

**BOARD OF EDUCATION OF
CARROLL COUNTY, MARYLAND**
Carroll County, Maryland

REPORT ON SINGLE AUDIT
June 30, 2012

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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*

Members of the Board of
Education of Carroll County
Westminster, Maryland

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 Carroll County (the Board), a component unit of Carroll County, Maryland as of and for the year ended June 30, 2012, and have issued our report thereon dated September 24, 2012. 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

Management of the Board is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Board's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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. We consider the deficiency noted in the accompanying schedule of findings and questioned costs as item 2012-01 to be a material weakness in internal control over financial reporting.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Board's response to the finding identified in our audit is in the accompanying schedule of findings and questioned costs. We did not audit the Board's response and, accordingly, we express no opinion on it.

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

A handwritten signature in black ink that reads "Clifton Larson Allen LLP". The signature is written in a cursive, flowing style.

Baltimore, Maryland
September 24, 2012



CliftonLarsonAllen

Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance and Schedule of Expenditures of Federal Awards in Accordance with OMB Circular A-133

Members of the Board of
Education of Carroll County
Westminster, Maryland

Compliance

We have audited the compliance of the Board of Education of Carroll County (the Board) with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The Board's 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 the Board's management. Our responsibility is to express an opinion on the Board's 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 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. Our audit does not provide a legal determination of the Board's compliance with those requirements.

In our opinion, the Board 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, 2012.

Internal Control Over Compliance

The management of the Board is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Board's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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.

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 that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditure of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Board as of and for the years ended June 30, 2012 and have issued our report thereon dated September 24, 2012 which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinions on the financial statements that collectively comprise the Board's 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 is the responsibility of management and was derived from and relates directly to the accounting and other records used to produce the 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 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 basic financial statements taken as a whole.

This report is intended solely for the information and use of management, audit committee, 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.



Baltimore, Maryland
October 18, 2012, except for the Schedule
of Expenditures of Federal Awards which
is dated September 24, 2012

BOARD OF EDUCATION OF CARROLL COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2012

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	CFDA Number	Grant Number	Federal Expenditures
U.S. Department of Education			
Passed through the Maryland State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	124529-01	\$ 1,415,160
Title I Grants to Local Educational Agencies	84.010	114464-01	141,470
Title I Grants to Local Educational Agencies	84.010	124352-01	1,184
Title I Grants to Local Educational Agencies	84.010	116046-01	1,864
			<u>1,559,678</u>
Special Education Cluster (IDEA)			
Special Education - Grants to States	84.027	124249-01	4,292,900
Special Education - Grants to States	84.027	125443-01	2,460,613
Special Education - Grants to States	84.027	124249-07	6,000
Special Education - Grants to States	84.027	124249-08	17,696
Special Education - Grants to States	84.027	124249-05	10,000
Special Education - Grants to States	84.027	114499-01	380
Special Education - Grants to States	84.027	114497-01	4,391
Special Education - Grants to States	84.027	114107-02	385
Special Education - Grants to States	84.027	124170-02	24,163
Special Education - Grants to States	84.027	124249-06	2,500
Special Education - Grants to States	84.027	114498-01	20,354
Special Education - Grants to States	84.027	124249-02	44,566
Special Education - Preschool Grants	84.173	125443-02	159,285
Special Education - Preschool Grants	84.173	124249-03	114,118
Special Education - Preschool Grants	84.173	124249-04	1,546
Special Education - Preschool Grants	84.173	124170-03	7,000
Special Education - Preschool Grants	84.173	114585-02	2,077
Special Education - Preschool Grants	84.173	125325-02	18,113
Special Education - Preschool Grants	84.173	114498-03	2,939
Special Education - Grants to States - Recovery Act	84.391	104503-01	27,988
Special Education - Grants to States - Recovery Act	84.391	104503-02	277
Special Education - Preschool Grants - Recovery Act	84.392	104503-04	44
			<u>7,217,335</u>
Career and Technical Education - Basic Grants to States	84.048	124715-01	179,714
Career and Technical Education - Basic Grants to States	84.048	125141-01	3,658
Career and Technical Education - Basic Grants to States	84.048	125141-02	43,183
Career and Technical Education - Basic Grants to States	84.048	114673-01	2,944
Career and Technical Education - Basic Grants to States	84.048	125416-01	7,722
			<u>237,221</u>
Grants for Early Intervention Services (IDEA) Cluster			
Special Education - Grants for Infants and Families	84.181	125449-01	153,857
Special Education - Grants for Infants and Families	84.181	124170-01	113,270
Special Education - Grants for Infants and Families - Recovery Act	84.393	104637-02	36,209
			<u>303,336</u>
Safe and Drug Free Schools and Communities - State Grants	84.186	104287-01	5,741

