

Montgomery County Public Schools
Rockville, Maryland

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

Year Ended June 30, 2008

MONTGOMERY COUNTY PUBLIC SCHOOLS
OMB Circular A-133 Supplemental Financial Report
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**Independent Auditor's 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, Maryland
Rockville, 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 Montgomery County Public Schools as of and for the year ended June 30, 2008, which collectively comprise Montgomery County Public Schools' basic financial statements and have issued our report thereon dated September 26, 2008. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Montgomery County Public Schools' internal control over financial reporting as a basis for designing our auditing procedures 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 entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we noted other matters involving internal control over financial reporting that we have reported to the management of Montgomery County Public Schools in a separate letter dated September 26, 2008.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Montgomery County Public Schools' financial statements are free of 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*.

This report is intended solely for the information and use of the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Henderson LLP

Baltimore, Maryland
September 26, 2008

**Independent Auditor's Report on Compliance With Requirements
Applicable to Each Major Program and on Internal Control Over
Compliance and Schedule of Expenditures of Federal Awards
in Accordance With OMB Circular A-133**

Board of Education
of Montgomery County, Maryland
Rockville, Maryland

Compliance

We have audited the compliance of Montgomery County Public Schools with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Montgomery County Public Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Montgomery County Public Schools' management. Our responsibility is to express an opinion on Montgomery County Public Schools' compliance based on our audit.

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 Montgomery County Public Schools' 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. Our audit does not provide a legal determination of Montgomery County Public Schools' compliance with those requirements.

In our opinion, Montgomery County Public Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Montgomery County Public Schools is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Montgomery County Public Schools' internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 the entity's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

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 Montgomery County Public Schools as of and for the year ended June 30, 2008, and have issued our report thereon dated September 26, 2008. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Montgomery County Public Schools' 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Henderson LLP

Baltimore, Maryland

December 19, 2008, except for our report on the Schedule of
Expenditures of Federal Awards which is September 26, 2008

**MONTGOMERY COUNTY PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008**

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	\$ 3,214,600
National School Lunch Program	10.555	food2	food2	12,452,582
Summer Food Service Program	10.559	food3	food3	<u>572,295</u>
Total Child Nutrition Cluster				16,239,477
Food Distribution	10.555	food5	food5	2,521,355
Child and Adult Care Food Program	10.558	food4	food4	<u>861,204</u>
Total distributed through Maryland State Department of Education				<u>19,622,036</u>
Total Department of Agriculture				<u>19,622,036</u>
National Science Foundation				
Distributed through University of Illinois:				
National Science Foundation Act	47.076	5157094	7094	<u>6,491</u>
Total distributed through the University of Illinois				<u>6,491</u>
Distributed through University of Maryland:				
National Science Foundation Act	47.076	3157525	7525	<u>85,755</u>
Total distributed through the University of Maryland				<u>85,755</u>
Total National Science Foundation				<u>92,246</u>
Department of Education				
Distributed through Maryland State Department of Education:				
Special Ed Cluster:				
Special Ed Cluster	84.027	700150-01	7769	38,498
Special Ed Cluster	84.027	700155-02	7705/7706	7,654
Special Ed Cluster	84.027	700290-01	7775	13,127
Special Ed Cluster	84.027	700408-01	7774	30,174
Special Ed Cluster	84.027	700409-01	7760	24,836
Special Ed Cluster	84.027	800172-01	7802	22,148,144
Special Ed Cluster	84.027	800172-01	7814	825,374
Special Ed Cluster	84.027	800172-01	7815	123,438
Special Ed Cluster	84.027	800172-01	7816	2,493,477
Special Ed Cluster	84.027	800172-01	7817	252,681
Special Ed Cluster	84.027	800172-02	7803	3,530
Special Ed Cluster	84.027	800172-03	7804	59,307
Special Ed Cluster	84.027	800172-04	7805	10,000
Special Ed Cluster	84.027	800172-05	7818	43,232
Special Ed Cluster	84.027	800172-06	7806	434
Special Ed Cluster	84.027	800201-01	7869	33,110
Special Ed Cluster	84.027	800295-01	7861	15,000
Special Ed Cluster	84.027	800300-01	7874	15,510
Special Ed Cluster	84.027	800301-01	7860	18,830
Special Ed Cluster	84.027	800320-01	7875	30,801
Special Ed Cluster	84.173	800172-07	7808	803,213
Special Ed Cluster	84.173	800697-02	7867	<u>23,118</u>
Total Special Ed Cluster				<u>27,013,488</u>

