

**THE BOARD OF EDUCATION OF
MONTGOMERY COUNTY, MARYLAND**

**SINGLE AUDIT
SUPPLEMENTAL FINANCIAL REPORT**

YEAR ENDED JUNE 30, 2017

**THE BOARD OF EDUCATION OF
MONTGOMERY COUNTY, MARYLAND
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2017**

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 <i>Government Auditing Standards</i>	1
Independent Auditors' Report on Compliance with Requirements on Each Major Federal Program, Report on Internal Control Over Compliance, and on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	3
Schedule of Expenditures of Federal Awards	6
Notes to Schedule of Expenditures of Federal Awards	8
Schedule of Findings and Questioned Costs	9



**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**

The 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 The Board of Education of Montgomery County, Maryland operating as Montgomery County Public Schools (the Board), a component unit of Montgomery County, Maryland, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated September 29, 2017. The Board's financial statements include the operations of the Board 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 the Board'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 the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board'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.

The Board of Education
of Montgomery County Public Schools

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 the Board'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 the Board's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Baltimore, Maryland
September 29, 2017

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
FOR EACH MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL
OVER COMPLIANCE, AND ON THE SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

The Board of Education
of Montgomery County Public Schools
Rockville, Maryland

Report on Compliance for Each Major Federal Program

We have audited The Board of Education of Montgomery County, Maryland operating as Montgomery County Public Schools (the Board) compliance with the types of compliance requirements described in the *OMB Circular Compliance Supplement* that could have a direct and material effect on each of the Board's major federal programs for the year ended June 30, 2017. The Board'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Board'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 the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the Board'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 the Board's compliance.

Opinion on Each Major Federal Program

In our opinion, the Board 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, 2017.

Report on Internal Control Over Compliance

Management of the Board 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 the Board'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 the Uniform Guidance, 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 Board'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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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 the Board as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements. We issued our report thereon dated September 29, 2017, 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 the Uniform Guidance 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

The Board of Education
of Montgomery County Public Schools

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
December 27, 2017

THE BOARD OF EDUCATION OF MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-through/Program	CFDA Number	Pass-through Grantor Number	MCPS Project Number	Pass-through to Subrecipients	Federal Expenditures
U.S. Department of Agriculture					
Distributed through Maryland State Department of Education:					
Child Nutrition Cluster:					
School Breakfast Program	10.553	food1	food1		\$ 9,853,542
National School Lunch Program	10.555	food2	food2		23,837,236
Food Distribution	10.555	food5	food5		3,334,916
Free and Reduced Snack Program	10.555	food8	food8		208,403
					<u>27,380,555</u>
Summer Food Service Program	10.559	food3	food3		1,239,018
Total Child Nutrition Cluster					<u>38,473,115</u>
Child and Adult Care Food Program	10.558	food4	food4		1,545,815
At Risk Supper Program	10.558	food7	food7		1,569,045
					<u>3,114,860</u>
Child Nutrition Discretionary Grants Limited Availability	10.579	155481-01	8596		42,489
Fresh Fruit and Vegetable Program	10.582	food6	food6		269,242
Total U.S. Department of Agriculture					<u>41,899,706</u>
U.S. Department of Education					
Distributed through Maryland State Department of Education:					
Special Ed Cluster:					
Special Ed Cluster	84.027	164556-01	8602		1,373,650
Special Ed Cluster	84.027	164556-02	8615		14,024
Special Ed Cluster	84.027	164556-03	8606		536
Special Ed Cluster	84.027	164556-04	8604		117,742
Special Ed Cluster	84.027	164557-01	8614		70,471
Special Ed Cluster	84.027	164557-02	8603		97,559
Special Ed Cluster	84.027	170117-01	8702		25,060,666
Special Ed Cluster	84.027	170117-02	8715		552,308
Special Ed Cluster	84.027	170117-03	8706		2,500
Special Ed Cluster	84.027	170117-04	8704		223,916
Special Ed Cluster	84.027	170117-05	8705		600
Special Ed Cluster	84.027	170117-06	8703		43,691
Special Ed Cluster	84.027	171260-01	8747		1,600
Special Ed Cluster	84.027	171403-01	8757		47,085
Distributed through Towson University:					
Special Ed Cluster	84.027	16158680	8680		2,216
Special Ed Cluster	84.027	17158780	8780		27
					<u>27,608,591</u>
Distributed through Maryland State Department of Education:					
Special Ed Cluster	84.173	164558-01	8608		50,149
Special Ed Cluster	84.173	170261-01	8708		719,190
Special Ed Cluster	84.173	170261-02	8722		876
					<u>770,215</u>
Total Special Ed Cluster					<u>28,378,806</u>
Title I, Part A:					
Title I, Part A	84.010	165103-01	8620		4,285,469
Title I, Part A	84.010	165243-01	8665		85,325
Title I, Part A	84.010	165417-01	8624		65,155
Title I, Part A	84.010	170926-01	8720		19,401,402
Title I, Part A	84.010	171286-01	8724		171,650
Title I, Part A	84.010	171303-01	8765		546,154
Distributed through Prince George's County Public Schools:					
Title I, Part A	84.010	17158769	8769		41,042
Total Title I, Part A					<u>24,596,197</u>
Vocational Education					
Vocational Education	84.048	170531-01	8730		412,639
Vocational Education	84.048	170531-01	8731		359,990
Vocational Education	84.048	170531-01	8732		52,449
Vocational Education	84.048	170531-01	8733		249,197
Vocational Education	84.048	170531-01	8734		4,245
Vocational Education	84.048	170531-01	8736		50,293
Vocational Education	84.048	170713-01	8756		1,909
Vocational Education	84.048	170714-01	8755		1,719
Total Vocational Education					<u>1,132,441</u>