BOARD OF EDUCATION OF CARROLL COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2012
(Continued)

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	CFDA Number	Grant Number	Federal Expenditures
Education for Homeless Children & Youth Cluster			
Education for Homeless Children & Youth	84.196	124781-01	\$ 9,006
Education for Homeless Children & Youth - Recovery Act	84.387	104862-01	<u>596</u>
			<u>9,602</u>
Tech-Prep Education	84.243	124715-02	<u>971</u>
Educational Technology State Grants Cluster			
Educational Technology State Grants	84.318	via MCPS	2,488
Educational Technology State Grants	84.318	via MCPS	3,432
Educational Technology State Grants	84.318	via AACPS	88,360
Educational Technology State Grants - Recovery Act	84.386	BCPS 459992	<u>14,841</u>
			<u>109,121</u>
English Language Acquisition Grants	84.365	124287-01	18,831
English Language Acquisition Grants	84.365	115184-01	<u>17,746</u>
			<u>36,577</u>
Improving Teacher Quality State Grants	84.367	114272-01	196,886
Improving Teacher Quality State Grants	84.367	124204-01	<u>573,558</u>
			<u>770,444</u>
State Fiscal Stabilization Fund - Education State Grants - Recovery Act	84.394	114072-03	<u>13,524</u>
State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants - Recovery Act	84.395	115745-01	81,064
State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants - Recovery Act	84.395	115745-02	27,628
State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants - Recovery Act	84.395	115745-03	4,069
State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants - Recovery Act	84.395	115745-06	3,610
State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants - Recovery Act	84.395	115745-07	94
State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants - Recovery Act	84.395	115745-08	1,159
State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants - Recovery Act	84.395	115745-09	110
State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants - Recovery Act	84.395	115745-11	6,675
State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants - Recovery Act	84.395	125704-01	186,903
State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants - Recovery Act	84.395	125372-01	12,500
State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants - Recovery Act	84.395	125372-02	40,000
State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants - Recovery Act	84.395	124625-01	47,250
State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants - Recovery Act	84.395	124625-02	12,889
State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants - Recovery Act	84.395	124625-04	3,000
State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants - Recovery Act	84.395	125116-01	<u>26,728</u>
			<u>453,679</u>
Education Jobs Fund - Recovery Act	84.410	115721-02	5,211,930
Education Jobs Fund - Recovery Act	84.410	125597-01	<u>77,153</u>
			<u>5,289,083</u>
Total U.S. Department of Education			<u>16,006,312</u>

BOARD OF EDUCATION OF CARROLL COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2012
(Continued)

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	CFDA Number	Grant Number	Federal Expenditures
U.S. Department of Agriculture			
Direct Programs:			
Cooperative Extension Service	10.500	2008-45201-04823	\$ 2,093
Cooperative Extension Service	10.500	2008-45201-04823	1,521
Cooperative Extension Service	10.500	2005-45201-03329	636
			<u>4,250</u>
Passed through the Maryland State Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553	n/a	394,217
National School Lunch Program	10.555	n/a	2,191,245
			<u>2,585,462</u>
Child Nutrition Discretionary Grants Limited Availability	10.579	124688-01	<u>8,438</u>
Total U.S. Department of Agriculture			<u>2,598,150</u>
U.S. Department of Commerce			
Passed through the Carroll County Public Schools Education Foundation			
Chesapeake Bay Studies	11.457	CCPSEF	48,777
Chesapeake Bay Studies	11.457	CCPSEF	5,164
			<u>53,941</u>
Total U.S. Department of Commerce			<u>53,941</u>
U.S. Department of Health and Human Services			
Passed through the Maryland Department of Health and Mental Hygiene			
Passed through the Carroll County Health Department			
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	DHMH	<u>4,986</u>
Passed through the Maryland Department of Health and Mental Hygiene			
Passed through the Maryland State Department of Education			
Preventive Health and Human Services Block Grant	93.991	115827-01	<u>3,367</u>
Total U.S. Department of Health and Human Services			<u>8,353</u>
U.S. Department of Homeland Security			
Passed through Maryland			
Passed through Regional			
Passed through Carroll County Government			
Homeland Security Grant Program	97.067	n/a	<u>24,386</u>
Total U.S. Department of Homeland Security			<u>24,386</u>

