

**BOARD OF EDUCATION OF
FREDERICK COUNTY, MD**

**Single Audit Together with
Reports of Independent Public Accountants**

For the Year Ended June 30, 2014



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JUNE 30, 2014

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Members of the Board of Education
of Frederick County, Maryland
Frederick County, Maryland

Report on the Financial Statements

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Board of Education of Frederick County, Maryland (the Board), a component unit of Frederick County, Maryland, as of and for the year then ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Board's management is responsible for the preparation and fair presentation of these basic financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Board, as of June 30, 2014, and the respective changes in its financial position and, where applicable, its cash flows thereof and the budgetary comparisons for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and Schedule of OPEB Funding Progress and Employer Contribution be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's basic financial statements. The accompanying supplementary information for the school construction fund, food nutrition services fund, artificial turf fund, the school activity fund are presented for purposes of additional analysis and the Schedule of Expenditures of Federal Awards, is presented as it is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, (together the Supplemental Information) and this supplemental information is not a required part of the basic financial statements.

The accompanying Supplementary 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have issued our report dated September 26, 2014, on our consideration of the Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

Hunt Valley, Maryland
September 26, 2014



**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS 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***

Members of the Board of Education
of Frederick County, Maryland
Frederick County, Maryland

Report on the Financial Statements

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Board of Education of Frederick County, Maryland (the Board) as of and for the year ended June 30, 2014, 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 26, 2014.

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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hunt Valley, Maryland
September 26, 2014

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Members of the Board of Education
of Frederick County, Maryland
Frederick County, Maryland

Report on Compliance for Each Major Federal Program

We have audited the Board of Education of Frederick County, MD's (the Board) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *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, 2014. The Board's major Federal programs are identified in the summary of Independent Public Accountant's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

Auditor's 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 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 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, 2014.

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 as a basis for designing 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 OMB Circular A-133, 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.



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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 results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Hunt Valley, Maryland
September 26, 2014

SB & Company, LLC

BOARD OF EDUCATION OF FREDERICK COUNTY, MD

Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2014

Federal Agency, Pass-through Entity, Federal Program/State Project	LEA Project Number	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. Department of Agriculture (USDA)				
<u>Pass-through Maryland State Department of Education</u>				
Child Nutrition Cluster:				
School Breakfast Program	N/A	10.553	N/A	\$ 1,201,308
National School Lunch Program	N/A	10.555	N/A	3,865,842
USDA Food Distribution Program	N/A	10.555	N/A	563,123
Summer Food Service Program for Children (SFSPC)	N/A	10.559	N/A	15,981
Total Child Nutrition Cluster				5,646,254
USDA Child & Adult Care Food Program	N/A	10.558	N/A	95,473
Total U.S. Department of Agriculture				5,741,727
U. S. Department of Transportation				
Safe Routes to School	72110	20.215	N/A	71,833
Total U.S. Department of Transportation				71,833
U. S. Department of Education (ED)				
<u>Direct Program</u>				
Impact Aid--PL874	N/A	84.041	N/A	985
<u>Pass-through Maryland State Department of Education</u>				
Title I Grants to Local Educational Agencies	41513	84.010	134396-01	209,798
Title I Grants to Local Educational Agencies	41514	84.010	144481-01	3,540,298
Title I Grants - School Improvement Grant	43013	84.010	135090-02	28,872
Title I Grants - School Improvement Grant	43014	84.010	145153-01	96,707
Title I Grants - Part A ESEA LEA Special Support	41813	84.010	135236-01	13,621
Total Title I				3,889,296
Special Education Cluster				
<u>Pass-through Maryland State Department of Education</u>				
IDEA Part B (Partners for Success)	42413	84.027	134267-05	6,374
IDEA Part B (Partners for Success)	42414	84.027	144263-06	12,914
Special Education: Grants to States Part B	42513	84.027	134267-06	1,544
Special Education: Grants to States Part B	42514	84.027	144263-05	1,106
Special Education: Grants to States Part B One Time Discretionary	43214	84.027	144264-03	245,330
Special Education: Grants to States Part B One Time Discretionary	43414	84.027	145250-01	60,712
Special Education: Grants to States Part B Pass Through	46414	84.027	145081-01	1,893
Special Education: Grants to States Part B (PPPSS)	46514	84.027	145081-02	16
Special Education: Grants to States Part B	46714	84.027	144263-01	6,857,411
IDEA Part B (PPPSS)	46614	84.027	144263-02	45,925
Special Education: Partners for Success/Transition	42613	84.027	134267-07	1,814
Special Education: Partners for Success/Transition	42614	84.027	144263-06	4,695
Local Priority Flexibility Grant	46313	84.027	134267-08	19,641
Local Priority Flexibility Grant	46314	84.027	144263-06	131,373

The accompanying notes are an integral part of this schedule.

