

***CITY OF SOMERVILLE, MASSACHUSETTS***  
***REPORTS ON FEDERAL AWARD PROGRAMS***  
***YEAR ENDED JUNE 30, 2013***

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**YEAR ENDED JUNE 30, 2013**

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100 Quannapowitt Parkway  
Suite 101  
Wakefield, MA 01880  
T. 781-914-1700  
F. 781-914-1701  
[www.powersandsullivan.com](http://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**

**Independent Auditor's Report**

To the Honorable Mayor and Board of Aldermen  
City of Somerville, 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 City of Somerville, Massachusetts, as of and for the year ended June 30, 2013, (except for the Somerville Contributory Retirement System which is as of and for the year ended December 31, 2012), and the related notes to the financial statements, which collectively comprise the City of Somerville, Massachusetts' basic financial statements, and have issued our report thereon dated December 16, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Somerville, 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 City of Somerville, Massachusetts' internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 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 City of Somerville, 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*.

## **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.

*Powers + Sullivan, LLC*

December 16, 2013



100 Quannapowitt Parkway  
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Wakefield, MA 01880  
T. 781-914-1700  
F. 781-914-1701  
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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 OMB CIRCULAR A-133**

**Independent Auditor's Report**

To the Honorable Mayor and Board of Aldermen  
City of Somerville, Massachusetts

**Compliance**

We have audited the City of Somerville, Massachusetts' 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 City of Somerville's major federal programs for the year ended June 30, 2013. The City of Somerville, Massachusetts' 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 City of Somerville, 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 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 City of Somerville, 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 City's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the City of Somerville, 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, 2013.

**Report on Internal Control Over Compliance**

Management of the City of Somerville, 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 City of Somerville, 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 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 City of Somerville'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. *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 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 Circular 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 City of Somerville, Massachusetts, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Somerville, Massachusetts' basic financial statements. We issued our report thereon dated December 16, 2013, 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 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 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 + Sullivan, LLC*

December 16, 2013

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**YEAR ENDED JUNE 30, 2013**

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<b>U.S. DEPARTMENT OF AGRICULTURE:</b>		
<u>Passed through Massachusetts Department of Elementary and Secondary Education:</u>		
Non-Cash Assistance (Commodities):		
National School Lunch Program	10.555	\$ 164,231
Cash Assistance:		
School Breakfast Program	10.553	314,888
National School Lunch Program	10.555	1,451,560
Summer Food Service Program for Children	10.559	184,916
Fresh Fruit and Vegetable Program	10.582	<u>87,720</u>
 TOTAL DEPARTMENT OF AGRICULTURE		 <u>2,203,315</u>
 <b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</b>		
<u>Direct Programs:</u>		
Community Development Block Grants/Entitlement Grants	14.218	2,674,228
Urban Development Action Grants	14.221	959
Emergency Shelter Grants Program	14.231	200,563
HOME Investment Partnerships Program	14.239	1,141,259
ARRA - Community Development Block Grant Entitlement Grants	14.253	9,575
Sustainable Communities Regional Planning Grant Program	14.703	203,761
Lead Hazard Reduction Demonstration Grant Program	14.905	391,687
Lead and Healthy Homes Technical Studies Grants	14.906	<u>120,088</u>
 TOTAL HOUSING AND URBAN DEVELOPMENT		 <u>4,742,120</u>
 <b>U.S. DEPARTMENT OF JUSTICE:</b>		
<u>Direct Programs</u>		
Bulletproof Vest Partnership Program	16.607	3,860
Edward Byrne Memorial Justice Assistance Grant Program	16.738	39,315
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants To Units Of Local Government	16.804	<u>43,537</u>
 TOTAL JUSTICE		 <u>86,712</u>
 <b>U.S. DEPARTMENT OF TRANSPORTATION:</b>		
<u>Passed through Metropolitan Area Planning Council:</u>		
Federal Transit - Capital Investment Grants	20.500	280,690
 <u>Passed through the Office of the Secretary of Public Safety:</u>		
State and Community Highway Safety	20.600	<u>74,736</u>
 TOTAL TRANSPORTATION		 <u>355,426</u>
 <b>NATIONAL ENDOWMENT FOR THE ARTS</b>		
<u>Direct Program:</u>		
Promotion of the Arts-Partnership Agreements	45.025	<u>7,444</u>
 <b>U.S. ENVIRONMENTAL PROTECTION AGENCY:</b>		
<u>Direct Program:</u>		
Environmental Protection Agency Water Quality	66.818	37,807
ARRA - Brownfields Assessment and Cleanup Cooperative Agreements	66.818	<u>62,000</u>
 TOTAL ENVIRONMENTAL PROTECTION		 <u>99,807</u>

