

THE BOARD OF EDUCATION OF
SOMERSET COUNTY, MARYLAND

OMB CIRCULAR A-133
SUPPLEMENTARY FINANCIAL REPORT

JUNE 30, 2012

C O N T E N T S

PAGES

Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	3 - 4
Independent Auditors' Report On Compliance With Requirements That Could Have A Direct and Material Effect on Each Major Program And On Internal Control Over Compliance In Accordance With OMB Circular A-133	5 - 6
Schedule Of Expenditures Of Federal Awards	7 - 11
Notes To Schedule Of Expenditures Of Federal Awards	12
Schedule Of Findings And Questioned Costs	13



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 Somerset County, Maryland
Westover, Maryland

We have audited the financial statements of the governmental activities, the business-type activities and each major fund of The Board of Education of Somerset County as of and for the year ended June 30, 2012, which collectively comprise the Board of Education of Somerset County's basic financial statements and have issued our report thereon dated September 28, 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

In planning and performing our audit, we considered The Board of Education of Somerset County'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.

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 combination of deficiencies, in the Board's 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.

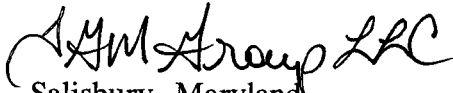
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Board of Education of Somerset County'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*.

We noted certain matters that we reported to management of The Board of Education of Somerset County in a separate letter dated September 28, 2012.

This report is intended solely for the information and use of the board of directors, management, others within the entity, 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.


Salisbury, Maryland
September 28, 2012



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

The Board of Education of Somerset County, Maryland
Westover, Maryland

Compliance

We have audited The Board of Education of Somerset County's compliance 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 the Board's major federal programs for the year ended June 30, 2012. The Board of Education of Somerset County'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 of Education of Somerset County's management. Our responsibility is to express an opinion on The Board of Education of Somerset County'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. 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 of Education of Somerset County'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 of Education of Somerset County's compliance with those requirements.

In our opinion, the Board of Education of Somerset County, complied, in all material respects, with the 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, 2012.

Internal Control Over Compliance

Management of The Board of Education of Somerset County 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 of Education of Somerset County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine

the 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 of Education of Somerset County's internal control over compliance.

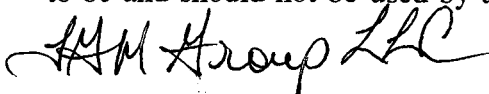
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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 the 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 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 Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of The Board of Education of Somerset County as of and for the year ended June 30, 2012, and have issued our report thereon dated September 28, 2012. Our audit was performed for the purpose of forming our opinions on the financial statement as a whole. The 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 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 taken as a whole.

This report is intended solely for the information and use of the board of directors, management, others within the entity, 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.



Salisbury, Maryland
September 28, 2012

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

THE BOARD OF EDUCATION OF SOMERSET COUNTY, MARYLAND

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2012

Funding Source	Grant Number	Federal Catalogue Number	Expenditures
INDIRECT GRANTS			
U.S. DEPARTMENT OF EDUCATION			
Pass-Through Programs From Maryland Department of Labor, Licensing and Regulations:			
Adult Education:			
ABE Carryover	P00B1400084-4	84.002A	\$ 1,602
ABE	P00B2400046-4	84.002A	31,311
Adult Secondary Education Federal Carryover	P00B1400084-5	84.002A	3,271
Adult Secondary Education Federal	P00B2400046-5	84.002A	4,886
Institutionalized Carryover	P00B1400084-6	84.002A	1,219
Institutionalized	P00B2400046-6	84.002A	2,243
EL Civics Carryover	P00B1400084-8	84.002A	184
EL Civics	P00B2400046-8	84.002A	2,889
External Diploma Program/Federal Carryover	P00B1400084-7	84.002A	596
External Diploma Program/Federal	P00B2400046-7	84.002A	10,166
Sub-Total			58,367
Pass-Through Programs From Maryland State Department Of Education:			
Title I School Achievement Award	124365-1	84.010	2,438
Title I Carryover	114451-1	84.010	64,771
Title I	124542-1	84.010	1,378,924
Sub-Total			1,446,133
Migrant/Summer 2010 Extended	114101-1	84.011A	59,273
Migrant/Summer 2011 Extended	124190-2	84.011A	111,951
Sub-Total			171,224
Assist to States for Students - With Disabilities Passthrough	124262-1	84.027	656,897
Assist to States for Students - With Disabilities Passthrough Carryover	114636-1	84.027	4,465
Assist to States for Students - With Disabilities Passthrough IDEA Part B	125427-1	84.027	13,971
Extended IFSP Option	125317-1	84.027	21,330
Special Transition Carryover	114636-4	84.027	1,516
Infant and Toddler/Idea Part B	124241-2	84.027	2,044
Infant and Toddler/Idea Part B Supplement Carryover	114349-1	84.027	81
Special Education:			
Advisory Council Carryover	114636-7	84.027	532
Idea Part B "IOP Hope Creek"	124606-1	84.027	60,000
Partners For Success Carryover	114636-6	84.027	2,426
Partners for Success	124262-4	84.027	4,304
Parently Placed Private School Students Carryover	114636-2	84.027	297
Parently Placed Private School Students	124262-2	84.027	1,008
Program Development	124262-7	84.027	7,885
Transition Carryover	114635-1	84.027	17,542
Transition	124262-6	84.027	6,000

