

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

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

For the Year Ended June 30, 2015



JUNE 30, 2015

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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 accompanying 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 ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements.

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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 4.E. to the financial statements, during the year ended June 30, 2015, the Board adopted new accounting guidance from Government Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions". Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Pension Schedules of Contributions and Proportionate Share of Net Pension Liability, 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 introductory, supplementary information for the school construction fund, food nutrition services fund, school activity fund, schedule of expenditures by type of school, schedule of cumulative expenditures, encumbrances and appropriations, statistical sections, and the Schedule of Expenditures of Federal Awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.



The accompanying supplementary information for the school construction fund, food nutrition services fund, school activity fund, schedule of expenditures by type of school, schedule of cumulative expenditures, encumbrances and appropriations, and the Schedule of Expenditures of Federal Awards, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

The introductory section and statistical sections 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 29, 2015, 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 29, 2015

SB & Company, LLC



**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, 2015, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated September 29, 2015.

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 29, 2015

SB & Company, LLC



**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, Maryland'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, 2015. 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, 2015.

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.



SB & COMPANY, LLC
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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 29, 2015

SB & Company, LLC

BOARD OF EDUCATION OF FREDERICK COUNTY, MD

Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2015

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 (SBP)	N/A	10.553	N/A	\$ 1,348,089
National School Lunch Program	N/A	10.555	N/A	4,098,137
USDA Food Distribution Program	N/A	10.555	N/A	749,986
Summer Food Service Program for Children (SFSP)	N/A	10.559	N/A	25,184
Total Child Nutrition Cluster				6,221,396
Child and Adult Care Food Program (CACFP)	N/A	10.558	N/A	83,030
Total U.S. Department of Agriculture				6,304,426
U.S. Department of Commerce				
Measurement and Engineering Research and Standards	56715	11.609	N/A	4,000
U. S. Department of Education (ED)				
<u>Direct Program</u>				
Impact Aid	N/A	84.041	N/A	24,613
<u>Pass-through Maryland State Department of Education</u>				
Title I, Part A Cluster				
Title I Grants to Local Educational Agencies	41514	84.010	144481-01	62,431
Title I Grants to Local Educational Agencies	41515	84.010	154360-01	4,073,201
Title I Grants - School Improvement Grant	43014	84.010	145153-01	9,693
Title I Grants - School Improvement Grant	43015	84.010	155434-01	115,562
Title I Grants - Part A ESEA LEA Special Support	41815	84.010	154339-01	60,000
Title I Grants - Special Approaching Target Grant	43115	84.010	155592-01	15,994
Total Title I, Part A Cluster				4,336,881
Special Education Cluster				
IDEA Part B (Partners for Success)	42414	84.027	144263-06	2,336
IDEA Part B (Partners for Success)	42415	84.027	154195-06	14,947
Special Education: Grants to States Part B	42514	84.027	144263-05	1,394
Special Education: Grants to States Part B	42515	84.027	154195-05	1,390
Special Education: Grants to States Part B One Time Discretionary	43414	84.027	145250-01	21,613
Special Education: IDEA Part B One Time Discretionary	43415	84.027	155542-01	258
Special Education: Grants to States Part B	46715	84.027	154195-01	7,187,789
IDEA Part B (PPSS)	46614	84.027	144263-02	15,345
IDEA Part B (PPSS)	46615	84.027	154195-02	56,556
Special Education: Partners for Success/Transition	42614	84.027	144263-06	4,000
Special Education: Partners for Success/Transition	42615	84.027	154195-06	10,836
Local Priority Flexibility Grant	46314	84.027	144263-06	5,811
Local Priority Flexibility Grant	46315	84.027	154195-06	109,295
Race for Kindergarten -Part B 611 Discretionary	49615	84.027	155354-01	1,427
Special Education: Preschool Grants (IDEA Preschool)	46915	84.173	154195-03	132,761
Preschool Pass Thru (PPSS)	42315	84.173	154195-04	279
IDEA Part B (MD Model for School Readiness-MMSR)	66414	84.173	144567-02	5,341
<u>Pass-through Frederick County Government</u>				
MD Infants and Toddlers	70315	84.027	N/A	208,129
Total Special Education Cluster				7,779,507

