

TOWN OF BELLINGHAM, MASSACHUSETTS

INDEPENDENT AUDITORS' REPORT AS
REQUIRED BY OMB CIRCULAR A-133
AND ***GOVERNMENT AUDITING STANDARDS***
AND RELATED INFORMATION

FOR THE YEAR ENDED JUNE 30, 2014

TOWN OF BELLINGHAM, MASSACHUSETTS
INDEPENDENT AUDITORS' REPORT AS REQUIRED BY OMB CIRCULAR A-133
AND ***GOVERNMENT AUDITING STANDARDS*** AND RELATED INFORMATION
FOR THE YEAR ENDED JUNE 30, 2014

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R. E. BROWN & COMPANY

**CERTIFIED PUBLIC ACCOUNTANTS
25 CEMETERY STREET – P.O. Box 230
Mendon, Massachusetts 01756**

Phone: (508) 478-3941

Fax: (508) 478-1779

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAMS AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Honorable Board of Selectmen
Town of Bellingham, Massachusetts

Report on Compliance for Each Major Federal Programs

We have audited the Town of Bellingham, Massachusetts'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 Town of Bellingham, Massachusetts's major federal programs for the year ended June 30, 2014. The Town of Bellingham, Massachusetts's major federal programs are identified in the summary of auditor'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 Town of Bellingham, Massachusetts'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 Town of Bellingham, Massachusetts'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 Town of Bellingham, Massachusetts's compliance.

Basis for Qualified Opinion on Child Nutrition Cluster

As described in the accompanying schedule of findings and questioned costs, the Town of Bellingham, Massachusetts did not comply with requirements regarding CFDA #10.553 and 10.555 Child Nutrition Cluster as described in finding #2014-001 for Eligibility. Compliance with such requirements is necessary, in our opinion, for the Town of Bellingham, Massachusetts to comply with the requirements applicable to that program.

Qualified Opinion on Child Nutrition Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Town of Bellingham, Massachusetts complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA# 10.553 and 10.555 Child Nutrition Cluster for the year ended June 30, 2014.

Unmodified Opinion on the Other Major Federal Program

In our opinion, the Town of Bellingham, Massachusetts complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its other major federal program identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of the Town of Bellingham 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 Town of Bellingham, Massachusetts's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the 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 Town of Bellingham, Massachusetts's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2014-001 to be a material weakness.

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.

The Town of Bellingham, Massachusetts response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town of Bellingham, Massachusetts response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Report on Schedule of Expenditures of Federal Awards Required by OMB A-133

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 Bellingham, Massachusetts as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Bellingham, Massachusetts's basic financial statements. We issued our report thereon dated June 29, 2015, which contained an unmodified opinion 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 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 basic 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 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.