(Continued)

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**YEAR ENDED JUNE 30, 2013**

U.S. DEPARTMENT OF ENERGY:

Direct Program:

ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	<u>99,147</u>
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U.S. DEPARTMENT OF EDUCATION:

Passed through Massachusetts Department Elementary and Secondary Education:

Adult Education - Basic Grants to States	84.002	229,894
Title I Grants to Local Educational Agencies	84.010	1,256,765
Special Education-Grants to States	84.027	1,703,144
Handicapped - State Grants	84.027A	36,492
Career and Technical Education-Basic Grants to States	84.048	83,665
Twenty-First Century Community Learning Centers	84.287	169,572
High School Graduate Initiative	84.360	81,077
English Language Acquisition Grants	84.365	144,459
Improving Teacher Quality State Grants	84.367	506,258
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants	84.395	240,055
Education Jobs Fund	84.410	182,329
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Early Learning Challenge	84.412	43,609

Passed through State Department of Early Education and Care

Special Education-Preschool Grants	84.173	<u>65,633</u>
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TOTAL EDUCATION		<u>4,742,952</u>
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Passed through Massachusetts Executive Office of Health and Human Services:

Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers	93.044	15,399
Centers for Disease Control and Prevention-Investigations and Technical Assistance	93.283	16,194
PPHF: Community Transformation Grants and National Dissemination and Support for Community Transformation Grants	93.531	67,597
National Bioterrorism Hospital Preparedness Program	93.889	1,964
Block Grants for Prevention and Treatment of Substance Abuse	93.959	<u>224,552</u>

TOTAL HEALTH AND HUMAN SERVICES		<u>325,706</u>
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SOCIAL SECURITY ADMINISTRATION:

Passed through Massachusetts Rehabilitation Commission:

Social Security Disability Insurance	96.001	<u>195</u>
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U.S. DEPARTMENT OF HOMELAND SECURITY

Passed through Massachusetts Emergency Management Agency:

Emergency Management Performance Grants	97.042	49,142
Assistance to Firefighters Grant	97.044	257,801
Disaster Grants - Public Assistance	97.036	8,781
Homeland Security Grant Program	97.067	<u>7,642</u>

TOTAL HOMELAND SECURITY		<u>323,366</u>
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TOTAL		<u>\$ 12,986,190</u>
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See notes to schedule of expenditures of federal awards.

(Concluded)

**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 City of Somerville, 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 City of Somerville, Massachusetts, are set forth below:

(a) Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards is presented on the cash basis of accounting. Accordingly, grant revenues are recognized when received and expenditures when paid.

(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 Breakfast and Lunch Program - Program expenditures represent the value of donated foods received during the 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>
<b>Child Nutrition Cluster</b>	
School Breakfast Program	10.553
National School Lunch Program	10.555
Summer Food Service Program for Children	10.559
<b>Special Education Cluster</b>	
Special Education Grants to States	84.027
Special Education Grants to States	84.027A
Special Education Preschool Grants	84.173

**A. Summary of Auditor’s Results**

1. The auditor’s report expresses an unmodified opinion on the financial statements of the City of Somerville, Massachusetts.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Report on Internal Control 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 City of Somerville, 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 Schedule of Expenditures of Federal Awards Required by OMB Circular A-133.
5. The auditor’s report on compliance for the major federal award programs for the City of Somerville, Massachusetts, expresses an unmodified opinion.
6. There were no audit findings relative to the major federal award programs for the City of Somerville, Massachusetts.

7. The programs tested as major grants include:

<u>Program Title</u>	<u>CFDA Number</u>
School Breakfast Program	10.553
National School Lunch Program	10.555
Summer Food Service Program for Children	10.559
HOME Investment Partnership Programs	14.239
Lead Hazard Reduction Demonstration Grant Program	14.905
Improving Teacher Quality State Grants	84.367

8. The threshold for distinguishing Types A and B programs was \$389,586.
9. The City of Somerville, 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. Prior Summary Schedule of Audit Findings**

None