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, 2015

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)				
<u>Pass-through Maryland State Department of Education (continued)</u>				
Race to the Top				
RTTT - College Career Readiness Conference-Master Teachers*	S6146	84.395	145382-01	\$ 62,443
RTTT - Teacher Induction Academy*	S6148	84.395	145382-02	2,250
RTTT - World Languages Academy*	S6149	84.395	154477-01	1,616
RTTT - Virtual Academy On-Line Classes*	S6151	84.395	154698-01	14,750
RTTT - Promising Principals Technology Grant*	S6152	84.395	154599-01	2,532
RTTT - LEA Assessment System Grant*	S6153	84.395	154800-01	858,888
RTTT - Formative Assessment for MD Educators (FAME)*	S6154	84.395	154290-01	270
RTTT - Regional STEM Teacher Workshops*	S6155	84.395	155206-01	3,609
RTTT - Regional STEM Teacher Workshops*	S6155	84.395	155206-02	3,750
RTTT - EIS System Scanner*	S6157	84.395	155395-01	913
RTTT - College Career Readiness Conference-Master Teachers*	S6158	84.395	155644-01	41,845
Total Race to the Top				<u>992,866</u>
Career & Tech Education: Perkins Staff Development	83115	84.048	154666-01	267,159
Career & Tech Education: CTE Reserve Fund	80315/81515	84.048	154908-01	14,028
Title VII , Sub B - Homeless Assistance	43814	84.196	144787-01	5,373
21st Century Community Learning Centers	40514	84.287	144795-01	32,090
21st Century Community Learning Centers (FAST II)	40515	84.287	155117-01	120,806
21st Century Community Learning Centers	40114	84.287	145268-01	203,086
21st Century Community Learning Centers (FAST I)	40115	84.287	155497-01	59,418
21st Century Community Learning Centers (FAST +)	40315	84.287	155412-01	52,694
Maryland AP/IB Test Fee Reduction Program	80115	84.330	154509-01	1,080
Title III Part A English Language Acq	40613	84.365	134216-01	19,958
Title III Part A English Language Acq	40614	84.365	144585-01	181,731
Title III Part A English Language Acq	40615	84.365	154431-01	70,276
Title III Part A English Language Acq (Immigration Funds)	40815	84.365	154431-02	5,248
Title II Part A - Improving Teacher Quality	49515	84.367	154938-01	773,976
RTTT - Local Early Childhood Advisory Council Grant	S6145	84.412	145119-01	40,665
RTTT - Maryland Model for School Readiness:Staff Development	S6147	84.412	144567-03	28,240
RTTT - Early Learning Challenge	S6150	84.412	154292-01	9,156
Total passed through Maryland State Department of Education				<u>14,994,238</u>
Total U.S. Department of Education				<u>15,018,851</u>
U. S. Department of Health and Human Services				
<u>Pass-through Maryland State Department of Education</u>				
Sexual Harassment Prevention	48615	93.136	155196-01	10,265
U. S. Department of Homeland Security				
Two-Way Emergency Notification System-Alert Beacon	70215	97.039	N/A	11,799
TOTAL FEDERAL EXPENDITURES				<u>\$ 21,349,341</u>

* These grants represent expenditures of Federal awards under the American Recovery and Reinvestment Act of 2009 (ARRA).

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, 2015

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 2015, 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 45%.

<u>Major Programs</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
Special Education Cluster	84.027, 84.173	\$ 7,779,507
Title II Part A	84.367	773,976
Race to the Top	84.395	992,866
		<u>\$ 9,546,349</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 \$749,986, reported under CFDA no. 10.555, USDA Food Distribution Program, represent the value of food commodities distributed in fiscal year 2015 as calculated using the U.S. Department of Agriculture, Food and Nutrition Commodity Price List in effect as of July 1, 2014.

BOARD OF EDUCATION OF FREDERICK COUNTY, MD

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2015

3. RELATION TO THE BASIC FINANCIAL STATEMENTS

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)	\$	16,497,262
Federal - Food Service		6,304,426
Total per Financial Statements		<u>22,801,688</u>

Less: Medical Assistance payments not recorded on SEFA		<u>1,452,347</u>
Total expenditures per Schedule of Expenditures of Federal Awards	\$	<u><u>21,349,341</u></u>

BOARD OF EDUCATION OF FREDERICK COUNTY, MD

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2015

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 <input type="checkbox"/> reported in accordance with Section 510(a) of OMB Circular A-133?	No

Identification of Major Programs:

Major Programs	CFDA Number	Federal Expenditures
Special Education Cluster	84.027, 84.173	\$ 7,779,507
Title II Part A	84.367	773,976
Race to the Top	84.395	992,866
Threshold for distinguishing between Type A and B programs		\$ 640,480
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, 2015**

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, 2015**

There were no prior year findings in the June 30, 2014, single audit report.