BOARD OF EDUCATION OF FREDERICK COUNTY, MD

Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2014

Federal Agency, Pass-through Entity, Federal Program/State Project	LEA Project Number	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. Department of Education (ED) (continued)				
Special Education Cluster (continued)				
<u>Pass-through Maryland State Department of Education (continued)</u>				
Special Education: Preschool Grants (IDEA Preschool)	46913	84.173	134267-03	\$ 21,702
Special Education: Preschool Grants (IDEA Preschool)	46914	84.173	144263-03	132,762
Preschool Pass Thru (PPSS)	42314	84.173	144263-04	278
Special Education: One Time Discretionary Preschool Grants	43314	84.173	144264-02	2,844
IDEA Part B (MD Model for School Readiness-MMSR)	66413	84.173	134526-03	6,931
IDEA Part B (MD Model for School Readiness-MMSR)	66414	84.173	144567-02	4,644
Building Bridges Grant	42713	84.173	134738-02	7,026
Building Bridges Grant	42714	84.173	144880-01	100,000
Building Bridges Grant	43714	84.173	144880-02	38,032
<u>Pass-through Frederick County Government</u>				
MD Infants and Toddlers	70314	84.027	N/A	196,409
Total Special Education Cluster				<u>7,901,376</u>
Career & Tech Education: Perkins Staff Development	83114	84.048	144503-01	274,555
Project Lead the Way - Engineering	80314	84.048	144673-01	4,961
Computer Science Course Pilot Grant	81514	84.048	144673-02	4,517
Title X , Sub B - Homeless Assistance	43814	84.196	144787-01	29,775
21st Century Community Learning Centers	40513	84.287	134713-01	64,363
21st Century Community Learning Centers	40514	84.287	144795-01	234,849
21st Century Community Learning Centers	40113	84.287	134734-01	181,494
21st Century Community Learning Centers	40114	84.287	145268-01	53,105
Maryland AP/IB Test Fee Reduction Program	80114	84.330	144716-01	470
Title III Part A English Language Acq	40612	84.365	124291-01	5,337
Title III Part A English Language Acq	40613	84.365	134216-01	230,988
Title III Part A English Language Acq	40614	84.365	144585-01	62,529
Title III Part A English Language Acq (Immigration Funds)	40812	84.365	124291-02	1,345
Title II Part A - Improving Teacher Quality	49513	84.367	134592-02	177,057
Title II Part A - Improving Teacher Quality	49514	84.367	144768-01	866,961
RTTT - Educator Effectiveness & Teacher Induction Academy	S6142	84.395	135307-01	159,648
RTTT - Educator Effectiveness & Teacher Induction Academy	S6143	84.395	135307-02	2,250
RTTT - Teach for Maryland Network	S6144	84.395	144721-01	1,731
RTTT - College Career Readiness Conference-Master Teachers	S6146	84.395	145382-01	51
RTTT - Local Early Childhood Advisory Council Grant	S6145	84.412	145119-01	780
RTTT - Maryland Model for School Readiness:Staff Development	S6147	84.412	144567-03	45,101
Total U.S. Department of Education				<u>14,193,524</u>
TOTAL FEDERAL EXPENDITURES				<u>\$ 20,007,084</u>

The accompanying notes are an integral part of this schedule.

BOARD OF EDUCATION OF FREDERICK COUNTY, MD

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

All Federal grant operations of the Board are included in the scope of the Office of Management and Budget (OMB) Circular A-133 audit (the Single Audit). The Single Audit was performed in accordance with the provisions of the OMB Circular A-133, (the Compliance Supplement). Compliance testing of all requirements, as described in the Compliance Supplement, was performed for the major grant programs noted below. The programs on the schedule of expenditures of Federal awards represent all Federal award programs with fiscal year 2014, cash or non-cash expenditure activities. For single audit testing, we tested to ensure coverage of at least 25% of Federally granted funds. Actual coverage was 48%.

<u>Major Program</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
Food and Nutrition Cluster	10.553, 10.555, 10.559	\$ 5,646,254
Race to the Top	84.395	163,680
Title I Part A	84.010	3,889,296
		<u>\$ 9,699,230</u>

2. BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The non-cash expenditures of \$563,123, reported under CFDA no. 10.555, USDA Food Distribution Program, represent the value of food commodity distributions calculated using the U.S. Department of Agriculture, Food and Nutrition Commodity Price List in effect as of July 1, 2012.

3. RELATION TO THE BASIC FINANCIAL STATEMENTS AND FEDERAL FINANCIAL REPORTS

Total expenditures per the Schedule of Expenditures of Federal Awards
reconcile to the Board's basic financial statements as follows:

Revenue per the Statement of Revenue, Expenditures and Changes in Fund Balances (Net Position)	
Federal - General Funds (includes Impact Aid)	\$ 16,329,333
Federal - Food Service	<u>5,741,727</u>
Total per Financial Statements	22,071,060
Less: Medical Assistance payments not recorded on SEFA	<u>2,063,976</u>
Total expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 20,007,084</u>

BOARD OF EDUCATION OF FREDERICK COUNTY, MD

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2014

Section I- Summary of Independent Public Accountants' Results

Financial Statements

Type of Independent Public Accountants' Report Issued	Unmodified
Internal control over financial reporting:	
Material weakness (es) identified?	No
Significant deficiency(ies) identified?	None Reported
Noncompliance material to the financial statements noted?	No

Federal Awards

Type of Independent Public Accountants' Report issued on compliance for major program	Unmodified
Internal control over major programs:	
Material weakness (es) identified?	No
Significant deficiency(ies) identified?	None Reported
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	No

Identification of Major Programs:

Major Programs	CFDA Number	Federal Expenditures
Food and Nutrition Cluster	10.553, 10.555, 10.559	\$ 5,646,254
Race to the Top	84.395	163,680
Title I Part A	84.010	3,889,296
Threshold for distinguishing between Type A and B programs		\$ 600,213
Auditee qualified as low risk auditee?		Yes

BOARD OF EDUCATION OF FREDERICK COUNTY, MD

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014**

Section II –Financial Statement Findings

None noted.

Section III –Federal Award Findings

None noted.

BOARD OF EDUCATION OF FREDERICK COUNTY, MD

**Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2014**

There were no prior year findings in the June 30, 2013, single audit report.