June 29, 2015

**TOWN OF BELLINGHAM, MASSACHUSETTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014**

PROGRAM GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE	FEDERAL CFDA NUMBER	GRANTOR/ PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES
U.S. DEPARTMENT OF EDUCATION			
SPECIAL EDUCATION CLUSTER:			
PASS-THROUGH PROGRAMS FROM: MASSACHUSETTS EXECUTIVE OFFICE OF EDUCATION DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION (DESE)			
PL 94-142 PROJECT CLASS - FY 2014	84.027	240-045-4-0025-O	\$ 649,176
SPED PROGRAM IMPROVEMENT - FY 2014	84.027	274062-4-0025-O	10,565
SPED 94-142 TRANSITION	84.027	243-043-4-0025-O	1,600
TOTAL PASS-THROUGH PROGRAMS FROM: MASSACHUSETTS EXECUTIVE OFFICE OF EDUCATION (DESE)			661,341
PASS-THROUGH PROGRAMS FROM: MASSACHUSETTS EXECUTIVE OFFICE OF EDUCATION - DEPARTMENT OF EARLY EDUCATION & CARE (EEC)			
EARLY CHILDHOOD ALLOCATION - FY 2014	84.173	26214BELLINGHAMPUBLIC	27,366
EARLY CHILDHOOD ALLOCATION - FY 2013	84.173	26213BELLINGHAMPUBLIC	28,004
TOTAL PASS-THROUGH PROGRAMS FROM : MASSACHUSETTS EXECUTIVE OFFICE OF EDUCATION (EEC)			55,370
TOTAL SPECIAL EDUCATION CLUSTER:			716,711
PASS-THROUGH PROGRAMS FROM: MASSACHUSETTS EXECUTIVE OFFICE OF EDUCATION - DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION (DESE)			
TITLE I - FY 2014	84.010	305-017780-2014-0025	137,704
TITLE I - FY 2013	84.010	305-000555-2013-0025	10,900
IMPROVING TEACHER QUALITY STATE GRANT: TEACHER QUALITY - FY 2014	84.367	140-016291-2014-0025	42,734
STATE FISCAL STABILIZATION FUND - RACE-TO-THE TOP INCENTIVE GRANT	84.395	201-015646-2014-0025	9,636
TOTAL PASS-THROUGH PROGRAMS FROM: MASSACHUSETTS EXECUTIVE OFFICE OF EDUCATION (DESE)			200,974
TOTAL U.S. DEPARTMENT OF EDUCATION			917,685
U.S. DEPARTMENT OF AGRICULTURE:			
CHILD NUTRITION CLUSTER:			
PASS-THROUGH PROGRAMS FROM: MASSACHUSETTS EXECUTIVE OFFICE OF EDUCATION - DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION - BUREAU OF NUTRITION			
SCHOOL BREAKFAST PROGRAM	10.553	11-099	36,432
NATIONAL SCHOOL LUNCH PROGRAM	10.555	11-099	284,560
TOTAL U.S. DEPARTMENT OF AGRICULTURE			320,992
U.S DEPARTMENT OF HOMELAND SECURITY			
DIRECT PROGRAMS FROM: FEDERAL EMERGENCY MANAGEMENT AGENCY			
AUTOMATED EXTERNAL DEFIBRILLATOR GRANT	97.044		138,384
ASSISTANCE TO FIREFIGHTERS GRANT	97.044		10,694
TOTAL DIRECT PROGRAMS FROM : FEDERAL EMERGENCY MANAGEMENT AGENCY			149,078
PASS-THROUGH PROGRAMS FROM: MASSACHUSETTS EMERGENCY MANAGEMENT AGENCY			
DISASTER GRANTS - PUBLIC ASSISTANCE:	97.036	FEMA 4110 PW-00290	91,618
EMERGENCY MANAGEMENT PERFORMANCE GRANT	97.036		4,030
TOTAL PASS-THROUGH PROGRAMS FROM : MASSACHUSETTS EMERGENCY MANAGEMENT AGENCY (MEMA)			95,648
TOTAL U.S DEPARTMENT OF HOMELAND SECURITY			244,726
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
PASS-THROUGH PROGRAM FROM: MASSACHUSETTS EXECUTIVE OFFICE OF HOUSING AND COMMUNITY DEVELOPMENT			
COMMUNITY DEVELOPMENT BLOCK GRANT - STATE PROGRAM	14.228	CDBG CDF II	68,909
TOTAL U.S DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			68,909
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,552,312

**TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting policies and financial reporting practices permitted for municipalities in Massachusetts are prescribed by the Uniform Municipal Accounting System (UMAS) promulgated by the Commonwealth of Massachusetts Department of Revenue. The significant accounting policies followed by the Town are as follows:

A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town of Bellingham, Massachusetts under programs of the federal government for the year ended June 30, 2014. The information in this schedule is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) A-133, Audits of States, Local Governments and Non Profit Organizations. Because the schedule presents only a selected portion of the operations of the Town of Bellingham, Massachusetts, it is not intended to and does not present the financial position, changes in net position or cash flows of the Town of Bellingham, Massachusetts.

II. SCOPE OF AUDIT

The Town of Bellingham, Massachusetts (the Town) is a governmental agency established by the laws of the Commonwealth of Massachusetts. All operations related to the Town's Federal grant programs, (the Department of Agriculture, Department of Education, Department of Homeland Security, and Department of Housing and Urban Development), are included in the scope of the OMB Circular A-133 Audit Requirements for audits of state and local governments (the Single Audit). The U.S. Department of Homeland Security has been designated as the Town's oversight agency for the Single Audit.

III. PERIOD AUDITED

Single audit testing procedures were performed for Town Federal grant transactions during the year ended June 30, 2014.

IV. SCHOOL LUNCH PROGRAMS

The Town accounts for local, state and federal expenditures of the National School Lunch and School Breakfast programs in one combined fund. Programs expenditures in the accompanying Schedule of Expenditures of Federal Awards represent federal reimbursements for meals provided during fiscal 2014. Non-cash contributions of commodities under the Food Distribution programs are received under a State distribution formula and are valued at federally published wholesale prices for purposes of this schedule.

V. SUBRECIPIENTS

The Town of Bellingham, Massachusetts passed no federal awards through to sub-recipients during the period under audit.

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Mendon, Massachusetts 01756**

Phone: (508) 478-3941

Fax: (508) 478-1779

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

To the Honorable Board of Selectmen
Town of Bellingham, Massachusetts

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 Town of Bellingham, Massachusetts as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Town of Bellingham's basic financial statements, and have issued our report thereon dated June 29, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Bellingham'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 Town of Bellingham's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Bellingham'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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Bellingham'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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2014-001.

Town of Bellingham's Responses to Findings

Town of Bellingham's responses to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Town of Bellingham's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.



June 29, 2015

**TOWN OF BELLINGHAM, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014**

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of Auditors' Report Issued:

Unmodified Opinion

Internal Control over Financial Reporting:

- Material Weakness(es) Identified?
- Significant Deficiency(ies) Identified?

_____ Yes X No
_____ Yes X No

Noncompliance Material to the Financial Statements Noted?

