

Montgomery County Public Schools  
Rockville, Maryland

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

•  
Year Ended June 30, 2004

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**MONTGOMERY COUNTY PUBLIC SCHOOLS**  
**OMB Circular A-133 Supplemental Financial Report**  
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**Year Ended June 30, 2004**

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**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With *Government Auditing Standards***

To the Honorable Board of Education of  
Montgomery County, Maryland:

We have audited 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 Montgomery County Public Schools (MCPS) as of and for the year ended June 30, 2004, which collectively comprise MCPS' basic financial statements and have issued our report thereon dated September 30, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States 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 MCPS' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we reported to management of MCPS in a separate letter dated September 30, 2004.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether MCPS' 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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board members, MCPS 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.

*Ernst & Young LLP*

September 30, 2004

**Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance In Accordance With OMB Circular A-133**

To the Honorable Board of Education of  
Montgomery County, Maryland:

***Compliance***

We have audited the compliance of Montgomery County Public Schools (MCPS) 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, 2004. MCPS' 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 MCPS' management. Our responsibility is to express an opinion on MCPS' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about MCPS' 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 on MCPS' compliance with those requirements.

In our opinion, MCPS 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, 2004.

***Internal Control Over Compliance***

The management of MCPS is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered MCPS' internal control over compliance with 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in

which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

***Schedule of Expenditures of Federal Awards***

We have audited 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 MCPS as of and for the year ended June 30, 2004, and have issued our report thereon dated September 30, 2004. Our audit was performed for the purpose of forming opinions on the financial statement that collectively comprise MCPS' basic financial statement. 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.

*Ernst + Young LLP*

September 30, 2004

**MONTGOMERY COUNTY PUBLIC SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2004**

<b>Federal Grantor/Pass-through/Program</b>	<b>CFDA Number</b>	<b>Pass-through Grantor Number</b>	<b>MCPS Project Number</b>	<b>Federal Expenditures</b>
<b>Department of Agriculture</b>				
Distributed through Maryland State Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	food1	food1	\$ 2,263,037
National School Lunch Program	10.555	food2	food2	9,428,712
Summer Food Service Program	10.559	food3	food3	<u>483,649</u>
Total Child Nutrition Cluster				12,175,398
Food Distribution	10.550	food5	food5	2,035,632
Child and Adult Care Food Program	10.558	food4	food4	658,183
Nutrition Education and Training	10.574	302195-01	7565	<u>1,470</u>
Total distributed through Maryland State Department of Education				<u>14,870,683</u>
Total Department of Agriculture				<u>14,870,683</u>
<b>Department of Defense</b>				
Direct Payment:				
Troops to Teachers Project	12.000	99157641	7641	<u>1,456</u>
Total Department of Defense				<u>1,456</u>
<b>National Science Foundation</b>				
Distributed through University of Illinois:				
National Science Foundation Act	47.070	98157743	7743	<u>120,120</u>
Total National Science Foundation				<u>120,120</u>
<b>Department of Education</b>				
Special Ed Cluster				
Distributed through Montgomery County, Maryland:				
Special Education	84.027	04157809	7809	<u>153,029</u>
Distributed through Maryland State Department of Education:				
Special Education	84.027	330541-05	7470	50,707
Special Education	84.027	330541-06	7481	4,904
Special Education	84.027	330781-01	7519	5,219
Special Education	84.027	330807-01	7520	11,499
Special Education	84.027	331111-01	7535	5,231
Special Education	84.027	400291-01	7802	19,615,118
Special Education	84.027	400291-06	7803	6,000
Special Education	84.027	400291-06	7804	62,039
Special Education	84.027	400291-06	7805	10,000
Special Education	84.027	400291-08	7874	81,119
Special Education	84.027	400291-07	7875	861
Special Education	84.027	400349-02	7886	7,454
Special Education	84.027	400291-09	7905	10,000
Special Education	84.173	330964-01	7536	47,265
Special Education	84.173	234254-01	7545	829
Special Education	84.173	400291-03	7808	<u>803,213</u>
Total distributed through Maryland State Department of Education				<u>20,721,458</u>
Total Special Ed Cluster				<u>20,874,487</u>
Direct Payments:				
International Research and Studies	84.017	P017A000021	7291	56,136
International Research and Studies	84.017	P017A020009	7465	102,215
Indian Education	84.060	S060A020538	7400	8,222
Indian Education	84.060	S060A030538	7826	6,109
Safe and Drug-Free Schools	84.184	Q184E030113	7894	296,837