See accompanying Notes to Schedule of Expenditures of Federal Awards

THE BOARD OF EDUCATION OF SOMERSET COUNTY, MARYLAND

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2012

(continued)

Funding Source	Grant Number	Federal Catalogue Number	Expenditures
INDIRECT GRANTS - continued			
U.S. DEPARTMENT OF EDUCATION - continued			
Pass-Through Programs From Maryland State Department Of Education:			
Special Education - continued			
ALT-MSA Fern Carryover	114634-1	84.027	4,169
ALT-MSA Fern	124605-1	84.027	12,091
Sub-Total			<u>816,558</u>
 Career And Technology Education	 124722-1	 84.048	 <u>61,851</u>
 Maryland Seamless Transition Collaborative - Spec Ed.	 125079-1	 84.126	 <u>52,800</u>
 Migrant MEP Consortium, Inc. Summer 2011	 124190-1	 84.144F	 <u>38,825</u>
 Child With Disabilities Pre-School Passthrough Carryover	 114636-3	 84.173	 779
Child With Disabilities Pre-School Passthrough	124262-3	84.173	23,607
Infant And Toddler/Part B 619 Carryover	114114-3	84.173	459
Infant And Toddler/Part B 619	125531-2	84.173	1,769
Infant And Toddler/Part B 619 FSN	124241-3	84.173	3,751
Maryland Model For School Readiness Idea Part B	124561-2	84.173	1,970
Sub-Total			<u>32,335</u>
 Infant And Toddler/Idea Part C Carryover	 114114-1	 84.181	 1,167
Infant And Toddler/Idea Part C	124241-1	84.181	8,095
Infant and Toddler Part C	125531-1	84.181	5,966
Sub-Total			<u>15,228</u>
 McKinney-Vento Homesless Child & Youth Carryover	 115778-1	 84.196A	 1,618
McKinney-Vento Educating Homeless Child & Youth	125197-1	84.196A	9,637
Sub-Total			<u>11,255</u>
 Career And Technology Education Title II	 124722-1	 84.243	 <u>334</u>
 Maryland Student Technology Literacy Consortium:			
MD Technology Proficiency Partnership Carryover	Mont. Co.	84.318	6,028
MD Technology Proficiency Partnership Carryover	Mont. Co.	84.318	3,800
Sub-Total			<u>9,828</u>
 Advanced Placement	 125571-1	 84.330C	 <u>1,193</u>
 Gear Up II Focus On Math Carryover	 114599-1	 84.334S	 6,720
Gear Up II Year 6 Celebration	114445-1	84.334S	477
Sub-Total			<u>7,197</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards

THE BOARD OF EDUCATION OF SOMERSET COUNTY, MARYLAND

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2012

(continued)

