

TOWN OF WELLESLEY, MASSACHUSETTS

REPORTS ON FEDERAL AWARD PROGRAMS

YEAR ENDED JUNE 30, 2017

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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

Independent Auditor's Report

To the Honorable Board of Selectmen
and the Audit Committee
Town of Wellesley, 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 Wellesley, Massachusetts, as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the Town of Wellesley, Massachusetts' basic financial statements, and have issued our report thereon dated December 11, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Wellesley, Massachusetts' 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 Wellesley, Massachusetts' internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Wellesley, Massachusetts' 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 Wellesley, Massachusetts' 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 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.

A handwritten signature in black ink that reads "Powers + Juliani, LLC". The script is cursive and fluid, with the letters connected. The "P" is large and loops around, and the "LLC" is written in a slightly more upright but still cursive style.

December 11, 2017



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

Independent Auditor's Report

To the Honorable Board of Selectmen
and the Audit Committee
Town of Wellesley, Massachusetts

Report on Compliance for Each Major Federal Program

We have audited the Town of Wellesley, Massachusetts' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of Wellesley, Massachusetts' major federal programs for the year ended June 30, 2017. The Town of Wellesley, Massachusetts' major federal programs are identified in the summary of auditors' 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 Wellesley, Massachusetts' 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 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). Those standards and the Uniform Guidance 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 Wellesley, 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Wellesley, Massachusetts' compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Wellesley, Massachusetts 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, 2017.

Report on Internal Control Over Compliance

Management of the Town of Wellesley, Massachusetts 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 Wellesley, Massachusetts' 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 Uniform Guidance, 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 Wellesley, 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. *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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 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 Town of Wellesley, Massachusetts, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Wellesley, Massachusetts' basic financial statements. We issued our report thereon dated December 11, 2017, 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 the 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 basic 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.

Powers + Juliani, LLC

December 11, 2017

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Amount Passed Through to Sub-Recipients	Expenditures
CHILD NUTRITION CLUSTER:				
U.S. DEPARTMENT OF AGRICULTURE:				
<u>Passed through the Commonwealth of Massachusetts Department of Elementary and Secondary Education:</u>				
Non-Cash Assistance (Commodities):				
National School Lunch Program.....	10.555	11-317	\$ -	\$ 63,462
Cash Assistance:				
National School Lunch Program.....	10.555	11-317	-	169,120
Total National School Lunch Program.....			-	232,582
Cash Assistance:				
School Breakfast Program.....	10.553	11-317	-	16,994
TOTAL CHILD NUTRITION CLUSTER.....			-	249,576
SPECIAL EDUCATION CLUSTER:				
<u>Passed through the Commonwealth of Massachusetts Department of Elementary and Secondary Education:</u>				
Special Education - Grants to States (IDEA, Part B).....	84.027	240-101115-2017-0317	-	1,145,110
Special Education - Grants to States (IDEA, Part B).....	84.027	240-372-6-0317	-	14,000
Total Special Education - Grants to States (IDEA, Part B).....			-	1,159,110
Special Education - Grants to States (IDEA, Part B), Program Improvement.....	84.027	274-219-7-0317	-	25,000
Special Education - Grants to States (IDEA, Part B) Early Childhood.....	84.027	298-089-7-0317	-	626
Total Special Education Grants to States (IDEA, Part B).....			-	1,184,736
<u>Passed through the Commonwealth of Massachusetts Department of Early Education and Care:</u>				
Special Education Preschool Grants (IDEA, Preschool).....	84.173	26217WELLESLEYFINAL	-	30,476
TOTAL SPECIAL EDUCATION CLUSTER.....			-	1,215,212
DIRECT PROGRAMS:				
U.S. DEPARTMENT OF JUSTICE:				
<u>Direct Program</u>				
Asset Forfeiture Program.....	16.UNK	N/A	-	18,786
Bulletproof Vest Partnership Program.....	16.607	N/A	-	4,770
TOTAL DEPARTMENT OF JUSTICE.....			-	23,556
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:				
<u>Direct Program</u>				
Public Health Emergency Preparedness.....	93.069	N/A	-	2,709
PASS THROUGH PROGRAMS:				
U.S. DEPARTMENT OF EDUCATION:				
<u>Passed through the Commonwealth of Massachusetts Department of Elementary and Secondary Education:</u>				
Title I Grants to Local Educational Agencies.....	84.010	305-123430-2017-0317	-	105,466
Title I Grants to Local Educational Agencies.....	84.010	305-069188-2017-0317	-	13,057
Total Title I Grants to Local Educational Agencies.....			-	118,523
Research in Special Education.....	84.324	243-196-7-0317	-	7,513
English Language Acquisition State Grants.....	84.365	180-123432-2017-0317	-	19,360
Improving Teacher Quality State Grants.....	84.367	140-059934-2017-0317	-	514
Improving Teacher Quality State Grants.....	84.367	140-123431-2017-0317	-	55,935
Improving Teacher Quality State Grants.....	84.367	140-092350-2016-0317	-	4,397
Total Improving Teacher Quality State Grants.....			-	60,846
TOTAL EDUCATION.....			-	206,242
U.S. DEPARTMENT OF HOMELAND SECURITY:				
<u>Passed through the Commonwealth of Massachusetts Emergency Management Agency:</u>				
Emergency Management Performance Grants.....	97.042	FFY16 EMPG GRANT	-	6,100
TOTAL.....			\$ -	\$ 1,703,395

See notes to schedule of expenditures of federal awards.

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of the Town of Wellesley, Massachusetts under programs of the federal government for the year ended June 30, 2017. 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 Town of Wellesley, Massachusetts, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Wellesley, Massachusetts.

Note 2 – Summary of Significant Accounting Policies

The accounting and reporting policies of the Town of Wellesley, 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. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (b) Cash Assistance – School Breakfast and Lunch Program – Program expenditures represent federal reimbursement for meals provided during the year.
- (c) Non-Cash Assistance (Commodities) – School Lunch Program – Program expenditures represent the value of donated foods received during the year.
- (d) Disaster grants have been recorded the year the grant was approved.
- (e) The Town of Wellesley, Massachusetts has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

A. Summary of Auditors' Results

1. The auditor's report expresses an unmodified opinion on the financial statements of the Town of Wellesley, 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 financial statements of the Town of Wellesley, 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 for Each Major Federal Program; Report on Internal Control over Compliance; and Report on the 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 Town of Wellesley, Massachusetts expresses an unmodified opinion.
6. There were no audit findings relative to the major federal award programs for the Town of Wellesley, Massachusetts.
7. The program tested as a major grant is the Special Education Cluster.
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. The Town of Wellesley, Massachusetts was determined to be a low-risk auditee.

B. Findings – Financial Statements Audit

None

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

None

D. Summary Schedule of Prior Audit Findings

None