

Montgomery County Public Schools
Rockville, Maryland

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

•
Year Ended June 30, 2007

MONTGOMERY COUNTY PUBLIC SCHOOLS
OMB Circular A-133 Supplemental Financial Report
Table of Contents
Year Ended June 30, 2007

	<i>Page</i>
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 <i>Government Auditing Standards</i>	1
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	3
Schedule of Expenditures of Federal Awards	6
Notes to Schedule of Expenditures of Federal Awards	11
Schedule of Findings and Questioned Costs	12
Schedule of Prior Year Findings	14

**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, 2007, which collectively comprise Montgomery County Public Schools' basic financial statements and have issued our report thereon dated September 26, 2007. 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.

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, 2007

**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, 2007. 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, 2007.

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, 2007, and have issued our report thereon dated September 26, 2007. 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 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

November 21, 2007, except for our report on the Schedule of
Expenditures of Federal Awards which is September 26, 2007

**MONTGOMERY COUNTY PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007**

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	\$ 2,937,547
National School Lunch Program	10.555	food2	food2	11,536,566
Summer Food Service Program	10.559	food3	food3	478,280
Total Child Nutrition Cluster				<u>14,952,393</u>
Food Distribution	10.550	food5	food5	2,063,431
Child and Adult Care Food Program	10.558	food4	food4	765,300
Total distributed through Maryland State Department of Education				<u>17,781,124</u>
Total Department of Agriculture				<u>17,781,124</u>
National Science Foundation				
Distributed through University of Illinois:				
National Science Foundation Act	47.076	5157094	7094	130,816
Total distributed through the University of Illinois				<u>130,816</u>
Total National Science Foundation				<u>130,816</u>
Department of Education				
Distributed through Maryland State Department of Education:				
Special Ed Cluster:				
Special Ed Cluster	84.027	600329-02	7603	742
Special Ed Cluster	84.027	600329-02	7605	10,000
Special Ed Cluster	84.027	600329-02	7606	2,148
Special Ed Cluster	84.027	600329-03	7667	124,962
Special Ed Cluster	84.027	600684-01	7669	3,239
Special Ed Cluster	84.027	600669-01	7673	6,844
Special Ed Cluster	84.027	600680-01	7685	14,374
Special Ed Cluster	84.027	600678-01	7693	12,160
Special Ed Cluster	84.027	700150-01	7769	59,735
Special Ed Cluster	84.027	700155-01	7702	21,775,758
Special Ed Cluster	84.027	700155-02	7703	6,000
Special Ed Cluster	84.027	700155-02	7704	64,052
Special Ed Cluster	84.027	700155-02	7705	4,364
Special Ed Cluster	84.027	700155-02	7706	482
Special Ed Cluster	84.027	700155-01	7714	789,679
Special Ed Cluster	84.027	700155-01	7715	271,218
Special Ed Cluster	84.027	700155-01	7716	2,462,465
Special Ed Cluster	84.027	700155-01	7717	263,292

**MONTGOMERY COUNTY PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007**

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):				
Special Ed Cluster (continued):				
Special Ed Cluster	84.027	700155-03	7718	\$ 163,960
Special Ed Cluster	84.027	700409-01	7760	5,164
Special Ed Cluster	84.027	700300-01	7761	15,000
Special Ed Cluster	84.027	700408-01	7774	9,826
Special Ed Cluster	84.027	700290-01	7775	26,873
Special Ed Cluster	84.173	601158-02	7649	32,552
Special Ed Cluster	84.173	700155-04	7708	803,213
Special Ed Cluster	84.173	701509-02	7779	39,755
Total Special Ed Cluster				26,967,857
Title I	84.010	600548-01	7620	2,356,245
Title I	84.010	600548-01	7621	1,444,835
Title I	84.010	601274-01	7622	84,366
Title I	84.010	601800-01	7687	5,797
Title I	84.010	602119-01	7657	86,649
Title I	84.010	700547-01	7700	54,360
Title I	84.010	700547-01	7720	15,222,425
Title I	84.010	700547-01	7721	177,656
Title I	84.010	700600-01	7724	79,704
Title I	84.010	701886-01	7787	24,662
Vocational Education	84.048	601945-01-05	7684	17,396
Vocational Education	84.048	700897-01	7730	119,272
Vocational Education	84.048	700897-01	7731	117,330
Vocational Education	84.048	700897-01	7732	210,816
Vocational Education	84.048	700897-01	7733	548,227
Vocational Education	84.048	700897-01	7736	179,139
Vocational Education	84.048	700897-01	7738	84,815
Vocational Education	84.048	701575-01/02	7784	67,975
Safe and Drug-Free Schools	84.186	600475-02	7641	230,942
Safe and Drug-Free Schools	84.186	600820-01	7625	32,955
Safe and Drug-Free Schools	84.186	700182-01	7725	411,926
Safe and Drug-Free Schools	84.186	700650-02	7739	96,149
Education for Homeless Children and Youth	84.196	600743-01,02	7689	25,791
Education for Homeless Children and Youth	84.196	700749-01	7789	108,705

