

TOWN OF LUNENBURG, MASSACHUSETTS

REPORTS ON FEDERAL AWARD PROGRAMS

FISCAL YEAR ENDED JUNE 30, 2011

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100 Quannapowitt Parkway
Suite 101
Wakefield, MA 01880
T. 781-914-1700
F. 781-914-1701
www.powersandsullivan.com

**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**

To the Board of Selectmen
Town of Lunenburg, Massachusetts

Compliance

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 Town of Lunenburg, Massachusetts, as of and for the year ended June 30, 2011, which collectively comprise the Town of Lunenburg, Massachusetts' basic financial statements and have issued our report thereon dated March 3, 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 Town of Lunenburg, Massachusetts' 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 Town of Lunenburg, Massachusetts' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Lunenburg, Massachusetts' 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 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 would not necessarily 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 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 Town of Lunenburg, Massachusetts' 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 other matters that we reported to management of the Town of Lunenburg, Massachusetts in a separate letter dated March 3, 2012.

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

A handwritten signature in black ink, appearing to read "Bowers & Sullivan LLC". The signature is written in a cursive, flowing style.

March 3, 2012



100 Quannapowitt Parkway
Suite 101
Wakefield, MA 01880
T. 781-914-1700
F. 781-914-1701
www.powersandsullivan.com

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

To the Board of Selectmen
Town of Lunenburg, Massachusetts

Compliance

We have audited the compliance of the Town of Lunenburg, Massachusetts, 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 Town of Lunenburg, Massachusetts' major federal programs for the year ended June 30, 2011. The Town of Lunenburg, Massachusetts' major federal programs are identified in the summary of auditors' 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 Town of Lunenburg, Massachusetts' management. Our responsibility is to express an opinion on the Town of Lunenburg, Massachusetts' 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 Town of Lunenburg, Massachusetts' 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 Town of Lunenburg, Massachusetts' compliance with those requirements.

In our opinion, the Town of Lunenburg, Massachusetts, complied, in all material respects, with the 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, 2011.

Internal Control Over Compliance

Management of the Town of Lunenburg, Massachusetts 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 Town of Lunenburg, Massachusetts' 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, 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 Town of Lunenburg, Massachusetts' 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 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, each major fund, and the aggregate remaining fund information of the Town of Lunenburg, Massachusetts as of and for the year ended June 30, 2011, and have issued our report thereon dated March 3, 2012. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the Town of Lunenburg, Massachusetts' 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, 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, the Board of Selectmen, 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.



March 3, 2012

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR FISCAL ENDED JUNE 30, 2011

<u>Federal Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE:		
<u>Passed through Commonwealth of Massachusetts</u>		
<u>Department of Elementary and Secondary Education:</u>		
Non-Cash Assistance (Commodities):		
National School Lunch Program	10.555	\$ 22,168
Cash Assistance:		
National School Lunch Program	10.555	<u>102,724</u>
TOTAL AGRICULTURE		<u>124,892</u>
U.S. DEPARTMENT OF JUSTICE:		
<u>Passed through Massachusetts Department of Public Safety:</u>		
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	<u>606</u>
U.S. DEPARTMENT OF TRANSPORTATION:		
<u>Passed through Massachusetts Department of Public Safety:</u>		
State Traffic Safety Information System Improvement Grants	20.610	<u>4,901</u>
U.S. DEPARTMENT OF EDUCATION:		
<u>Passed through the Commonwealth of Massachusetts</u>		
<u>Department of Elementary and Secondary Education:</u>		
Title I Grants to Local Educational Agencies	84.010	109,758
Special Education Grants to States	84.027	382,046
Occupational Education-Vocational Skills	84.048	21,032
Safe and Drug-free Schools and Communities, State Grants	84.186	3,969
Fund for the Improvement of Education	84.215	5,000
State Grant for Innovative Programs	84.298	3,339
Education Technology State Grants	84.318	4,150
Improving Teacher Quality State Grants	84.367	55,535
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	47,292
ARRA - Special Education Grants to States, Recovery Act	84.391	237,136
ARRA - State Fiscal Stabilization Fund	84.394	24,149
ARRA - Race-to-the-Top Incentive Grants, Recovery Act	84.395	8,795
<u>Passed through the State Department of Early Education and Care:</u>		
Special Education Preschool Grants	84.173	34,999
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	<u>8,439</u>
TOTAL EDUCATION		<u>945,639</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:		
<u>Passed through the Massachusetts Corporation for National and</u>		
<u>Community Service:</u>		
Learn and Serve America School and Community Based Program	94.004	18,441
<u>Passed through Massachusetts Rehabilitation Commission:</u>		
Social Security Disability Insurance	96.001	<u>30</u>
TOTAL HEALTH AND HUMAN SERVICES		<u>18,471</u>
U.S. DEPARTMENT OF HOMELAND SECURITY:		
<u>Direct Programs:</u>		
Disaster Grants - Public Assistance	97.036	<u>146,146</u>
TOTAL		<u>\$ 1,240,655</u>

See notes to schedule of expenditures of federal awards.