**THE BOARD OF EDUCATION OF MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017**

Federal Grantor/Pass-through/Program	CFDA Number	Pass-through Grantor Number	MCPS Project Number	Pass-through to Subrecipients	Federal Expenditures
U.S. Department of Education (continued)					
Distributed through Maryland State Department of Education (continued):					
Rehabilitation Services Vocational Rehabilitation	84.126	171528-01	8758		<u>2,957</u>
21st Century Community Learning Centers	84.287	165342-01	8654		50,995
21st Century Community Learning Centers	84.287	170906-01	8754		<u>199,785</u>
Total 21st Century Community Learning Centers					<u>250,780</u>
Advanced Placement Program	84.330	170986-01	8781		<u>92,806</u>
English Language Acquisition	84.365	154435-01	8527	690	5,875
English Language Acquisition	84.365	164274-01	8655		4,722
English Language Acquisition	84.365	164303-01	8627	1,277	126,077
English Language Acquisition	84.365	165084-01	8662		1,273
English Language Acquisition	84.365	170660-01	8727	28,527	3,017,956
English Language Acquisition	84.365	170660-02	8701	20	13,176
English Language Acquisition	84.365	170969-01	8751		<u>10,170</u>
Total English Language Acquisition					<u>3,179,249</u>
Improving Teacher Quality	84.367	165276-01	8607	65,277	141,865
Improving Teacher Quality	84.367	165276-01	8639		75,350
Improving Teacher Quality	84.367	171222-01	8707	31,445	571,716
Improving Teacher Quality	84.367	171222-01	8739		<u>2,855,006</u>
Total Improving Teacher Quality					<u>3,643,937</u>
Race to the Top Preschool Development - ARRA	84.419	170599-01	8749		<u>734,400</u>
U.S. Department of Education					
Direct Payments:					
Chesapeake Bay Studies	11.457	NA13NMF4570215	8455		<u>41,523</u>
Science, Technology, Business and /or Education Outreach	11.620	70NANB16H034	8752		12,000
Science, Technology, Business and /or Education Outreach	11.620	70NANB16H199	8753		<u>8,000</u>
					<u>20,000</u>
Impact Aid Cluster	84.041	pl874	pl874		<u>101,248</u>
Indian Education	84.060	S060A160538	8726		<u>25,669</u>
Research and Development Cluster:					
Child Health and Human Development Extramural Research	93.865	HHSN269201300124P	8616		216,847
Child Health and Human Development Extramural Research	93.865	HHSN269201300124P	8716		<u>62,787</u>
Total Research and Development Cluster					<u>279,634</u>
Total Direct Payments					<u>468,074</u>
Total U.S. Department of Education					<u>62,479,647</u>
U.S. Department of Health and Human Services					
Distributed through Montgomery County, Maryland:					
Child Care Development Block Grant	93.596	165805-01	8746		<u>4,079</u>
					<u>4,079</u>
Head Start	93.600	03CH9990/02	8728		3,779,196
Head Start	93.600	03CH9990/02	8729		<u>53,488</u>
Total distributed through Montgomery County, Maryland					<u>3,832,684</u>
Total U.S. Department of Health and Human Services					<u>3,836,763</u>
U.S. Department of Homeland Security					
Distributed through Federal Emergency Management Agency:					
Disaster Grants - Public Assistance	97.036				<u>845,317</u>
Total distributed through Federal Emergency Management Agency					<u>845,317</u>
Total U.S. Department of Homeland Security					<u>845,317</u>
Grand Total Expenditures of Federal Awards					<u>\$ 109,061,433</u>

**THE BOARD OF EDUCATION OF MONTGOMERY COUNTY, MARYLAND
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Schedule of Expenditures of Federal Awards (the Schedule) relates only to federal programs administered by The Board of Education of Montgomery County, Maryland (the Board). It should be read in conjunction with the Board's basic financial statements and the accompanying notes. The federal programs are subject to the accounting policies and procedures of the Board, 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 the Board 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 the Board has charged to grant funds. In the event of final disallowance, the funds will be reimbursed to the federal government by the Board.

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, 2017, the fair market value of commodities consumed was \$3,334,916.

2. INDIRECT COST

The Board did not elect to use the 10% de minimis cost rate for indirect costs.

3. RECONCILIATION OF FEDERAL EXPENDITURES

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

General fund federal expenditures	\$ 91,885,510
Capital fund federal expenditures	1,305,772
Enterprise fund federal expenditures	41,899,706
Total federal expenditures per the CAFR	135,090,988
Less: Funds not included on the Schedule:	
Medical Assistance	(5,160,546)
ERATE	(1,305,772)
Infants and Toddlers - MA	(837,602)
Medicare Part D	(18,725,635)
Total Reported Per Single Audit	\$ 109,061,433

These notes are an integral part of the accompanying schedule.

**THE BOARD OF EDUCATION OF MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

I. Summary of Auditor's Results

Financial Statement Section

Type of auditor's report issued: Unmodified

	<u>Yes</u>	<u>None Reported</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>None Reported</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 Section 200.516 of the Uniform Guidance?		X

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.558 84.027, 84.173	Child and Adult Food Care Program Special Education Cluster

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

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

**THE BOARD OF EDUCATION OF MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

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.