**MONTGOMERY COUNTY PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007**

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):				
Even Start	84.213	600932-01	7697	\$ 62,933
Even Start	84.213	601271-01	7674	69,921
Even Start	84.213	701046-01	7797	144,783
Even Start	84.213	701048-01	7776	130,292
Tech Prep Education	84.243	700864-01	7749	168,449
Tech Prep Education	84.243	701781-01	7741	8,636
Twenty-First Century Community Learning Centers	84.287	701547-01	7658	170,650
Twenty-First Century Community Learning Centers	84.287	501764-01	7644	202,615
Twenty-First Century Community Learning Centers	84.287	602078-01	7746	172,626
Innovative Programs	84.298	600448-01	7635	72,257
Innovative Programs	84.298	700626-01	7735	63,935
Enhancing Education through Technology	84.318	500414-01	7037	7,724
Enhancing Education through Technology	84.318	500645-01	7061	66,154
Enhancing Education through Technology	84.318	500694-01	7099	121,092
Enhancing Education through Technology	84.318	601033-02	7637	90,845
Enhancing Education through Technology	84.318	601076-01	7661	385,929
Enhancing Education through Technology	84.318	601079-01	7682	305,539
Enhancing Education through Technology	84.318	700667-01/02	7737	33,171
Enhancing Education through Technology	84.318	701978-01	7782	20
Advanced Placement Program	84.330	600863-01	7744	34,993
Advanced Placement Program	84.330	601760-01	7692	22,627
Advanced Placement Program	84.330	602190-01	7743	6,986
Advanced Placement Program	84.330	700787-01	7796	6,413
Advanced Placement Program	84.330	700910-01	n/a	4,455
Advanced Placement Program	84.330	701726-01	7792	20,885
Reading First	84.357	600844-01	7695	516,635
Reading First	84.357	700730-01	7767	33,920
Reading First	84.357	700918-01	7795	812,671
English Language Acquisition	84.365	600500-01	7627	292,158
English Language Acquisition	84.365	700359-01/02	7727	2,705,245
Improving Teacher Quality	84.367	600475-01	7639	128,727
Improving Teacher Quality	84.367	600475-01	7641	642,470
Improving Teacher Quality	84.367	700650-01	7739	4,220,591
Hurricane Education Recovery	84.938	700394-01	7777	336,625
Total distributed through Maryland State Department of Education				<u>60,818,966</u>