Funding Source	Grant Number	Federal Catalogue Number	Expenditures
INDIRECT GRANTS - continued			
U.S. DEPARTMENT OF EDUCATION - continued			
Pass-Through Programs From Maryland State Department Of Education:			
English Language Acquisition LEP Portion Carryover	115173-1	84.365A	6,696
English Language Acquisition Immigrant Portion Carryover	104631-2	84.365A	4,985
English Language Acquisition Carryover	104631-1	84.365A	6,438
English Language Acquisition	124299-1	84.365A	1,348
Sub-Total			<u>19,467</u>
Earth Science Excavated	Worcester Co	84.366B	6,475
Earth Science	Wor Co BOE	84.366B	6,442
Life Environmental Science Animated	Worcester Co	84.366B	1,165
Environmental Literacy	Wor Co BOE	84.366B	11,652
Sub-Total			<u>25,734</u>
Title II Train And Recruit High Quality Teachers	124217-1	84.367	<u>230,671</u>
STEM (MSPP) ARRA Carryover	Anne Arundel Co.	84.386	<u>114,650</u>
McKinney-Vento Homesless Child & Youth - ARRA Carryover	104779-1	84.387A	<u>1,534</u>
Idea Part B - ARRA 2 Carryover	104502-1	84.391	37,783
Idea PPPSS - ARRA 2 Carryover	104502-3	84.391	1,050
Sub-Total			<u>38,833</u>
PPPSS Preschool - ARRA 2 Carryover	104502-4	84.392	<u>186</u>
Idea Part C - Extended "IFSP Option" - ARRA	124272-1	84.393	<u>30,000</u>
State Fiscal Stabilization Fund - ARRA Carryover	114085-3	84.394	94,643
State Fiscal Stabilization Fund - ARRA Carryover	114085-5	84.394	13,253
Sub-Total			<u>107,896</u>
Race to the Top - ARRA:			
Mentor Program Carryover	115756-15	84.395	9,226
Mentor Program	115756-15	84.395	51,516
Data Leaders Training Carryover	115756-17	84.395	604
Human Resource System	115756-10	84.395	8,113
Data Design	115756-11	84.395	30,999
Data Leaders Stipends	115756-18	84.395	226
Educator Effectiveness Academy	125628-1	84.395	1,912
Teacher Induction Academy	125628-2	84.395	375
Instr. Technology Facilitator Carryover	115756-19	84.395	11,242

See accompanying Notes to Schedule of Expenditures of Federal Awards

THE BOARD OF EDUCATION OF SOMERSET COUNTY, MARYLAND

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2012

(continued)

Funding Source	Grant Number	Federal Catalogue Number	Expenditures
INDIRECT GRANTS - continued			
U.S. DEPARTMENT OF EDUCATION - continued			
Race to the Top - ARRA - continued:			
Instr. Technology Facilitator	115756-19	84.395	71,792
Climate Survey	115756-20	84.395	3,000
PBIS	115756-21	84.395	6,932
Parent Involvement	115756-22	84.395	761
Incentives for Teachers to Obtain ESOL Certification	125383-1	84.395	2,500
Educator Effectiveness Academy	124637-1	84.395	8,328
Educator Effectiveness Academy	124637-2	84.395	6,657
Educator Effectiveness Academy	124637-4	84.395	750
Teachers/Principals Evaluations	125249-1	84.395	1,074
Supervisor's Travel	115756-1	84.395	48
Read 180 Carryover	115756-5	84.395	57,900
Infrastructure Consultant Carryover	115756-8	84.395	3,500
Educator Instructor Academy Carryover	115756-2	84.395	3,567
Educator Instructor Academy	115756-2	84.395	279
STEM	115756-6	84.395	3,493
Infrastructure Upgrade	115756-9	84.395	48,626
Sub-Total			<u>333,420</u>
Education Jobs Funds - ARRA Carryover	115734-1	84.410	170,789
Education Jobs Funds - ARRA	125610	84.410	11,831
Sub-Total			<u>182,620</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>3,808,139</u>
U.S. DEPARTMENT OF JUSTICE OF JUVENILE			
Indirect Grants Passed Through The Somerset County Health Department:			
Suicide Prevention	SCHD	93.243	<u>2,617</u>
Foster Care Work Experience	SCDSS	93.558	<u>7,446</u>
TOTAL U.S. DEPARTMENT OF JUSTICE OF JUVENILE			<u>10,063</u>
U.S. DEPARTMENT OF AGRICULTURE			
Pass-Through Programs From Maryland State Department of Education:			
National School Breakfast		10.553	455,992
National School Lunch - Meals		10.555	701,762
National School Lunch - Snacks		10.555	369
Food Donation		10.555	59,702
Summer Food Service		10.559	9,506
Sub-Total			<u>1,227,331</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards

