

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

**SINGLE AUDIT  
SUPPLEMENTAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2016**

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

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, 2016, 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, 2016. 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.

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, 2016



**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, Maryland  
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, 2016. 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, 2016.

### **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, 2016, 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, 2016, 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 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

The Board of Education  
of Montgomery County Public Schools

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

October 24, 2016 except for the Schedule of

Expenditures of Federal Awards which is dated September 29, 2016

**THE BOARD OF EDUCATION OF MONTGOMERY COUNTY, MARYLAND**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2016**

Federal Grantor/Pass-through/Program	CFDA Number	Pass-through Grantor Number	MCPS Project Number	Pass-through to Subrecipients	Federal Expenditures
<b>U.S. Department of Agriculture</b>					
Distributed through Maryland State Department of Education:					
Child Nutrition Cluster:					
School Breakfast Program	10.553	food1	food1		\$ 9,155,516
National School Lunch Program	10.555	food2	food2		22,370,551
Food Distribution	10.555	food5	food5		3,276,718
Free and Reduced Snack Program	10.555	food8	food8		202,072
Summer Food Service Program	10.559	food3	food3		1,237,306
Total Child Nutrition Cluster					<u>36,242,163</u>
Child and Adult Care Food Program	10.558	food4	food4		1,644,421
At Risk Supper Program	10.558	food7	food7		1,297,407
State Administrative Expenses for Child Nutrition	10.560	154522-02	8555		9,421
Fresh Fruit and Vegetable Program	10.582	food6	food6		91,104
Total distributed through Maryland State Department of Education					<u>39,284,516</u>
Total Department of Agriculture					<u>39,284,516</u>
<b>U.S. Department of Education</b>					
Distributed through Maryland State Department of Education:					
Special Ed Cluster:					
Special Ed Cluster	84.027	145324-01	8514		18,715
Special Ed Cluster	84.027	154190-01	8502		2,722,354
Special Ed Cluster	84.027	154190-02	8515		398,214
Special Ed Cluster	84.027	154190-05	8506		1,037
Special Ed Cluster	84.027	154190-06	8504		206,042
Special Ed Cluster	84.027	155340-01	8551		1,299
Special Ed Cluster	84.027	155558-01	8590		93,241
Special Ed Cluster	84.027	164556-01	8602		26,934,142
Special Ed Cluster	84.027	164556-02	8615		510,850
Special Ed Cluster	84.027	164556-03	8606		1,964
Special Ed Cluster	84.027	164556-04	8604		384,774
Special Ed Cluster	84.027	164557-01	8614		284,833
Special Ed Cluster	84.027	164557-02	8603		80,246
Special Ed Cluster	84.027	164557-03	8605		600
Special Ed Cluster	84.173	154190-03	8508		56,919
Special Ed Cluster	84.173	154190-04	8522		2,016
Special Ed Cluster	84.173	155340-02	8552		2,596
Special Ed Cluster	84.173	164558-01	8608		682,794
Special Ed Cluster	84.173	164558-02	8622		7,031
Distributed through Towson University:					
Special Ed Cluster	84.027	16158680	8680		1,983
Distributed through Montgomery County, Maryland:					
Special Ed Cluster	84.027	164727-01	8609		231,384
Total Special Ed Cluster					<u>32,623,034</u>
Title I, Part A:					
Title I, Part A	84.010	154365-01	8520		2,936,556
Title I, Part A	84.010	155000-01	8565		62,770
Title I, Part A	84.010	155105-01	8558		77,313
Title I, Part A	84.010	155324-01	8524		76,775
Title I, Part A	84.010	155664-01	8597		11,222
Title I, Part A	84.010	165103-01	8620	31,074	18,533,022
Title I, Part A	84.010	165243-01	8665		41,506
Title I, Part A	84.010	165417-01	8624		76,320
Title I, Part A	84.010	165602-01	8663		10,883
Total Title I, Part A					<u>21,826,367</u>
Vocational Education					
Vocational Education	84.048	165009-01	8675		1,878
Vocational Education	84.048	165009-01	8676		1,877
Vocational Education	84.048	165056-01	8630		330,792
Vocational Education	84.048	165056-01	8631		355,951
Vocational Education	84.048	165056-01	8632		52,826
Vocational Education	84.048	165056-01	8633		340,422
Vocational Education	84.048	165056-01	8634		4,257
Vocational Education	84.048	165056-01	8636		49,742
Total Vocational Education					<u>1,137,745</u>



