

Montgomery County Public Schools  
Rockville, Maryland

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

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Year Ended June 30, 2005

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**MONTGOMERY COUNTY PUBLIC SCHOOLS**  
**OMB Circular A-133 Supplemental Financial Report**  
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**Independent Auditor's Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

The Board of Education  
of Montgomery County, Maryland

We have audited the basic financial statements of the Montgomery County Public Schools as of and for the year ended June 30, 2005, and have issued our report thereon dated August 26, 2005. 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 the Montgomery County Public Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic 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 or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error 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 have reported to management in a separate letter dated August 26, 2005.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Montgomery County Public Schools' basic financial statements are free of material misstatement, we performed tests of 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 the 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 of the Audit Committee, the Board of Education of Montgomery County, Maryland, 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 Gunderson LLP*

Baltimore, Maryland  
August 26, 2005



**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**

The Board of Education  
of Montgomery County, 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, 2005. 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 on 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, 2005.

## **Internal Control Over Compliance**

The management of Montgomery County Public Schools 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 Montgomery County Public Schools' 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 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 Montgomery County Public Schools as of and for the year ended June 30, 2005, and have issued our report thereon dated August 26, 2005. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Montgomery County Public Schools basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Audit Committee, the Board of Education of Montgomery County, Maryland, 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 Gunderson LLP*

Baltimore, Maryland  
August 26, 2005



**MONTGOMERY COUNTY PUBLIC SCHOOLS  
SCHEDULE OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2005**

<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	\$ 2,496,425
National School Lunch Program	10.555	food2	food2	10,274,219
Summer Food Service Program	10.559	food3	food3	474,969
Total Child Nutrition Cluster				<u>13,245,613</u>
Food Distribution	10.550	food5	food5	2,106,458
Child and Adult Care Food Program	10.558	food4	food4	726,809
Total distributed through Maryland State Department of Education				<u>16,078,879</u>
Total Department of Agriculture				<u>16,078,879</u>
<b>National Science Foundation</b>				
Distributed through University of Illinois:				
National Science Foundation Act	47.070	98157743	7743	109,537
National Science Foundation Act	47.076	5157094	7094	34,797
Total distributed through the University of Illinois				<u>144,334</u>
Total National Science Foundation				<u>144,334</u>
<b>Department of Education</b>				
Distributed through Maryland State Department of Education:				
Special Ed Cluster:				
Special Ed Cluster	84.027	500482-03	7067	94,426
Special Ed Cluster	84.027	500482-06	7096	10,000
Special Ed Cluster	84.027	500739-01	7073	8,602
Special Ed Cluster	84.027	500740-01	7069	35,874
Special Ed Cluster	84.027	500760-01	7072	31,558
Special Ed Cluster	84.027	501039-01	7084	4,000
Special Ed Cluster	84.027	501040-01	7083	9,429
Special Ed Cluster	84.027	400291-07	7875	11,639
Special Ed Cluster	84.027	400291-08	7874	107,837
Special Ed Cluster	84.027	400349-02	7886	17,546
Special Ed Cluster	84.027	500482-01	7002	23,529,027
Special Ed Cluster	84.027	500482-02	7003	3,585
Special Ed Cluster	84.027	500482-02	7004	50,188
Special Ed Cluster	84.027	500482-02	7005	9,413
Special Ed Cluster	84.027	500482-02	7006	1,426
Special Ed Cluster	84.173	500482-04	7008	803,213
Special Ed Cluster	84.173	500482-05	7068	50,000
Total Special Ed Cluster				<u>24,777,763</u>
Chesapeake Bay Studies	11.457	501661-01	7093	4,000
Adult Education	84.002	501986-04	7016	348,783
Adult Education	84.002	501986-02	7018	8,590
Adult Education	84.002	501986-03	7020	109,703
Adult Education	84.002	501986-01	7022	73,516
Adult Education	84.002	501986-05	adult1	15,676
Title I	84.010	302236-01	7563	65,704
Title I	84.010	400657-01	7830	708,273
Title I	84.010	400657-01	7831	1,306,500
Title I	84.010	400658-01	7885	28,102
Title I	84.010	401710-01	7832	124,137
Title I	84.010	500411-01	7030	13,052,759
Title I	84.010	500411-01	7031	235,464

The accompanying notes are an integral part of this statement.