THE BOARD OF EDUCATION OF SOMERSET COUNTY, MARYLAND

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2012

(continued)

Funding Source	Grant Number	Federal Catalogue Number	Expenditures
INDIRECT GRANTS - continued			
U.S. DEPARTMENT OF AGRICULTURE - continued			
Pass-Through Programs From Maryland State Department of Education - continued:			
Fresh Fruit and Vegetable Program		10.582	<u>4,764</u>
TOTAL DEPARTMENT OF AGRICULTURE			<u>1,232,095</u>
U.S. DEPARTMENT OF LABOR			
Indirect Grants Passed Through The Tri-County Council of the Lower Shore:			
Workforce Investment Act - In-School Youth		17.259	64,117
Workforce Investment Act - Out of School Youth		17.259	<u>29,984</u>
			<u>94,101</u>
TOTAL DEPARTMENT OF LABOR			<u>94,101</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 5,144,398</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards

THE BOARD OF EDUCATION OF SOMERSET COUNTY, MARYLAND
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended June 30, 2012

Note 1. Scope of Audit Pursuant to OMB Circular A-133

All Federal assistance programs operated by the Board of Education of Somerset County, Maryland are included in the scope of the *OMB Circular A-133* audit. The single audit was conducted in accordance with the provisions of the Office of Management and Budget's *Audits of States, Local Governments, and Nonprofit Organizations* except as they have been revised by the Maryland State Department of Education to clarify Federal requirements at the State level and to incorporate State requirements.

The Maryland State Department of Education has been designated as the oversight audit agency for the *OMB Circular A-133* audit.

Note 2. Fiscal Period Audited

Single audit testing procedures were performed for program transactions occurring during the fiscal year ended June 30, 2012. Single audit testing has previously been performed on transactions occurring during the fiscal year ended June 30, 2011.

Note 3. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes all Federal grants of the Board which had financial activity during fiscal year 2012 or accrued (deferred) grant revenue at June 30, 2012 and/or 2011. This statement has been prepared in accordance with generally accepted accounting principles.

Note 4. Reconciliation of Federal Awards

Restricted Federal awards/expenditures per statement of revenue, expenditures and changes in fund balances – governmental funds	\$ 4,395,804
Restricted Federal awards/expenditures per statement of revenues, expenses and changes in fund net assets – proprietary fund	1,158,123
USDA donated commodities per statement of revenues, expenses and changes in fund net assets – proprietary fund	59,702
Other USDA programs reported in statement of revenues, expenses and changes in fund net assets – proprietary fund	14,270
Medicaid revenue/expense included in federal awards but not included On Schedule of expenditures of federal awards	<u>(483,501)</u>
	<u>\$ 5,144,398</u>

THE BOARD OF EDUCATION OF SOMERSET COUNTY, MARYLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

A. Summary of Auditors' Results

1. The auditor's report expresses an unqualified opinion on the financial statements of The Board of Education of Somerset County, Maryland.
2. No significant deficiencies relating to the audit of the financial statements are reported in the 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* were disclosed during the audit.
3. No instances of noncompliance material to the financial statements of The Board of Education of Somerset County, Maryland were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements That Could Have A Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for The Board of Education of Somerset County, Maryland expresses an unqualified opinion.
6. There are no current findings relative to the major federal award programs for the Board of Education of Somerset County, Maryland.
7. The programs tested as major programs include:

<u>GRANT DESCRIPTION</u>	<u>CFDA #</u>	<u>EXPENDITURES</u>
Race to the Top - ARRA	84.395	333,420
Child Nutrition Cluster	10.553, 10.555, and 10.559	1,227,331
Education Technology Cluster	84.318 and 84.386	124,478
Education Jobs Fund - ARRA	84.410	<u>182,620</u>
TOTAL		<u>\$ 1,867,849</u>

8. The threshold for distinguishing Type A programs was \$300,000.
9. The Board of Education of Somerset County, Maryland was determined to be a low-risk auditee for the year ended June 30, 2012.

B. Findings Related to the Financial Statements

None.

C. Findings and Questioned Costs - Major Federal Award Programs Audit

None