**THE BOARD OF EDUCATION OF MONTGOMERY COUNTY, MARYLAND**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2016**

<b>Federal Grantor/Pass-through/Program</b>	<b>CFDA Number</b>	<b>Pass-through Grantor Number</b>	<b>MCPS Project Number</b>	<b>Pass-through to Subrecipients</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Education (continued)</b>					
Distributed through Maryland State Department of Education (continued):					
21st Century Community Learning Centers	84.287	165342-01	8654		\$ 110,590
Advanced Placement Program	84.330	165029-01	8681		69,972
English Language Acquisition	84.365	154435-01	8527	19	67,946
English Language Acquisition	84.365	154435-02	8501	34	135
English Language Acquisition	84.365	164274-01	8655		139,588
English Language Acquisition	84.365	164303-01	8627	30,522	3,162,616
English Language Acquisition	84.365	164303-02	8601	6	4,697
English Language Acquisition	84.365	165084-01	8662		1,002
Total English Language Acquisition					<u>3,375,984</u>
Improving Teacher Quality	84.367	154943-01	8507	87,306	371,399
Improving Teacher Quality	84.367	164502-01	8647		10,000
Improving Teacher Quality	84.367	164503-01	8656		55,693
Improving Teacher Quality	84.367	165276-01	8607	7,143	468,716
Improving Teacher Quality	84.367	165276-01	8639		2,853,601
Total Improving Teacher Quality					<u>3,759,409</u>
Race to the Top - ARRA	84.395	155621-01	8567		28,945
Race to the Top - ARRA	84.395	164277-01	8653		5,497
Race to the Top ELC - ARRA	84.412	155340-03	8553		8,268
Race to the Top ELC - ARRA	84.412	155414-01	8549		8,700
Race to the Top Preschool Development - ARRA	84.419	164805-01	8649		734,400
Total Race to the Top					<u>785,810</u>
<b>U.S. Department of Health and Human Services</b>					
Injury Prevention and Control Research and State and Community Based Programs					
	93.136	164780-01	8658		18,905
Total distributed through Maryland State Department of Education					<u>63,474,449</u>
<b>U.S. Department of Education</b>					
Distributed through Prince George's County Public Schools:					
Title I, Part A	84.010	16158669	8669		4,908
Total distributed through Prince George's County Public Schools					<u>4,908</u>
Direct Payments:					
Impact Aid Cluster	84.041	pl874	pl874		98,467
Indian Education	84.060	S060A150538	8626		26,024
<b>U.S. Department of Commerce</b>					
Direct Payments:					
Education Quality Award Ambassadorship	11.013	60NANB11D029	7470		7,209
Chesapeake Bay Studies	11.457	NA13NMF457021 5	8455		49,068
Science, Technology, Business and /or Education Outreach	11.620	70NANB15H103	8652		8,000
Total Department of Commerce					<u>64,277</u>
<b>U.S. Department of Health and Human Services</b>					
Direct Payments:					
Research and Development Cluster:					
Child Health and Human Development Extramural Research	93.865	HHSN269201300 124P	8516		207,192
Child Health and Human Development Extramural Research	93.865	HHSN269201300 124P	8616		58,995
Total Research and Development Cluster					<u>266,187</u>
Total Direct Payments					<u>454,955</u>
<b>U.S. Department of Education</b>					
Distributed through Montgomery County, Maryland:					
Early Intervention Services	84.181	164726-01	8610		215,282
<b>U.S. Department of Health and Human Services</b>					
Head Start	93.600	03CH9990/01	8628		3,550,187
Head Start	93.600	03CH9990/01	8629		53,488
Total distributed through Montgomery County, Maryland					<u>3,818,957</u>
Total Department of Education					<u>64,033,592</u>
Total Department of Health and Human Services					<u>3,888,767</u>
<b>Grand Total Expenditures of Federal Awards</b>					<u>\$ 107,271,152</u>

**THE BOARD OF EDUCATION OF MONTGOMERY COUNTY, MARYLAND**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2016**

**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, 2016, the fair market value of commodities consumed was \$3,276,718.

**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	\$ 89,214,202
Capital fund federal expenditures	2,173,494
Enterprise fund federal expenditures	<u>39,284,516</u>
Total federal expenditures per the CAFR	130,672,212
Less: Funds not included on the Schedule:	
Medical Assistance	(5,067,213)
ERATE	(2,173,494)
Infants and Toddlers - MA	(344,649)
Medicare Part D	<u>(15,815,704)</u>
Total Reported Per Single Audit	<u>\$ 107,271,152</u>

*These notes are an integral part of the accompanying schedule.*

**THE BOARD OF EDUCATION OF MONTGOMERY COUNTY, MARYLAND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016**

**I. Summary of Auditor's Results  
Financial Statement Section**

Type of auditor's report issued:		Unmodified	
	<b><u>Yes</u></b>	<b><u>None Reported</u></b>	
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**

		Unmodified	
	<b><u>Yes</u></b>	<b><u>None Reported</u></b>	
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

		Unmodified	
	<b><u>Yes</u></b>	<b><u>No</u></b>	
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:

<b>CFDA Number(s)</b>	<b>Name of Federal Program or Cluster</b>
10.553, 10.555, 10.559	Child Nutrition Cluster
84.365	English Language Acquisition
93.600	Head Start

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

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

**THE BOARD OF EDUCATION OF MONTGOMERY COUNTY, MARYLAND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016**

**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.

**THE BOARD OF EDUCATION OF MONTGOMERY COUNTY, MARYLAND  
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2016**

No prior year findings related to federal awards.