_____ Yes X No

Federal Awards

Internal Control over Major Programs:

- Material Weakness(es) Identified?
- Significant Deficiency(ies) Identified?

 X Yes _____ No
_____ Yes X No

Type of Auditors' Report Issued on Compliance for the Major Programs:

CFDA# 84.027 & 84.173 Special Education Cluster – Unmodified Opinion
CFDA# 10.553 & 10.555 Child Nutrition Cluster – Qualified Opinion

Any Audit Findings Disclosed that are Required to be
Reported in Accordance with Section 501(a) of OMB Circular A-133?

 X Yes _____ No

Identification of the Major Programs:

CFDA No.	Name of Federal Programs or Cluster
84.027 & 84.173	Special Education Cluster
10.553 & 10.555	Child Nutrition Cluster

Dollar Threshold used to Distinguish between Type A and
Type B Programs:

 \$ 300,000

Auditee Qualified as Low-Risk Auditee?

_____ Yes X No

**TOWN OF BELLINGHAM, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014**

B. FINDINGS – BASIC FINANCIAL STATEMENT AUDIT – NONE.

C. CURRENT YEAR FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

Finding 2014-001 – Child Nutrition Cluster – CFDA No.’s 10.553 & 10.555; Grant period: Year Ended June 30, 2014

Criteria: The U.S. Department of Agriculture has established policies and procedures surrounding determining eligibility requirements of children, which include establishing adequate internal controls for the maintenance of applications of those individuals applying for benefits.

Condition: During our audit of the Child Nutrition Cluster we requested to review the eligibility and verification of free and reduced applications it was communicated to us by the School Department that all of the applications for FY 2014 have been misplaced and could not be located.

Questioned Costs: This finding does result in questioned costs as it relates to free and reduced meals in the amount of \$191,442.81 for the National School Lunch program and \$31,581.35 for the National School Breakfast program.

Context: We were unable to test the eligibility and verification of free and reduced applications for FY 2014 as the School Department has misplaced and could not locate the applications. As such we were unable to select a sample of applications and test whether the applications were properly approved for free or reduced school meals. The School Food Service Director at the end of the fiscal year files all reports and material into a box which is then placed into storage. The School Department was able to locate all FY 2013 documentation, all additional FY 2014 material and FY 2015 documentation. Unfortunately the FY 2014 applications could not be located and was not in the FY 2014 box. In addition we were unable to verify the accuracy and completeness of the Verification Summary Report sample size that would have been completed in FY 2014. This is a key and significant compliance requirement as it relates to the Child Nutrition Cluster.

Effect: No audit evidence could be provided that the free and reduced applications were properly completed and verified by the Bellingham School Department. Therefore we were not able to determine if the department was in compliance with the Eligibility requirements of the program.

Cause: School Food Service personnel did not execute due care when filing the FY 2014 school meals benefits application to ensure they were placed in storage properly in accordance with our standard operating procedures.

Recommendation: We recommend the Bellingham School Department follow procedures to ensure that all free and reduced school lunch applications be filed and retained.

Management’s Response: We concur with the auditor’s recommendation and will follow procedures to ensure that all free and reduced price meal benefits application are filed and retained in accordance with district policy. In addition, a digital copy of each applications will be made and retained as backup of the original applications.

**TOWN OF BELLINGHAM, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014**

D. PRIOR YEAR FINDINGS & QUESTIONED COSTS –

Finding 2013-001 – Special Education (IDEA) Cluster – CFDA No.'s 84.027; Grant period: Year Ended June 30, 2013

Criteria: The Period of Availability for Special Education PL 94-142 was September 1, 2012 through August 31, 2013.

Condition: During our test of controls over compliance it was noted that one of the invoices charged to the Special Education PL 94-142 (84.027) was for services outside of the period availability as set forth by the Massachusetts Department of Education and Secondary Education.

Questioned Costs: This finding did result in a questioned cost of \$460.00.

Context: During our test of charges (invoices) against the Special Education PL 94-142 grant (84.027) as it related to compliance it was noted that an invoice charged to the grant was for services prior to the period of availability and thus would not be an allowable cost. Massachusetts Department of Education and Secondary Education had established that the start of the grant period would be September 1, 2012 and the expenditure of \$460.00 was for services provided prior to the grant's start date.

Effect: Bellingham School Department was not in compliance with the period of availability requirement set forth by the Massachusetts Department of Education and Secondary Education.

Cause: The Special Education Grant has a section that funds student transportation. The purchase order, and subsequent invoice, for a student's summer field trip costs had been mistakenly charged to the grant prior to the official start date, because the grants funds had already been received.

Recommendation: We recommend the Bellingham School Department follow procedures to ensure that expenditures charged to the grants are within the period of availability as set forth by the Massachusetts Department of Education and Secondary Education.

Management's Response: We have made everyone who works with grants aware of the importance of the DURATION DATES of each grant. These dates are noted on both the grant folders and the grant accounting pages to remind us of these date ranges to avoid future errors.

Current Status: The recommendations have been adopted during Fiscal 2014.