

MONTGOMERY COUNTY PUBLIC SCHOOLS

**OMB CIRCULAR A-133
SUPPLEMENTAL FINANCIAL REPORT**

Year Ended June 30, 2015

MONTGOMERY COUNTY PUBLIC SCHOOLS
OMB Circular A-133 Supplemental Financial Report
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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Education
of Montgomery County Public Schools
Rockville, Maryland

We have audited, in accordance with the 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of Montgomery County Public Schools (MCPS), a component unit of Montgomery County, Maryland, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise MCPS's basic financial statements, and have issued our report thereon dated September 29, 2015. MCPS's financial statements include the operations of the MCPS Educational Foundation, Inc. (Foundation), a discretely presented component unit. Our report, described below, did not include the operations of the Foundation because the Foundation (a component unit) engaged for its own separate audit in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered MCPS's internal control over financial reporting (internal control) to determine the audit 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 MCPS's internal control. Accordingly, we do not express an opinion on the effectiveness of MCPS's internal control.

A deficiency in internal control 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 control, 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 control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether MCPS'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 determination of financial statement amounts. 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 control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of MCPS's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MCPS's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Baltimore, Maryland
September 29, 2015

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM,
ON INTERNAL CONTROL OVER COMPLIANCE, AND ON THE SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Education
of Montgomery County, Maryland
Rockville, Maryland

Report on Compliance for Each Major Federal Program

We have audited the Montgomery County Public School's (MCPS) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of MCPS's major federal programs for the year ended June 30, 2015. MCPS's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of MCPS's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about MCPS's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of MCPS's compliance.

Opinion on Each Major Federal Program

In our opinion, MCPS complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of MCPS is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered MCPS's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of MCPS's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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 MCPS as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise MCPS's basic financial statements. We issued our report thereon dated September 29, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such 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. The information has been subjected to the auditing procedures applied in the audit of the 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

schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland

November 5, 2015 except for the Schedule of

Expenditures of Federal Awards which is dated September 29, 2015

MONTGOMERY COUNTY PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2015

Federal Grantor/Pass-through/Program	CFDA Number	Pass-Through Grantor Number	MCPS Project Number	Federal Expenditures
Department of Agriculture				
Distributed through Maryland State Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	food1	food1	\$ 8,595,548
National School Lunch Program	10.555	food2	food2	21,305,593
Food Distribution	10.555	food5	food5	2,860,959
Summer Food Service Program	10.559	food3	food3	1,177,713
Total Child Nutrition Cluster				<u>33,939,813</u>
Child and Adult Care Food Program	10.558	food4	food4	1,589,351
At Risk Supper Program	10.558	food7	food7	962,648
State Administrative Expenses for Child Nutrition	10.560	154522-01	8554	5,520
State Administrative Expenses for Child Nutrition	10.560	154522-02	8555	6,253
State Administrative Expenses for Child Nutrition	10.560	154522-03	8599	1,600
Fresh Fruit and Vegetable Program	10.582	food6	food6	97,758
Total distributed through Maryland State Department of Education				<u>36,602,943</u>
Total Department of Agriculture				<u>36,602,943</u>
Department of Education				
Distributed through Maryland State Department of Education:				
Special Ed Cluster:				
Special Ed Cluster	84.027	134881-01	8356	163,704
Special Ed Cluster	84.027	144191-01	8402	1,607,557
Special Ed Cluster	84.027	144191-02	8415	304,144
Special Ed Cluster	84.027	144191-06	8404	194,135
Special Ed Cluster	84.027	144192-01	8417	289,065
Special Ed Cluster	84.027	145324-01	8514	334,570
Special Ed Cluster	84.027	154190-01	8502	25,464,949
Special Ed Cluster	84.027	154190-02	8515	131,610
Special Ed Cluster	84.027	154190-05	8506	1,463
Special Ed Cluster	84.027	154190-06	8504	250,626
Special Ed Cluster	84.027	155340-01	8551	16,325
Special Ed Cluster	84.027	155558-01	8590	1,621
Special Ed Cluster	84.173	144191-03	8408	66,394
Special Ed Cluster	84.173	144556-02	8467	7,570
Special Ed Cluster	84.173	154190-03	8508	674,971
Special Ed Cluster	84.173	154190-04	8522	6,068
Special Ed Cluster	84.173	155340-02	8552	15,029
Total Special Ed Cluster				<u>29,529,801</u>
Title I, Part A:				
Title I, Part A	84.010	144476-01	8420	3,516,290
Title I, Part A	84.010	144844-01	8465	10,408
Title I, Part A	84.010	144903-01	8424	96,875
Title I, Part A	84.010	145192-01	8457	58,456
Title I, Part A	84.010	154334-01	8557	102,750
Title I, Part A	84.010	154365-01	8520	18,331,495
Title I, Part A	84.010	154922-01	8566	20,318
Title I, Part A	84.010	155000-01	8565	52,362
Title I, Part A	84.010	155105-01	8558	310,547
Title I, Part A	84.010	155324-01	8524	104,971
Title I, Part A	84.010	155664-01	8597	1,021
Total Title I, Part A				<u>22,605,493</u>