Note 1 - Definition of Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the Town of Lunenburg, Massachusetts. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other governmental agencies is included on the schedule.

Note 2 - Significant Accounting Policies

The accounting and reporting policies of the Town of Lunenburg, Massachusetts, are set forth below:

- (a) Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting. Accordingly, expenditures are recognized when the liability is incurred.
- (b) School Lunch Program (Cash Assistance) - Program expenditures represent federal reimbursement for meals provided during the fiscal year.
- (c) School Lunch Program (Non-Cash Assistance) – Program expenditures represent the value of donated foods received during the fiscal year.

Note 3 – Program Clusters

In accordance with Subpart A §.105 of OMB Circular No. A-133, *Audits of States, Local Governments and Non Profit Organizations*, certain programs have been clustered in determining major programs. The following represents the clustered programs:

<u>Name of Cluster/Program</u>	<u>CFDA Number</u>
Title 1 Cluster	
Title 1 Grants to Local Educational Agencies	84.010
ARRA - Title 1 Grants to Local Educational Agencies, Recovery Act	84.389
Special Education Cluster	
Special Education Grants to States	84.027
Special Education Preschool Grants	84.173
ARRA - Special Education Grants to States, Recovery Act	84.391
ARRA - Special Education Preschool Grants, Recovery Act	84.392

A. Summary of Auditors’ Results

1. The auditors’ report expresses an unqualified opinion on the financial statements of the Town of Lunenburg, Massachusetts.
2. No significant deficiencies 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 basic financial statements of the Town of Lunenburg, Massachusetts, 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 auditors’ report on compliance for the major federal award programs for the Town of Lunenburg, Massachusetts, expresses an unqualified opinion.
6. There were no audit findings relative to the major federal award programs for the Town of Lunenburg, Massachusetts.
7. The programs tested as major programs include:

<u>Program Title</u>	<u>CFDA Number</u>
Title 1 Grants to Local Educational Agencies	84.010
Special Education Grants to States	84.027
Special Education Preschool Grants	84.173
ARRA - Title 1 Grants to Local Educational Agencies, Recovery Act	84.389
ARRA - Special Education Grants to States, Recovery Act	84.391
ARRA - Special Education Preschool Grants, Recovery Act	84.392

7. The threshold for distinguishing Types A and B programs was \$300,000.
8. The Town of Lunenburg, Massachusetts was determined to be a low-risk auditee.

B. Findings-Financial Statements Audit

None

C. Finding and Questioned Costs – Major Federal Award Programs

None

D. Prior Fiscal Year Audit Findings and Questioned Costs

U.S. DEPARTMENT OF EDUCATION

Questioned
Costs

Special Education Grants to States	84.027	None
Special Education Preschool Grants	84.173	None
Special Education Grants to States, Recovery Act	84.391	None
Special Education Preschool Grants, Recovery Act	84.392	None

2011-01: *Condition and Criteria:* OMB Circular A-87, “Cost Principles for State, Local and Indian Tribal Governments” requires grantees to maintain documentation of employee time and effort that has been charged to federal awards. If 100% of an employee’s salary is charged to a federal award, a grant recipient is required to maintain semi-annual certifications stating that 100% of the employee’s time was spent working on grant activities. If less than 100% of an employee’s salary is charged to a federal award, a grant recipient is required to maintain monthly personnel activity reports documenting 100% of the employee’s time.

Cause: The District did not maintain semi-annual certifications or personnel activity reports for employee salaries charged to the Special Education Grants.

Effect: The District was not in compliance with the grant requirements.

Auditors’ Recommendation: We recommended that the District implement procedures to comply with OMB Circular A-87, “Cost Principles for State, Local and Indian Tribal Governments”.

Current Status: The corrective action was taken in fiscal 2011.