**MONTGOMERY COUNTY PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008
(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)				
Title I	84.010	700547-01	7700	\$ 5,664
Title I	84.010	700547-01	7720	2,963,403
Title I	84.010	700547-01	7721	1,389,718
Title I	84.010	700600-01	7724	38,402
Title I	84.010	800739-01	7800	47,305
Title I	84.010	800739-01	7820	19,484,102
Title I	84.010	801749-01	7888	2,000
Title I	84.010	801900-01	7824	107,824
Title I	84.010	802070-01	7887	57,575
Vocational Education	84.048	801502-04	7830	119,976
Vocational Education	84.048	801502-04	7831	98,248
Vocational Education	84.048	801502-04	7832	163,946
Vocational Education	84.048	801502-04	7833	599,564
Vocational Education	84.048	801502.04	7836	150,752
Vocational Education	84.048	801502-04	7838	89,691
Vocational Education	84.048	801532-01	7871	20,700
Vocational Education	84.048	801532-01	7872	29,648
Vocational Education	84.048	801532-01	7873	14,748
Safe and Drug-Free Schools	84.186	700182-01	7725	14,411
Safe and Drug-Free Schools	84.186	800792-03	7807	87,820
Safe and Drug-Free Schools	84.186	800410-01	7825	414,015
Education for Homeless Children and Youth	84.196	700749-01	7789	16,295
Education for Homeless Children and Youth	84.196	801818-01	7889	125,000
Even Start	84.213	701048-01	7776	14,187
Even Start	84.213	701046-01	7797	51,197
Even Start	84.213	801201-01	7883	156,051
Tech Prep Education	84.243	700864-01/02	7749	41,258
Tech Prep Education	84.243	701781-01	7741	16,364
Tech Prep Education	84.243	801502-02/03	7811	145,178
Tech Prep Education	84.243	801998-01	7864	10,000
Twenty-First Century Community Learning Centers	84.287	602078-01	7746	146,122
Twenty-First Century Community Learning Centers	84.287	701547-01	7658	59,480
Twenty-First Century Community Learning Centers	84.287	801013-01	7846	242,148
Twenty-First Century Community Learning Centers	84.287	801662-01	7858	138,561
Innovative Programs	84.298	600448-01	7635	18,575
Innovative Programs	84.298	700626-01	7735	77,208
Innovative Programs	84.298	800766-01	7835	109,366
Enhancing Education through Technology	84.318	601033-02	7637	120,665
Enhancing Education through Technology	84.318	601076-01	7661	235,596
Enhancing Education through Technology	84.318	601079-01	7682	256,646
Enhancing Education through Technology	84.318	700667-01/02	7737	100,379
Enhancing Education through Technology	84.318	701978-01	7782	252,617
Enhancing Education through Technology	84.318	701978-02	7783	46,680
Enhancing Education through Technology	84.318	800941-01	7837	160,600
Enhancing Education through Technology	84.318	800143-01	7851	142,115
Enhancing Education through Technology	84.318	801787-01	7856	4,098