BOARD OF EDUCATION OF CARROLL COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2012
(Continued)

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	CFDA Number	Grant Number	Federal Expenditures
U.S. Department of the Interior			
Passed through the Maryland Department of Natural Resources			
Sport Fish Restoration Program	15.605	K0092400969	\$ <u>2,000</u>
Total U.S. Department of the Interior			<u>2,000</u>
U.S. Department of Transportation			
Passed through Maryland State Highway Administration			
Drug Free Highway Safety Project	20.600	MH50 12-103	<u>1,000</u>
Learn and Serve America - School and Community Based Programs	94.004	114380-01	<u>11,763</u>
Total U.S. Corporation for National and Community Service			<u>12,763</u>
National Science Foundation			
Passed through the Community Colleges of Baltimore County			
Education and Human Resource	47.076	CCBC TIME Center	<u>2,953</u>
Total National Science Foundation			<u>2,953</u>
Total Federal Expenditures			\$ <u>18,708,858</u>

BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the Board of Education of Carroll County for the year ended June 30, 2012.

Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards has been prepared using the modified accrual basis of accounting. This basis of accounting is fully described in Note 1 to the Board's basic financial statements.

NOTE 2 – RELATION TO FINANCIAL STATEMENTS AND FEDERAL FINANCIAL REPORTS

The following schedule reconciles the amounts per the financial statements to the amounts per the Schedule of Expenditures of Federal Awards for the year ended June 30, 2012:

	<u>Governmental Funds</u>
REVENUE	
BALANCE PER FINANCIAL STATEMENTS	
Federal revenues	\$ 19,877,589
PLUS	
Miscellaneous adjustments	8,444
LESS	
Medical assistance revenue	<u>(1,177,175)</u>
TOTAL PER SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	<u>\$ 18,708,858</u>

**BOARD OF EDUCATION OF CARROLL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012**

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?	<u>X</u>	Yes	<u> </u>	No
Significant deficiency(s) identified that are not considered to be material weaknesses	<u> </u>	Yes	<u>X</u>	None Reported
Noncompliance material to financial statements noted?	<u> </u>	Yes	<u>X</u>	No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	<u> </u>	Yes	<u>X</u>	No
Significant deficiency(s) identified that are not considered to be material weaknesses	<u> </u>	Yes	<u>X</u>	None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	<u> </u>	Yes	<u>X</u>	No
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Identification of Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027, 84.173, 84.391, 84.392 84.367 84.410 84.181, 84.393	Special Education Cluster Improving Teacher Quality Education Jobs Fund Grants for Infants and Families

Dollar threshold used to distinguish between type A and type B programs	<u>\$ 561,266</u>
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Auditee qualified as low-risk auditee?	<u> </u>	Yes	<u>X</u>	No
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**BOARD OF EDUCATION OF CARROLL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012**

II. FINDINGS RELATING TO THE FINANCIAL STATEMENT AUDIT AS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

A. Material Weaknesses in Internal Control

Finding 2012-01 Compensated Absences

Condition: The report used by the Board to determine the compensated absences liability was not capturing the correct data, and as a result, the Board recorded an overstatement in the compensated absences liability at June 30, 2012 and 2011. The overstatement of compensated absences was material, and as a result, an audit adjustment to beginning net assets and current compensated absences liability was required. In addition, the current year expense recorded on the Statement of Activities was adjusted to properly reflect the current year amount.

Recommendation: While it was noted that the Board was not overpaying employees for sick and leave balances, we recommend the Board review and make changes as necessary to their policies and procedures to ensure the system reports used for financial statement preparation are capturing the correct data from the financial system to properly reconcile the liability and expense.

**Management's
Response:**

The Board agrees with the auditor's assessment of Compensated Absences. As mentioned, this year-end report has captured incorrect reporting data; however, we wish to reiterate that employees have been paid appropriately for their leave balances. We also want to highlight that correcting the error reduces our stated liabilities, so the discovery has resulted in a favorable reporting outcome for the Board. We will review our current financial reporting procedures to ensure that appropriate data is captured and used in the preparation of future financial statements.

B. Compliance Findings

None.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

A. Significant Deficiencies in Internal Control

None.

B. Compliance Findings

None.

**BOARD OF EDUCATION OF CARROLL COUNTY
SCHEDULE OF PRIOR YEAR FINDINGS
Year Ended June 30, 2012**

No prior year findings related to federal awards.