

**MONTGOMERY COUNTY PUBLIC SCHOOLS**

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

**Year Ended June 30, 2014**

**MONTGOMERY COUNTY PUBLIC SCHOOLS**  
**OMB Circular A-133 Supplemental Financial Report**  
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**Year Ended June 30, 2014**

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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, 2014, and the related notes to the financial statements, which collectively comprise MCPS's basic financial statements, and have issued our report thereon dated September 26, 2014. 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 26, 2014

**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, 2014. 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, 2014.

## **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 units, each major fund, and the aggregate remaining fund information of MCPS as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise MCPS's basic financial statements. We issued our report thereon dated September 26, 2014, 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**

Baltimore, Maryland

October 22, 2014 except for the Schedule of

Expenditures of Federal Awards which is dated September 26, 2014

**MONTGOMERY COUNTY PUBLIC SCHOOLS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2014**

<b>Federal Grantor/Pass-through/Program</b>	<b>CFDA Number</b>	<b>Pass-Through Grantor Number</b>	<b>MCPS Project Number</b>	<b>Federal Expenditures</b>
<b>Department of Agriculture</b>				
Distributed through Maryland State Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	food1	food1	\$ 7,243,613
National School Lunch Program	10.555	food2	food2	20,755,845
Food Distribution	10.555	food5	food5	2,679,472
Summer Food Service Program	10.559	food3	food3	1,276,577
Total Child Nutrition Cluster				<u>31,955,507</u>
Child and Adult Care Food Program	10.558	food4	food4	1,518,352
At Risk Supper Program	10.558	food7	food7	701,147
State Administrative Expenses for Child Nutrition	10.560	135396-01	8454	5,000
Fresh Fruit and Vegetable Program	10.582	food6	food6	140,347
Total distributed through Maryland State Department of Education				<u>34,320,353</u>
Total Department of Agriculture				<u>34,320,353</u>
<b>Department of Education</b>				
Distributed through Maryland State Department of Education:				
Special Ed Cluster:				
Special Ed Cluster	84.027	134272-01	8302	2,502,480
Special Ed Cluster	84.027	134272-06	8306	1,328
Special Ed Cluster	84.027	134272-07	8303	2,131
Special Ed Cluster	84.027	134272-08	8304	198,787
Special Ed Cluster	84.027	134881-01	8356	266,690
Special Ed Cluster	84.027	144191-01	8402	25,270,769
Special Ed Cluster	84.027	144191-02	8415	200,371
Special Ed Cluster	84.027	144191-05	8406	2,500
Special Ed Cluster	84.027	144191-06	8404	260,424
Special Ed Cluster	84.027	144192-01	8417	753,197
Special Ed Cluster	84.027	144975-01	8447	1,160
Special Ed Cluster	84.027	145075-01/02	8453	8,035
Special Ed Cluster	84.173	134530-03	8367	12,106
Special Ed Cluster	84.173	134749-02	8374	17,174
Special Ed Cluster	84.173	144191-03	8408	665,171
Special Ed Cluster	84.173	144191-04	8422	8,409
Special Ed Cluster	84.173	144192-02	8418	12,083
Special Ed Cluster	84.173	144556-02	8467	20,550
Total Special Ed Cluster				<u>30,203,365</u>
Title I, Part A:				
Title I, Part A	84.010	134401-01	8320	5,359,562
Title I, Part A	84.010	134496-01	8324	14,278
Title I, Part A	84.010	135063-02	8365	183,895
Title I, Part A	84.010	135092-02	8366	83,033
Title I, Part A	84.010	135204-02	8358	185,827
Title I, Part A	84.010	144476-01	8420	18,840,532
Title I, Part A	84.010	144844-01	8465	125,042
Title I, Part A	84.010	144903-01	8424	80,437
Title I, Part A	84.010	145192-01	8457	291,144
Total Title I, Part A				<u>25,163,750</u>