**MONTGOMERY COUNTY PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008
(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)				
Advanced Placement Program	84.330	700787-01	7796	\$ 34,360
Advanced Placement Program	84.330	701726-01	7792	9,444
Advanced Placement Program	84.330	802018-01	7890	9,364
Advanced Placement Program	84.330	800821-01	n/a	12,879
Reading First	84.357	700918-01	7795	408,440
Reading First	84.357	700918-02	7849	99,370
Reading First	84.357	801584-01	7895	1,053,822
English Language Acquisition	84.365	700359-01/02	7727	357,039
English Language Acquisition	84.365	800565-01/02	7827	3,341,948
Improving Teacher Quality	84.367	700650-01	7739	295,217
Improving Teacher Quality	84.367	800792-01/02/03	7807	443,456
Improving Teacher Quality	84.367	800792-01/02/03	7839	4,026,695
Improving Teacher Quality	84.367	801918-01	7886	37,632
Improving Teacher Quality	84.367	802027-01	7894	<u>50,000</u>
Total distributed through Maryland State Department of Education				<u>65,779,052</u>
Distributed through Montgomery County, Maryland:				
Special Education for Infants and Families With Disabilities	84.181	8157809	7809	210,593
Special Education for Infants and Families With Disabilities	84.181	8157810	7810	388,576
Special Education for Infants and Families With Disabilities	93.778	8157812	7812	<u>149,506</u>
Total distributed through Montgomery County, Maryland				<u>748,675</u>
Direct Payments:				
International Research and Studies	84.017	P017A050020	7676	112,067
Impact Aid	84.041	pl874	pl874	244,839
Indian Education	84.060	S060A060538	7726	6,551
Indian Education	84.060	S060A070538	7826	8,804
Magnet Schools Assistance	84.165	U165A040025	7079	1,481,414
Magnet Schools Assistance	84.165	U165A040025	7080	276,260
Magnet Schools Assistance	84.165	U165A040025	7081	354,859
Magnet Schools Assistance	84.165	U165A040025	7082	461,753
Safe and Drug-Free Schools	84.184	Q184L030339	7893	384,309
Safe and Drug-Free Schools	84.184	Q184B070273	7852	92,921
Fund for The Improvement of Education	84.215	Q215F050101	7645	469,720
Fund for The Improvement of Education	84.215	V215L052020	7677	83,382
Fund for The Improvement of Education	84.215	V215L052020	7678	204,510
Fund for The Improvement of Education	84.215	U215X060034	7745	200,330
Foreign Language Assistance	84.293	T293B030135	7842	<u>38,989</u>
Total Direct Payments				<u>4,420,708</u>
Total Department of Education				<u>70,948,435</u>

MONTGOMERY COUNTY PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008
(Continued)

Federal Grantor/Pass-through/Program	CFDA Number	Pass-through Grantor Number	MCPS Project Number	Federal Expenditures
Department of Health and Human Services				
Distributed through Montgomery County, Maryland:				
Head Start	93.600	8157828	7828	\$ 3,211,050
Head Start	93.600	8157829	7829	<u>57,823</u>
Total distributed through Montgomery County, Maryland				<u>3,268,873</u>
Distributed through University of Cleveland:				
Fund for the Improvement of PostSecondary Education	84.116	5157103	7103	<u>26,025</u>
Total distributed through University of Cleveland				<u>26,025</u>
Total distributed through Department of Health and Human Services				<u>3,294,898</u>
Corporation for National and Community Service				
Distributed through Maryland State Department of Education:				
Learn and Serve America	94.004	701507-01	7780	<u>2,964</u>
Total distributed through Maryland State Department of Education				<u>2,964</u>
Grand Total Expenditures of Federal Awards				<u>\$ 93,960,579</u>

The accompanying notes are an integral part of this schedule.

**MONTGOMERY COUNTY PUBLIC SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2008**

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 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, 2008, the fair market value of commodities consumed was \$2,521,355.

MCPS provided \$388,901 to sub-recipients from federal awards distributed through the Maryland State Department of Education; and \$676,634 for the Child and Adult Care Food Program.

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	\$ 81,098,923
Enterprise funds federal expenditures	<u>18,945,405</u>
Total federal expenditures per the CAFR	100,044,328
Plus: Advanced Placement – High School Technology Grant	12,879
Child and Adult Care Food Program	676,634
Less: Medical assistance funds not included on the Schedule	(3,002,187)
Medicare Part D	<u>(3,771,075)</u>
Total federal expenditures per the Schedule	<u>\$ 93,960,579</u>

This information is an integral part of the accompanying schedule.

**MONTGOMERY COUNTY PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2008**

Part I - Summary of Auditor's Results

Financial Statement Section

Type of auditor's report issued: Unqualified

	<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 weaknesses?		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 weaknesses?		X

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

	<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:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I
84.367	Improving Teacher Quality State Grants

Dollar threshold used to determine Type A programs: \$2,818,817

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

MONTGOMERY COUNTY PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2008
(Continued)

Part II - Financial Statement Findings Section

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Chapter 5.18 of *Government Auditing Standards*.

There were no findings identified during the audit for the year ended June 30, 2008.

Part III - Federal Award Findings and Questioned Costs Section

There were no findings identified during the audit for the year ended June 30, 2008.

**MONTGOMERY COUNTY PUBLIC SCHOOLS
SCHEDULE OF PRIOR YEAR FINDINGS
JUNE 30, 2008**

There were no prior year findings identified for the year ended June 30, 2007.