**MONTGOMERY COUNTY PUBLIC SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2004**

<b>Federal Grantor/Pass-through/Program</b>	<b>CFDA Number</b>	<b>Pass-through Grantor Number</b>	<b>MCPS Project Number</b>	<b>Federal Expenditures</b>
Safe and Drug-Free Schools	84.184	Q184L030339	7893	219,317
Fund for the Improvement of Education	84.215	S215X010242	6824	312,600
Fund for the Improvement of Education	84.215	S215X010242	7477	733,770
Fund for the Improvement of Education	84.215	V215L032197	7896	48,328
Fund for the Improvement of Education	84.215	V215L032197	7897	25,191
Twenty-First Century Community Learning Centers	84.287	S287A000556	7143	89,626
Foreign Language Assistance	84.293	T293B000003	7290	208,884
Foreign Language Assistance	84.293	T293B030135	7842	23,442
Foreign Language Assistance	84.293	T294A020171	7478	13,981
Enhancing Education through Technology	84.303	R303A980343	7880	1,015,861
Enhancing Education through Technology	84.303	R303A980343	7881	136,461
Early Reading First	84.359	S359B030235	7538	1,012,450
Total Direct Payments				4,309,430
 Distributed through Maryland State Department of Education:				
Adult Education	84.002	400417-01	7816	1,048,532
Adult Education	84.002	400417-04	7818	28,597
Adult Education	84.002	400417-03	7870	359,920
Adult Education	84.002	400417-02	adult1	22,533
Title I	84.010	330705-01	7427	712,386
Title I	84.010	302236-01	7563	44,452
Title I	84.010	400657-01	7830	11,073,821
Title I	84.010	400657-01	7831	1,526,952
Title I	84.010	401710-01	7832	411,247
Title I	84.010	400658-01	7885	79,996
Impact Aid	84.041	pl874	pl874	262,516
Vocational Education	84.048	400789-01	7833	1,100,525
Safe and Drug-Free Schools	84.184	301788-01	7546	250,000
Safe and Drug-Free Schools	84.186	330705-02	7415	72,643
Safe and Drug-Free Schools	84.186	400662-01	7825	310,551
Education for Homeless Children and Youth	84.196	301780-01	7534	30,729
Education for Homeless Children and Youth	84.196	400932-01	7869	26,263
Even Start	84.213	400956-01	7876	193,726
Tech Prep Education	84.243	401472-01,02	7846	238,870
Twenty-First Century Community Learning Centers	84.287	302268-01	7567	418,685
Innovative Programs	84.298	330398-01	7456	22,311
Innovative Programs	84.298	400663-01	7835	478,468
Innovative Programs	84.298	400663-01	7836	117,037
Innovative Programs	84.298	330398-01	7457	45,786
Enhancing Education through Technology	84.318	301178-01	7526	359,629
Enhancing Education through Technology	84.318	301496-01	7542	118,988
Enhancing Education through Technology	84.318	400660-01	7837	201,935
Enhancing Education through Technology	84.318	400660-01	7838	96,562
Enhancing Education through Technology	84.318	401429-01	7845	114,555
Enhancing Education through Technology	84.318	401494-01	7895	113,392
Enhancing Education through Technology	84.318	041579063	7906	1,500
Enhancing Education through Technology	84.318	330852-01	7463	120,910
Enhancing Education through Technology	84.318	330852-01	7464	11,882
Advanced Placement Program	84.330	401658-01	7814	3,582
Assistive Technology	84.343	330719-01	7521	6,298
Assistive Technology	84.343	400748-01	7884	19,982
Reading First	84.357	401860-01	7903	133,053
English Language Acquisition	84.365	330889-01	7416	131,476
English Language Acquisition	84.365	400661-01	7827	1,529,317