**MONTGOMERY COUNTY PUBLIC SCHOOLS  
SCHEDULE OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2005**

<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>
Title I	84.010	500411-01	7042	29,135
Title I	84.010	500412-01	7066	75,722
Title I	84.010	500993-01	7086	296,206
Title I	84.010	501419-01	7102	50,636
Vocational Education	84.048	401983-01	7048	5,344
Vocational Education	84.048	500570-01,02	7033	1,233,319
Safe and Drug-Free Schools	84.186	400662-01	7825	78,585
Safe and Drug-Free Schools	84.186	500415-01	7025	363,538
Education for Homeless Children and Youth	84.196	400932-01	7869	73,737
Education for Homeless Children and Youth	84.196	500661-01	7089	41,503
Even Start	84.213	400956-01	7876	13,478
Even Start	84.213	501023-01	7087	62,583
Tech Prep Education	84.243	501677-01	7046	272,529
Twenty-First Century Community Learning Centers	84.287	302268-01	7567	181,315
Twenty-First Century Community Learning Centers	84.287	500667-01	7075	365,295
Innovative Programs	84.298	400663-01	7836	55,408
Innovative Programs	84.298	500416-01	7035	453,058
Enhancing Education through Technology	84.318	301178-01	7526	17,683
Enhancing Education through Technology	84.318	400660-01	7837	45,502
Enhancing Education through Technology	84.318	400660-01	7838	10,495
Enhancing Education through Technology	84.318	401429-01	7845	447,151
Enhancing Education through Technology	84.318	401494-01	7895	231,355
Enhancing Education through Technology	84.318	500414-01	7037	299,602
Enhancing Education through Technology	84.318	500645-02	7061	101,637
Enhancing Education through Technology	84.318	500694-01	7099	74,323
Enhancing Education through Technology	84.318	5157100	7100	5,616
Enhancing Education through Technology	84.318	5157101	7101	5,712
Advanced Placement Program	84.330	401658-01	7814	28,390
Advanced Placement Program	84.330	501751-01	7105	5,770
Reading First	84.357	401860-01	7903	1,070,221
Reading First	84.357	501059-01	7095	921,601
English Language Acquisition	84.365	330889-01	7416	3,243
English Language Acquisition	84.365	400661-01	7827	496,095
English Language Acquisition	84.365	500470-01	7027	1,816,916
Improving Teacher Quality	84.367	400659-01	7824	48,135
Improving Teacher Quality	84.367	400659-01	7839	230,731
Improving Teacher Quality	84.367	400659-01	7841	87,622
Improving Teacher Quality	84.367	500413-01	7039	369,535
Improving Teacher Quality	84.367	500413-01	7041	3,961,211
Temporary Assistance for Needy Families	93.558	500964-01	367	410,000
Refugee and Entrant Assistance	93.576	402059-01,02	7074	149,762
Learn and Serve America	94.004	500964-01	7090	10,192
Total distributed through Maryland State Department of Education				55,358,861
Distributed through Montgomery County, Maryland:				
Special Education for Infants and Families With Disabilities	84.181	5147009	7009	153,029
Special Education for Infants and Families With Disabilities	84.181	5147010	7010	364,467
Special Education for Infants and Families With Disabilities	84.181	5147012	7012	125,266
Total distributed through Montgomery County, Maryland				642,762
Distributed through Baltimore County Public Schools:				
Enhancing Education through Technology	84.318	4157906	7906	8,074
Enhancing Education through Technology	84.318	4157907	7907	22,216
Total distributed through Baltimore County Public Schools:				30,290

The accompanying notes are an integral part of this statement.