MONTGOMERY COUNTY PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2015
(Continued)

Federal Grantor/Pass-through/Program	CFDA Number	Pass-Through Grantor Number	MCPS Project Number	Federal Expenditures
Department of Education (Continued)				
Distributed through Maryland State Department of Education (continued):				
Education of Homeless Children and Youth:				
Education of Homeless Children and Youth	84.196	144906-01	8489	19,274
Total Education of Homeless Children and Youth				<u>19,274</u>
Vocational Education	84.048	154730-01	8530	197,727
Vocational Education	84.048	154730-01	8531	334,170
Vocational Education	84.048	154730-01	8532	49,305
Vocational Education	84.048	154730-01	8533	394,517
Vocational Education	84.048	154730-01	8534	3,262
Vocational Education	84.048	154730-01	8536	44,744
Vocational Education	84.048	154731-01	8571	7,962
Vocational Education	84.048	154731-01	8572	8,000
Vocational Education	84.048	154731-01	8575	400
Vocational Education	84.048	154731-01	8577	7,962
Total Vocational Education				<u>1,048,049</u>
Advanced Placement Program	84.330	154508-01	8581	55,890
English Language Acquisition	84.365	134220-01	8327	23,480
English Language Acquisition	84.365	144588-01	8427	167,828
English Language Acquisition	84.365	154435-01	8527	3,310,076
English Language Acquisition	84.365	154435-02	8501	21,742
Total English Language Acquisition				<u>3,523,126</u>
Improving Teacher Quality	84.367	134597-02	8307	3,641
Improving Teacher Quality	84.367	144773-01	8407	319,485
Improving Teacher Quality	84.367	154943-01	8507	233,523
Improving Teacher Quality	84.367	154943-01	8539	2,902,171
Total Improving Teacher Quality				<u>3,458,820</u>
Race to the Top - ARRA	84.395	145301-01	8477	65,498
Race to the Top - ARRA	84.395	145385-01/02	8471	75,760
Race to the Top - ARRA	84.395	154286-01	8588	539
Race to the Top - ARRA	84.395	154481-01	8580	5,253
Race to the Top - ARRA	84.395	154604-01	8589	2,417
Race to the Top - ARRA	84.395	154846-01	8595	10,907
Race to the Top - ARRA	84.395	155073-01/02	8573	1,162,111
Race to the Top - ARRA	84.395	155188-01	8586	2,200
Race to the Top - ARRA	84.395	155250-01/02	8598	4,050
Race to the Top - ARRA	84.395	155423-01	8547	1,042
Race to the Top - ARRA	84.395	155621-01	8567	41,795
Race to the Top ELC - ARRA	84.412	154303-02	8579	197,100
Race to the Top ELC - ARRA	84.412	155340-03	8553	3,482
Race to the Top ELC - ARRA	84.412	155414-01	8549	21,300
Total Race to the Top				<u>1,593,454</u>
Total distributed through Maryland State Department of Education				<u>61,833,907</u>

MONTGOMERY COUNTY PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2015
(Continued)

Federal Grantor/Pass-through/Program	CFDA Number	Pass-Through Grantor Number	MCPS Project Number	Federal Expenditures
Department of Education (Continued)				
Distributed through Prince George's County Public Schools:				
Title I, Part A	84.010	15158569	8569	\$ 20,074
Total distributed through Prince George's County Public Schools				<u>20,074</u>
Direct Payments:				
Education Quality Award Ambassadorship	11.013	60NANB11D029	7470	3,393
Chesapeake Bay Studies	11.457	NA13NMF4570215	8455	29,368
Impact Aid Cluster	84.041	pl874	pl874	258,780
Indian Education	84.060	S060A140538	8526	25,942
State Fiscal Stabilization Fund Cluster - Recovery Act	84.396	U396C100977	7466	27,542
Research and Development Cluster:				
Child Health and Human Development Extramural Research	93.865	HHSN269201300124P	8416	216,408
Child Health and Human Development Extramural Research	93.865	HHSN269201300124P	8516	41,754
Total Research and Development Cluster				<u>258,162</u>
Total Direct Payments				<u>603,187</u>
Total Department of Education				<u>62,457,168</u>
Department of Health and Human Services				
Distributed through Montgomery County, Maryland:				
Special Ed Cluster	84.027	144228-02	8409	10,304
Early Intervention Services	84.181	144228-01	8410	41,753
Special Ed Cluster	84.027	154239-02	8509	231,383
Early Intervention Services	84.181	154239-01	8510	215,283
Head Start	93.600	03CH2109/49	8528	3,550,187
Head Start	93.600	03CH2109/49	8529	53,488
Total distributed through Montgomery County, Maryland				<u>4,102,398</u>
Total Department of Health and Human Services				<u>4,102,398</u>
Grand Total Expenditures of Federal Awards				<u>\$ 103,162,509</u>

