

THE BOARD OF EDUCATION OF
WORCESTER COUNTY, MARYLAND

UNIFORM GUIDANCE
SUPPLEMENTARY FINANCIAL REPORT

June 30, 2023

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INDEPENDENT AUDITORS' 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 Worcester County, Maryland
Newark, Maryland

We have audited, in accordance with the 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, the business-type activities, each major fund, and the aggregate remaining fund information of The Board of Education of Worcester County (the "Board"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise The Board of Education of Worcester County's basic financial statements, and have issued our report thereon dated September 30, 2023.

Report on 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) as a basis for designing 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 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on 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 financial statements. 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.

The logo for UHY LLP, featuring the letters 'UHY' in a large, stylized, cursive font, with 'LLP' in a smaller, simpler font to the right.

Salisbury, Maryland
September 30, 2023

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

The Board of Education of Worcester County, Maryland
Newark, Maryland

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited The Board of Education of Worcester County's (the "Board") compliance with the types of compliance requirements identified as subject to audit in the OMB *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, 2023. 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.

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, 2023.

Basis for Opinion on Each Major Federal Program

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 the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Board and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Board's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Board's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Board's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Board's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Board's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Board's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses,

as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The Board of Education of Worcester County, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements. We issued our report thereon dated September 30, 2023, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The logo for UHY LLP, featuring the letters 'UHY' in a large, stylized, handwritten font, with 'LLP' in a smaller, simpler font to the right.

Salisbury, Maryland
September 30, 2023, except for the
Schedule of Expenditures of
Federal Awards, which is dated
December 15, 2023

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

THE BOARD OF EDUCATION OF WORCESTER COUNTY, MARYLAND

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2023

	Grant Number	Federal Assistance Listing Number	Expenditures	Amounts Paid to Subrecipients
DEPARTMENT OF AGRICULTURE				
Indirect Grants Passed Through the Maryland State Department of Education:				
Child Nutrition Cluster:				
School Breakfast	None	10.553	\$ 721,483	\$ -
National School Lunch Program	None	10.555	1,724,957	-
USDA Commodities	None	10.555	232,164	-
Sub-Total			<u>1,957,121</u>	<u>-</u>
Summer Food Service Program	None	10.559	81,068	-
Total Child Nutrition Cluster	10.553/10.555/10.559		<u>2,759,672</u>	<u>-</u>
At-Risk Meals and Suppers	None	10.558	147,121	-
TOTAL DEPARTMENT OF AGRICULTURE			<u>2,906,793</u>	<u>-</u>
DEPARTMENT OF THE TREASURY				
Indirect Grants Passed Through the Maryland State Department of Education:				
COVID-19 - ARP Trauma & Behavioral Health	211778-01	21.027	19,154	-
COVID-19 - ARP Summer Supplementary	211806-01	21.027	41,561	-
COVID-19 - ARP Transition Supplement	211861-01	21.027	26,344	-
COVID-19 - ARP Supplementary Instruction and Tutoring	211871-01	21.027	157,176	-
COVID-19 - ARP Trauma & Behavioral Health	211902-01	21.027	7,187	-
COVID-19 - ARP Summer Supplementary	211919-01	21.027	117,572	-
Sub-Total			<u>368,994</u>	<u>-</u>
TOTAL DEPARTMENT OF THE TREASURY			<u>368,994</u>	<u>-</u>
U.S. FEDERAL COMMUNICATIONS COMMISSION				
Direct Grant:				
COVID-19 - ARP Emergency Connectivity Fund	None	32.009	267,547	-
TOTAL FEDERAL COMMUNICATIONS COMMISSION			<u>267,547</u>	<u>-</u>
NATIONAL ENDOWMENT FOR THE HUMANITIES				
Indirect Grants Passed Through the Institute of Museum and Library Services:				
Accelerating Promising Practices for Small Libraries	None	45.312	22,384	-
TOTAL NATIONAL ENDOWMENT FOR THE HUMANITIES			<u>22,384</u>	<u>-</u>
DEPARTMENT OF EDUCATION				
Indirect Grants Passed Through the Department of Labor:				
Adult Education Basic	None	84.002	33,034	-
Adult Education Institutionalized	None	84.002	13,064	-
Sub-Total			<u>46,098</u>	<u>-</u>
Indirect Grants Passed Through the Maryland State Department of Education:				
Title I	221504-01	84.010	156,892	-
Title I	231260-01	84.010	1,786,634	-
Sub-Total			<u>1,943,526</u>	<u>-</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards.