**MONTGOMERY COUNTY PUBLIC SCHOOLS  
SCHEDULE OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2005**

<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>
Distributed through Prince George's County Public Schools:				
Enhancing Education through Technology	84.318	4157908	7908	14,000
Enhancing Education through Technology	84.318	4157909	7909	6,400
Total distributed through Prince George's County Schools				<u>20,400</u>
Direct Payments:				
International Research and Studies	84.017	P017A020009	7465	124,463
Impact Aid	84.041	pl874	pl874	229,695
Magnet Schools Assistance	84.165	U165A040025	7079	32,893
Magnet Schools Assistance	84.165	U165A040025	7080	5,406
Magnet Schools Assistance	84.165	U165A040025	7081	1,660
Magnet Schools Assistance	84.165	U165A040025	7082	14,900
Indian Education	84.060	B060A040538	7026	15,290
Indian Education	84.060	S060A030538	7826	6,938
Safe and Drug-Free Schools	84.184	Q184L030339	7893	1,682,529
Safe and Drug-Free Schools	84.184	Q184E030113	7894	157,000
Fund for The Improvement of Education	84.215	P017A020009	6824	290,623
Fund for The Improvement of Education	84.215	S215L022097	7477	799,875
Fund for The Improvement of Education	84.215	V215L032197	7896	148,989
Fund for The Improvement of Education	84.215	V215L032197	7897	222,277
Foreign Language Assistance	84.293	T293B030135	7842	211,418
Enhancing Education through Technology	84.303	R303A980343	7880	474,150
Enhancing Education through Technology	84.303	R303A980343	7881	67
Arts in Education	84.351	U351D040115	7910	301,403
Early Reading First	84.359	S359B030235	7538	1,362,402
Total Direct Payments				<u>6,081,978</u>
Total Department of Education				<u>62,134,291</u>
<b>Department of Health and Human Services</b>				
Distributed through Maryland Department of Health and Human Services:				
Minority Health and Health Disparities Research	93.307	5157092	7092	4,500
Promoting Safe and Stable Families	93.566	4157844	7844	1,998
Promoting Safe and Stable Families	93.566	4157891	7891	26,299
Promoting Safe and Stable Families	93.566	5157088	7088	93,238
Promoting Safe and Stable Families	93.566	5157044	7044	17,100
Total distributed through Maryland Department of Health and Human Services				<u>143,135</u>
Distributed through Montgomery County, Maryland:				
Head Start	93.600	5157028	7028	3,160,026
Head Start	93.600	5157029	7029	61,823
Total distributed through Montgomery County, Maryland				<u>3,221,849</u>
Distributed through University of Cleveland:				
Fund for the Improvement of PostSecondary Education	84.116	P116Z040311	7103	941
Total distributed through University of Cleveland				<u>941</u>
Total distributed through Department of Health and Human Services				<u>3,365,925</u>
<b>Grand Total Expenditures of Federal Awards</b>				<u><u>\$81,723,429</u></u>

The accompanying notes are an integral part of this statement.

# Montgomery County Public Schools

## Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2005

### 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, 2005, the fair market value of commodities consumed was \$2,106,458.

MCPS provided \$448,161 to subrecipients from federal awards distributed by the United States Department of Education's Technology Innovation Challenge Grants; \$145,275 for subrecipients from federal awards distributed through the Maryland State Department of Education; and \$564,537 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	\$ 70,605,126
Enterprise funds federal expenditures	<u>16,094,555</u>
Total federal expenditures per the CAFR	86,699,681
Less: Medical assistance funds not included on the Schedule	<u>(4,976,252)</u>
Total federal expenditures per the Schedule	<u>\$ 81,723,429</u>

**Montgomery County Public Schools  
Schedule of Findings and Questioned Costs  
for the Year Ended June 30, 2005**

**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:

**CFDA Number(s)**

**Name of Federal Program or Cluster**

84.027, 84.173

Special Education Cluster

\$24,777,763

Dollar threshold used to determine Type A programs:

\$ 2,451,703

		<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, 2005**

**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, 2005.

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

There were no findings identified during the audit for the year ended June 30, 2005.

**Montgomery County Public Schools  
Schedule of Prior Year Findings  
For the Year Ended June 30, 2005**

There were no prior year findings.