**MONTGOMERY COUNTY PUBLIC SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2004**

<b>Federal Grantor/Pass-through/Program</b>	<b>CFDA Number</b>	<b>Pass-through Grantor Number</b>	<b>MCPS Project Number</b>	<b>Federal Expenditures</b>
Improving Teacher Quality	84.367	330564-02	7458,66,67	66,625
Improving Teacher Quality	84.367	400659-01	7824,39,41	<u>4,226,027</u>
Total distributed through Maryland State Department of Education				<u>26,132,259</u>
Distributed through Montgomery County, Maryland:				
Special Education for Infants and Families with Disabilities	84.181	04157810	7810	340,354
Special Education for Infants and Families with Disabilities	84.181	04157811	7811	<u>245,564</u>
Total distributed through Montgomery County, Maryland				<u>585,918</u>
Distributed through Prince George's County Public Schools:				
Enhancing Education through Technology	84.318	4157909	7909	4,512
Enhancing Education through Technology	84.318	04157907	7907	<u>4,314</u>
Total distributed through Prince George's County Schools				<u>8,826</u>
Distributed through University of Illinois:				
Preparing Tomorrow's Teachers to Use Technology	84.342	00157148	7148	<u>35,185</u>
Total distributed through University of Illinois				<u>35,185</u>
Total Department of Education				<u>51,946,105</u>
<b>Department of Health and Human Services</b>				
Distributed through Maryland State Department of Health and Human Services:				
Medicaid Cluster:				
Medical Assistance	93.778	400089-01	7813	<u>4,348,602</u>
Total Medicaid Cluster				4,348,602
Temporary Assistance for Needy Families	93.558	330705-03	7414	18,490
Temporary Assistance for Needy Families	93.558	330705-03	7472	9,037
Promoting Safe and Stable Families	93.566	03157517	7517	1,544
Promoting Safe and Stable Families	93.566	03157518	7518	54,614
Promoting Safe and Stable Families	93.566	04157844	7844	16,002
Promoting Safe and Stable Families	93.566	04157891	7891	<u>66,502</u>
Total distributed through Maryland State Department of Health and Human Services				<u>4,514,791</u>
Distributed through Montgomery County, Maryland:				
Head Start	93.600	04157828	7828	3,104,726
Head Start	93.600	04157829	7829	<u>61,823</u>
Total distributed through Montgomery County, Maryland				<u>3,166,549</u>
Total Department of Health and Human Services				<u>7,681,340</u>
<b>Corporation for National and Community Services</b>				
Learn and Serve America	94.004	401508-01	7848	<u>9,680</u>
Total Corporation for National and Community Services				<u>9,680</u>
<b>Grand Total Expenditures of Federal Awards</b>				<b><u>\$ 74,629,384</u></b>

# Montgomery County Public Schools

## Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2004

### 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, 2004, the fair market value of commodities consumed was \$2,035,632.

MCPS provided \$967,044 to subrecipients from federal awards distributed by the United States Department of Education's Technology Innovation Challenge Grants; \$668,864 for subrecipients from federal awards distributed through the Maryland State Department of Education of \$658,183 for the Child and Adult Care Food Program; \$32,306 for the K-12 Digital Library Grant and \$10,681 for the Student Technology Literacy Consortium Grant.

### 2. Reconciliation of Federal Expenditures

Federal expenditures in the MCPS Comprehensive Annual Financial Report reconcile to the Schedule of Expenditures of Federal Awards as follows:

General fund federal expenditures	\$59,737,638
Enterprise funds federal expenditures	<u>14,891,746</u>
Total federal expenditures	<u>\$74,629,384</u>

**Montgomery County Public Schools  
Schedule of Findings and Questioned Costs  
for the Year Ended June 30, 2004**

**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
Reportable condition(s) 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
Reportable condition(s) 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>	Name of Federal Program or Cluster
84.027, 84.173	Special Education Cluster
84.243	Tech Prep Education
93.600	Head Start
93.778	Medical Assistance

Dollar threshold used to determine Type A programs: \$2,238,882

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

**Montgomery County Public Schools  
Schedule of Findings and Questioned Costs  
for the Year Ended June 30, 2004**

**Part II—Financial Statement Findings Section**

This section identifies the reportable conditions, 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, 2004.

**Part III—Federal Award Findings and Questioned Costs Section**

There were no findings identified during the audit for the year ended June 30, 2004.

**Montgomery County Public Schools  
Schedule of Prior Year Findings  
For the Year Ended June 30, 2004**

There were no prior year findings.





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