**MONTGOMERY COUNTY PUBLIC SCHOOLS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2014**  
(Continued)

Federal Grantor/Pass-through/Program	CFDA Number	Pass-Through Grantor Number	MCPS Project Number	Federal Expenditures
<b>Department of Education (Continued)</b>				
Distributed through Maryland State Department of Education (continued):				
Education of Homeless Children and Youth:				
Education of Homeless Children and Youth	84.196	134917-01	8389	\$ 11,771
Education of Homeless Children and Youth	84.196	144906-01	8489	53,876
Total Education of Homeless Children and Youth				<u>65,647</u>
Vocational Education	84.048	144680-01	8430	217,696
Vocational Education	84.048	144680-01	8431	383,758
Vocational Education	84.048	144680-01	8432	54,422
Vocational Education	84.048	144680-01	8433	363,845
Vocational Education	84.048	144680-01	8434	3,262
Vocational Education	84.048	144680-01	8436	49,163
Vocational Education	84.048	144681-01	8472	8,000
Vocational Education	84.048	144681-02	8473	7,992
Total Vocational Education				<u>1,088,138</u>
Advanced Placement Program	84.330	144714-01	n/a	<u>61,654</u>
English Language Acquisition	84.365	124295-01	8227	10,272
English Language Acquisition	84.365	134220-01	8327	225,845
English Language Acquisition	84.365	134220-02	8301	15,151
English Language Acquisition	84.365	144588-01	8427	3,186,937
Total English Language Acquisition				<u>3,438,205</u>
Improving Teacher Quality	84.367	134597-02	8307	273,454
Improving Teacher Quality	84.367	134597-02	8338	87,126
Improving Teacher Quality	84.367	144773-01	8407	285,438
Improving Teacher Quality	84.367	144773-01	8439	2,910,100
Total Improving Teacher Quality				<u>3,556,118</u>
Race to the Top - ARRA	84.395	145385-01	8471	2,250
Race to the Top - ARRA	84.395	135312-01/02	8382	363,745
Total Race to the Top				<u>365,995</u>
Total distributed through Maryland State Department of Education				<u>63,942,872</u>
Distributed through Prince George's County Public Schools:				
Title I, Part A	84.010	14158469	8469	<u>22,601</u>
Total distributed through Prince George's County Public Schools				<u>22,601</u>

**MONTGOMERY COUNTY PUBLIC SCHOOLS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2014**  
(Continued)

<b>Federal Grantor/Pass-through/Program</b>	<b>CFDA Number</b>	<b>Pass-Through Grantor Number</b>	<b>MCPS Project Number</b>	<b>Federal Expenditures</b>
<b>Department of Education (Continued)</b>				
Direct Payments:				
Education Quality Award Ambassadorship	11.013	60NANB11D029	7470	\$ 1,940
Chesapeake Bay Studies	11.457	NA13NMF4570215	8455	60,133
Impact Aid Cluster	84.041	pl874	pl874	193,173
Indian Education	84.060	S060A130538	8426	25,440
Safe and Drug-Free Schools	84.184	Q184E100343A	7457	7,259
Fund for the Improvement of Education	84.215	U215X100366	7458	101,520
State Fiscal Stabilization Fund Cluster - Recovery Act	84.396	U396C100977	7466	613,968
Research and Development Cluster:				
Child Health and Human Development Extramural Research	93.865	HHSN269999900236I	8316	206,253
Child Health and Human Development Extramural Research	93.865	HHSN269201300124P	8416	60,240
Measurement and Engineering Research and Standards	11.609	70NANB13H108	8452	6,000
Measurement and Engineering Research and Standards	11.609	70NANB13H130	8451	16,000
Total Research and Development Cluster				<u>288,493</u>
Total Direct Payments				<u>1,291,926</u>
Total Department of Education				<u>65,257,399</u>
<b>Department of Health and Human Services</b>				
Distributed through Montgomery County, Maryland:				
Special Ed Cluster	84.027	144228-02	8409	221,079
Early Intervention Services	84.181	144228-01	8410	173,530
Head Start	93.600	03CH2109/48	8428	3,318,422
Head Start	93.600	03CH2109/48	8429	53,488
Total distributed through Montgomery County, Maryland				<u>3,766,519</u>
Total Department of Health and Human Services				<u>3,766,519</u>
<b>Department of Energy</b>				
Distributed through Montgomery County, Maryland (continued):				
Energy Efficiency and Conservation Grant - ARRA	81.028	900119	2645, 2305	2,175
Total distributed through Montgomery County, Maryland				<u>2,175</u>
<b>Grand Total Expenditures of Federal Awards</b>				<u><u>\$ 103,346,446</u></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, 2014**

**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, 2014, the fair market value of commodities consumed was \$2,679,472.

MCPS provided \$39,007 to subrecipients from federal awards distributed through the Maryland State Department of Education for CFDA 84.365 and 84.367 in the amount of \$38,626 and \$381 respectively; and \$1,518,352 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	\$ 75,725,253
Capital fund federal expenditures	3,386,414
Enterprise fund federal expenditures	<u>34,320,353</u>
Total federal expenditures per the CAFR	<u>\$ 113,432,020</u>
Plus: Advanced Placement Test Fee Program	\$ 61,654
Less: Funds not included on the Schedule:	
Medical Assistance	(4,705,938)
ERATE	(3,384,239)
Infants and Toddlers - MA	(319,981)
Medicare Part D	<u>(1,737,070)</u>
Total Reported Per A-133	<u>\$ 103,346,446</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, 2014**

**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
84.027, 84.173	Special Education Cluster
84.396	State Fiscal Stabilization Fund - ARRA
84.395	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, 2014**

**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, 2014**

No prior year findings related to federal awards.