The accompanying notes are an integral part of this schedule.

MONTGOMERY COUNTY PUBLIC SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2015

1. Summary of Significant Accounting Policies

The Schedule of Expenditures of Federal Awards (the Schedule) relates only to federal programs administered by Montgomery County Public Schools (MCPS). It should be read in conjunction with MCPS' basic financial statements and the accompanying notes. The federal programs are subject to the accounting policies and procedures of MCPS, which conform to accounting principles generally accepted in the United States for governmental entities.

The federal grant programs account for the expenditure of funds by MCPS in the General and Enterprise funds. Expenditures represent direct costs of operating programs, principally personnel, capital projects and fringe benefit costs. Expenditures of grant funds are made for the purposes specified by the grantor, which include certain restrictions. The grantor may ultimately disallow certain expenditures which MCPS has charged to grant funds. In the event of final disallowance, the funds will be reimbursed to the federal government by MCPS.

The federal share of the Enterprise funds is commingled with state and local funding, as well as revenues provided from user charges. Expenditures are assumed to be paid first from the federal revenues for purposes of the Schedule. Commodities received from the U.S. Department of Agriculture are valued at fair market value and recorded as expenditures when used. During the fiscal year ended June 30, 2015, the fair market value of commodities consumed was \$2,860,959.

MCPS provided \$120,176 to subrecipients from federal awards distributed through the Maryland State Department of Education for CFDA 84.010, 84.365 and 84.367 in the amount of 4,387, \$35,034 and \$80,755 respectively; and \$1,589,351 for the Child and Adult Care Food Program to improve the quality of day care for children of low-income families by managing reimbursements for qualified meals and snacks to licensed day care providers.

2. Reconciliation of Federal Expenditures

Federal expenditures in the MCPS Comprehensive Annual Financial Report (CAFR) reconcile to the Schedule of Expenditures of Federal Awards as follows:

General fund federal expenditures	\$ 78,890,866
Capital fund federal expenditures	2,271,764
Enterprise fund federal expenditures	<u>36,602,943</u>
Total federal expenditures per the CAFR	<u>\$ 117,765,573</u>
Less: Funds not included on the Schedule:	
Medical Assistance	(4,833,370)
ERATE	(2,271,764)
Infants and Toddlers - MA	(369,317)
Medicare Part D	<u>(7,128,613)</u>
Total Reported Per A-133	<u>\$ 103,162,509</u>

These notes are an integral part of the accompanying schedule.

**MONTGOMERY COUNTY PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2015**

I. Summary of Auditor's Results

Financial Statement Section

Type of auditor's report issued: Unmodified

	<u>Yes</u>	<u>No</u>
Internal control over financial reporting:		
Material weakness(es) identified?		X
Significant deficiency(ies) identified not considered to be material weakness(es)?		X
Noncompliance material to financial statements noted?		X

Federal Awards Section

	<u>Yes</u>	<u>No</u>
Material weakness(es) identified?		X
Significant deficiency(ies) identified not considered to be material weakness(es)?		X

Type of auditor's report on compliance for major programs: Unmodified

	<u>Yes</u>	<u>No</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (Section .510(a))		X

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010	Title I, Part A
84.367	Title II – Improving Teacher Quality
84.395/84.412	Race to the Top - ARRA

Dollar threshold used to determine Type A programs: \$3,000,000

	<u>Yes</u>	<u>No</u>
Auditee qualified as low-risk auditee?		X

**MONTGOMERY COUNTY PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2015**

II. FINDINGS RELATING TO THE FINANCIAL STATEMENT AUDIT AS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED *GOVERNMENT AUDITING STANDARDS*

A. Significant Deficiencies in Internal Control

None.

B. Compliance Findings

None.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

A. Significant Deficiencies in Internal Control

None.

B. Compliance Findings

None.

**MONTGOMERY COUNTY PUBLIC SCHOOLS
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015**

No prior year findings related to federal awards.