THE BOARD OF EDUCATION OF WORCESTER COUNTY, MARYLAND

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2023

DEPARTMENT OF EDUCATION - CONTINUED	Grant Number	Federal Assistance Listing Number	Expenditures	Amounts Paid to Subrecipients
Special Education Cluster:				
Disproportionality	210264-10	84.027	21,628	-
One Time Disc Supp Part B 619	211000-01	84.027	9,906	-
Transition	211000-02	84.027	6,708	-
Program Priorities	211000-04	84.027	27,567	-
Pass Through	220405-01	84.027	645,703	-
Pass Through Supplement	220405-02	84.027	12,757	-
Disproportionality	220405-03	84.027	176,869	-
Citizens Advisory Committee	220405-04	84.027	76	-
Family Partnerships	220405-05	84.027	7,539	-
Extend Option Supplement	221738-01	84.027	13,340	-
Extend IFSP Supplement	221738-02	84.027	3,668	-
Supplement Preschool Passthrough	221188-01	84.027	23,605	-
Preschool	221188-02	84.027	377	-
Infant Toddler Part C	221206-01	84.027	12,337	-
Pass Through Supplement	221245-01	84.027	164,019	-
Pass Through Supplement	221245-02	84.027	7,372	-
Passthrough CCEIS	221245-03	84.027	28,863	-
Program Priorities	221315-01	84.027	62,996	-
ARP Part C	221920-01	84.027	9,846	-
Pass Through	230572-01	84.027	391,002	-
Pass Through Supplement	230572-02	84.027	8,380	-
Disproportionality	230572-03	84.027	51,999	-
Citizens Advisory Committee	230572-04	84.027	1,480	-
Family Partnerships	230572-05	84.027	16,000	-
Toddler Part B	230626-01	84.027	8,861	-
Program Priorities	230969-01	84.027	35,305	-
Sub-Total			1,748,203	-
Education of The Handicapped - Preschool Grants:				
Infant Toddler - Part B	220198-01	84.173	1,416	-
Infant Toddler - Part B Supplement	220198-02	84.173	431	-
Preschool	230575-01	84.173	35,289	-
Toddler Part B	230669-01	84.173	4,447	-
Toddler Part B Supplement	230669-02	84.173	633	-
Sub-Total			42,216	-
Total Special Education Cluster (IDEA)		84.027/84.173	1,790,419	-
Vocational Basic Grant:				
CTE Reserve Grant	230084-01	84.048	53,021	-
CTE Perkins Grant	230085-01	84.048	113,608	-
Sub-Total			166,629	-
DORS Work Incentive Grant	221851-01	84.126	217,180	-
Community Work Experience	230871-01	84.126	69,224	-
Sub-Total			286,404	-
Infant Toddler Part C	220128-01	84.181	4,832	-
Infant Toddler Part C	230640-01	84.181	40,691	-
Sub-Total			45,523	-

See Accompanying Notes to Schedule of Expenditures of Federal Awards.

