares the fund conversion adjustments? A. Fund conversion statements are prepared by UHY, LLP and reviewed by the County before finalizing.</p>
2.3	<p>Q. Was there an Auditor Communication package issued in relation to 2024? Could we have a copy? A. Yes there was, we have attached a copy for your review.</p>
2.4	<p>Q. When has the audit fieldwork typically occurred and for how long? A. Preliminary field work is typically 3 days (mid-June/mid-July timeframe), the onsite fieldwork begins mid-August until the end of September. Post fieldwork remotely as needed in October.</p>
2.5	<p>Q. When will the financial records be ready for the audit? A. Our target date has been mid-August for the Enterprise Funds and early September for the General Fund.</p>
2.6	<p>Q. Any known/planned major changes in staffing or operations for 2025 or beyond? A. No changes for 2025, none currently scheduled for FY26.</p>
2.7	<p>Q. Are there any changes to the auditing process that the County would like to see? A. Additional items beyond the scope of the RFP would be subject to a separately agreed-upon procedures contract for those services. We currently do not anticipate any changes in the audit process.</p>

END OF ADDENDUM

WORCESTER COUNTY, MARYLAND

AUDIT COMMUNICATIONS

JUNE 30, 2024

WORCESTER COUNTY, MARYLAND

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COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE



December 23, 2024

To the County Commissioners
Worcester County, Maryland
Snow Hill, Maryland

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Worcester County, Maryland for the year ended June 30, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 25, 2024. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Worcester County, Maryland are described in Note 2 to the financial statements. Effective July 1, 2023, the County adopted new accounting guidance from the Government Accounting Standard Board (GASB) Statement No. 100, *Accounting Changes and Error Corrections*. 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 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:

Management's estimate of infrastructure costs such as bridges and roads and related depreciation expense is based on the estimated useful lives of these assets. We evaluated the key factors and assumptions used to develop these costs and depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the net OPEB liability under GASB Statement No. 75, which is recorded on the government-wide financial statements, is based on an actuarial study performed by a third party. We evaluated the key factors and assumptions used to develop the accrual/expense in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the net pension liability and pension expense is based on an actuarial study performed by a third party. We evaluated the key factors and assumptions used to develop the pension liability/expense in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was the disclosure in Note 19 regarding the prior period restatement related to accrued compensated absences and the inmate welfare fund.

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.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

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. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 23, 2024.

Management Consultations with Other 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.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention 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 retention.

Other Matters

We applied certain limited procedures to the Management's Discussion and Analysis, Schedule of the Proportionate Share of the Net Pension Liability – Maryland State Retirement and Pension Systems, Schedule of Contributions – Maryland State Retirement and Pension Systems, Actuarial Assumptions – Pension Plan – Maryland State Retirement and Pension Systems, Schedule of Changes in Net OPEB Liability and Related Ratios, and Schedule of Investment Returns, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the other supplementary information, as listed in the Annual Comprehensive Financial Report's (ACFR) table of contents, which accompany the financial statements but are not RSI. With respect to this supplementary information, 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, 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 were not engaged to report on the statistical section, as listed in the ACFR's table of contents, which accompanies the financial statements but is not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

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

Very truly yours,

The image shows a handwritten signature in dark ink that reads "UHY LLP". The letters are stylized and cursive.

UHY LLP
Salisbury, Maryland

COMMENTS AND RECOMMENDATIONS

COMMENTS AND RECOMMENDATIONS

MANUAL JOURNAL ENTRY APPROVAL PROCESS

During our testing of manual journal entries, we noted that manual journal entries can be prepared and posted by the same individual. While a secondary review of these manual journal entries occurs, there is no formal documentation of that review process. UHY recommends that the County implement a process that either restricts the same individual from preparing and posting a manual journal entry or that the County implement a policy that requires formal documentation of the secondary review.

RECENTLY ISSUED GASB PRONOUNCEMENTS

RECENTLY ISSUED GASB PRONOUNCEMENTS

Statement No. 101 – Compensated Absences

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used.

This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences.

The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

Statement No. 102 – Certain Risk Disclosures

This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact. The disclosure should include descriptions of the following:

- The concentration or constraint
- Each event associated with the concentration or constraint that could cause a substantial impact if the event had occurred or had begun to occur prior to the issuance of the financial statements
- Actions taken by the government prior to the issuance of the financial statements to mitigate the risk.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter.

Statement No. 103 – Financial Reporting Model

The statement improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountabilities. This statement addresses certain application issues surrounding the following:

- Management's discussion and analysis
- Unusual or infrequent items
- Presentation of the proprietary fund statements of revenues, expenses, and changes in fund net position
- Major component unit information
- Budgetary comparison information

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

Statement No. 104 – Disclosure of Certain Capital Assets

This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital as-sets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.