**MONTGOMERY COUNTY PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007**

Federal Grantor/Pass-through/Program	CFDA Number	Pass-through Grantor Number	MCPS Project Number	Federal Expenditures
Department of Education (continued)				
Distributed through Montgomery County, Maryland:				
Special Education for Infants and Families With Disabilities	84.181	7157709	7709	\$ 211,707
Special Education for Infants and Families With Disabilities	84.181	7157710	7710	388,576
Special Education for Infants and Families With Disabilities	84.181	7157712	7712	<u>149,133</u>
Total distributed through Montgomery County, Maryland				<u>749,416</u>
Distributed through Baltimore County Public Schools:				
Enhancing Education through Technology	84.318	5157098	7098	1
Enhancing Education through Technology	84.318	5157101	7101	<u>2,640</u>
Total distributed through Baltimore County Public Schools:				<u>2,641</u>
Distributed through National Foundation on the Arts and the Humanities:				
Promotion of the Arts	45.024	6157648	7648	<u>22,889</u>
Total distributed through National Foundation on the Arts and Humanities				<u>22,889</u>
Direct Payments:				
International Research and Studies	84.017	P017A050020	7676	93,759
Impact Aid	84.041	pl874	pl874	271,218
Indian Education	84.060	B060A050538	7626	6,626
Indian Education	84.060	S060A060538	7726	14,515
Magnet Schools Assistance	84.165	U165A040025	7079	771,936
Magnet Schools Assistance	84.165	U165A040025	7080	591,100
Magnet Schools Assistance	84.165	U165A040025	7081	566,339
Magnet Schools Assistance	84.165	U165A040025	7082	521,873
Safe and Drug-Free Schools	84.184	Q215F050101	7645	290,429
Safe and Drug-Free Schools	84.184	Q184L030339	7893	1,813,449
Fund for The Improvement of Education	84.215	U215X060034	7745	22,008
Fund for The Improvement of Education	84.215	V215L032197	7896	116,575
Fund for The Improvement of Education	84.215	V215L032197	7897	65,857
Fund for The Improvement of Education	84.215	V215L052020	7677	103,350
Fund for The Improvement of Education	84.215	V215L052020	7678	210,436
Foreign Language Assistance	84.293	T293B030135	7842	111,055
Arts in Education	84.351	U351D040115	7698	9,736
Arts in Education	84.351	U351D040115	7798	270,939
Early Reading First	84.359	S359B030235	7538	<u>182,216</u>
Total direct payments				<u>6,033,416</u>
Total Department of Education				<u>67,627,328</u>

**MONTGOMERY COUNTY PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007**

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	7157728	7728	\$ 3,163,303
Head Start	93.600	7157729	7729	<u>57,823</u>
Total distributed through Montgomery County, Maryland				<u>3,221,126</u>
Distributed through University of Cleveland:				
Fund for the Improvement of Postsecondary Education	84.116	5157103	7103	<u>16,003</u>
Total distributed through University of Cleveland				<u>16,003</u>
Total distributed through Department of Health and Human Services				<u>3,237,129</u>
Corporation for National and Community Service				
Distributed through Maryland State Department of Education:				
Learn and Serve America	94.004	601014-01	7680	418
Learn and Serve America	94.004	701507-01	7780	<u>26,951</u>
Total distributed through Maryland State Department of Education				<u>27,369</u>
Grand Total Expenditures of Federal Awards				<u>\$ 88,803,766</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, 2007

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, 2007, the fair market value of commodities consumed was \$2,063,431.

MCPS provided \$211,796 to subrecipients from federal awards distributed through the Maryland State Department of Education; and \$765,300 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	\$ 75,177,789
Enterprise funds federal expenditures	<u>17,781,124</u>
Total federal expenditures per the CAFR	92,958,913
Plus: Advanced Placement – High School Technology Grant	4,453
Less: Medical assistance funds not included on the Schedule	<u>(4,159,600)</u>
Total federal expenditures per the Schedule	<u>\$ 88,803,766</u>

This information is an integral part of the accompanying schedule.

**MONTGOMERY COUNTY PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2007**

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>
84.027, 84.173	Special Education Cluster

Dollar threshold used to determine Type A programs: \$2,664,113

	<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, 2007
(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, 2007.

Part III—Federal Award Findings and Questioned Costs Section

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

**MONTGOMERY COUNTY PUBLIC SCHOOLS
SCHEDULE OF PRIOR YEAR FINDINGS
JUNE 30, 2007**

Finding No 06-01: Administrative cost exceeded the 2% allowability threshold.

Current status: We reviewed the administration expenditures for the English Acquisition Program and compared the total administration expenditures to the total program federal expenditures. The administration costs charged for the FY 2007 grant were within the grant requirements. **Resolved**