THE BOARD OF EDUCATION OF WORCESTER COUNTY, MARYLAND

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2023

	Grant Number	Federal Assistance Listing Number	Expenditures	Amounts Paid to Subrecipients
DEPARTMENT OF EDUCATION - CONTINUED				
McKinney Vento Homeless Grant	221575-01	84.196	12,755	-
McKinney Vento Homeless Grant	231225-01	84.196	8,964	-
McKinney Vento Supplement	231951-01	84.196	21,683	-
Sub-Total			<u>43,402</u>	-
Title III ESL	220673-01	84.365	2,782	-
Title III ESL	230444-01	84.365	14,882	-
Sub-Total			<u>17,664</u>	-
Improving Teacher Quality	201068-01	84.367	2,011	-
Improving Teacher Quality	210779-01	84.367	99,885	-
Improving Teacher Quality	221056-01	84.367	66,582	-
Improving Teacher Quality	230712-01	84.367	107,929	-
Sub-Total			<u>276,407</u>	-
Title IV	201582-01	84.424	2,969	-
Title IV	211366-01	84.424	33,671	-
Title IV	221519-01	84.424	44,717	-
Title IV	231106-01	84.424	32,500	-
Title IV	231216-01	84.424	69,485	-
Sub-Total			<u>183,342</u>	-
COVID-19 - GEER Worcester on Wheels	202130-01	84.425C	350,316	-
COVID-19 - GEER Worcester	201890-01	84.425C	56,987	-
COVID-19 - CARES ESSER Grant	201779-01	84.425D	259,728	-
COVID-19 - CARES Reopening Schedule Incentive	202047-01	84.425D	190,200	-
COVID-19 - CARES ESSER Grant	202116-01	84.425D	3,414,259	-
COVID-19 - CARES ESSER Grant	211945-01	84.425D	5,749,241	-
COVID-19 - Future Ready Schools	221369-01	84.425D	1,909	-
COVID-19 - Future Ready Schools	222024-01	84.425D	88,920	-
COVID-19 - ARP HCY	221591-01	84.425U	6,886	-
COVID-19 - ARP HCY	221789-01	84.425U	45,408	-
COVID-19 - ARP After School	221702-01	84.425U	178,797	-
COVID-19 - ARP After School	221707-01	84.425U	152,745	-
COVID-19 - MD Grow Your Own	221861-02	84.425U	95,930	-
COVID-19 - MD Staff Supplement & Retention	221861-03	84.425U	118,180	-
COVID-19 - MD Science of Reading	221861-04	84.425U	73,434	-
COVID-19 - MD High Quality Tutoring	221861-05	84.425U	91,216	-
COVID-19 - MD Transforming Neighbourhoods	221861-07	84.425U	128,246	-
Sub-Total			<u>11,002,402</u>	-
TOTAL DEPARTMENT OF EDUCATION			<u>15,801,816</u>	-
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Indirect Grants Passed Through the Maryland State Department of Education:				
Rebuild Initiative	231532-01	93.575	565,182	-
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>565,182</u>	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 19,932,716</u>	<u>\$ -</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards.

THE BOARD OF EDUCATION OF WORCESTER COUNTY, MARYLAND

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2023

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the Federal award activity of the Board of Education of Worcester County, Maryland under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Board of Education of Worcester County, Maryland, it is not intended to and does not present the financial position, change in net assets, or cash flows of the Board of Education of Worcester County, Maryland.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, where certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rate

The Board of Education of Worcester County has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4. Reconciliation of Federal Awards

Restricted Federal awards/expenditures per schedule of revenues and expenditures – combined restricted and unrestricted	\$ 17,142,975
Restricted Federal awards/expenditures per statement of revenues, expenses and changes in fund net position – proprietary fund	2,674,629
USDA donated commodities per statement of revenues, expenses and changes in fund net position – proprietary fund	232,164
E-Rate revenue/expenditures included in other sources on the schedule of revenues and expenditures – combined restricted and unrestricted	267,547
JROTC, other grant revenue/expenses included in federal revenue but not included on schedule of expenditures of federal awards	(151,016)
Medicaid revenue/expense included in federal revenues but not included on schedule of expenditures of federal awards	<u>(233,583)</u>
	<u>\$ 19,932,716</u>

THE BOARD OF EDUCATION OF WORCESTER COUNTY, MARYLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2023

A. Summary of Auditors' Results

1. The auditor's report expresses an unmodified opinion on the financial statements of The Board of Education of Worcester County, Maryland and were prepared in accordance with GAAP.
2. No significant deficiencies or material weaknesses in internal control relating to the audit of the financial statements are reported in the 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*.
3. No instances of noncompliance material to the financial statements of The Board of Education of Worcester County, Maryland, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over major federal award programs are reported in the Report on Compliance for Each Major Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for The Board of Education of Worcester County, Maryland expresses an unmodified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this Schedule.
7. The programs tested as major programs were:

<u>GRANT DESCRIPTION</u>	<u>CFDA #</u>
Special Education	84.027/84.173
COVID-19 - Education Stabilization Funds - Governors Emergency Education Relief (GEER) Fund/ Elementary and Secondary School Emergency Relief (ESSER) Fund/ American Rescue Plan – Elementary and Secondary School Emergency Relief (ARP ESSER)	84.425C/84.425D/84.425U

8. The threshold for distinguishing Type A and B programs was \$750,000.
9. The Board of Education of Worcester County, Maryland was determined to be a low-risk auditee.

B. Findings - Financial Statement Audit

None.

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

None