

TOWN OF IPSWICH, MASSACHUSETTS

REPORTS ON FEDERAL AWARD PROGRAMS

FISCAL YEAR ENDED JUNE 30, 2012

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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**

To the Honorable Board of Selectmen
Town of Ipswich, Massachusetts

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 Ipswich, Massachusetts, as of and for the year ended June 30, 2012, which collectively comprise the Town of Ipswich, Massachusetts' basic financial statements and have issued our report thereon dated February 12, 2013. 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 Ipswich, 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 Ipswich, Massachusetts' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Ipswich, 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 be designed to identify all deficiencies in internal control over financial reporting 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 Ipswich, 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 Ipswich, Massachusetts in a separate letter dated February 12, 2013.

This report is intended solely for the information and use of management of the Town of Ipswich, Massachusetts 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.

Powers & Sullivan LLC

February 12, 2013



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INDEPENDENT AUDITOR'S 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 Honorable Board of Selectmen
Town of Ipswich, Massachusetts

Compliance

We have audited the Town of Ipswich, Massachusetts' compliance 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 Ipswich, Massachusetts' major federal programs for the year ended June 30, 2012. The Town of Ipswich, 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 Ipswich, Massachusetts' management. Our responsibility is to express an opinion on the Town of Ipswich, 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 Ipswich, 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 on the Town of Ipswich, Massachusetts' compliance with those requirements.

In our opinion, the Town of Ipswich, Massachusetts complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2012.

Internal Control Over Compliance

Management of the Town of Ipswich, 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 Ipswich, Massachusetts' internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 Ipswich, 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 the 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 Ipswich, Massachusetts, as of and for the year ended June 30, 2012, and have issued our report thereon dated February 12, 2013, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of management of the Town of Ipswich, Massachusetts 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.

Powers & Sullivan LLC

February 12, 2013

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE:		
<u>Passed through Massachusetts Department of Elementary and Secondary Education:</u>		
Non-Cash Assistance (Commodities):		
National School Lunch Program	10.555	\$ 39,201
Cash Assistance:		
School Breakfast Program	10.553	9,833
National School Lunch Program	10.555	117,184
Special Milk Program for Children	10.556	<u>1,152</u>
TOTAL AGRICULTURE		<u>167,370</u>
U.S. DEPARTMENT OF COMMERCE:		
<u>Passed through the Conservation Law Foundation:</u>		
Habitat Conservation	11.463	<u>3,940</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:		
<u>Passed through Massachusetts Office for Communities and Development:</u>		
Shelter Plus Care	14.238	<u>8,500</u>
U.S. DEPARTMENT OF THE INTERIOR:		
<u>Passed through the Massachusetts Division of Marine Fisheries:</u>		
Clean Vessel Act	15.616	<u>8,293</u>
U.S. DEPARTMENT OF TRANSPORTATION:		
<u>Passed through Highway Safety Bureau:</u>		
Highway Planning and Construction	20.205	<u>42,476</u>
U.S. DEPARTMENT OF EDUCATION:		
<u>Passed through Massachusetts Department of Elementary and Secondary Education:</u>		
Title I Grants to Local Educational Agencies	84.010	210,565
Special Education Grants to States (IDEA, Part B)	84.027	466,829
Special Education Grants to States (IDEA, Part B, 611)	84.027A	8,682
Improving Teacher Quality State Grants	84.367	37,245
ARRA - Title I Grants to Local Educational Agencies	84.389	13,743
ARRA - Special Education Grants to States (IDEA, Part B)	84.391	4,765
ARRA - Race to the Top Incentive Grants, Recovery Act	84.395	30,432
Education Jobs Fund	84.410	159,036
<u>Passed through Massachusetts Department of Early Education and Care:</u>		
Special Education Preschool Grants (IDEA, Preschool)	84.173	16,754
ARRA - Special Education Preschool Grants (IDEA, Preschool)	84.392	<u>159</u>
TOTAL EDUCATION		<u>948,210</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:		
<u>Passed through the Massachusetts Department of Public Health:</u>		
National Bioterrorism Hospital Preparedness Program	93.889	<u>3,406</u>
SOCIAL SECURITY ADMINISTRATION:		
<u>Passed through Massachusetts Rehabilitation Commission:</u>		
Social Security Disability Insurance	96.001	<u>70</u>
U.S. DEPARTMENT OF HOMELAND SECURITY:		
<u>Passed through Massachusetts Emergency Management Agency:</u>		
Disaster Grants - Public Assistance	97.036	12,450
Homeland Security Grant Program	97.067	11,622
State Homeland Security Program	97.073	<u>18,699</u>
TOTAL HOMELAND SECURITY		<u>42,771</u>
TOTAL		<u>\$ 1,225,036</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 Ipswich, 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 Ipswich, 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) Cash Assistance – School Breakfast and Lunch Program – Program expenditures represent federal reimbursement for meals provided during the fiscal year.
- (c) Non-Cash Assistance (Commodities) – School Lunch Program – 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 applicable to the Town of Ipswich:

<u>Name of Cluster/Program</u>	<u>CFDA Number</u>
Child Nutrition Cluster	
School Breakfast Program	10.553
National School Lunch Program	10.555
Special Milk Program for Children	10.556
Title I, Part A Cluster	
Title I Grants to Local Educational Agencies	84.010
ARRA – Title I Grants to Local Educational Agencies	84.389
Special Education Cluster	
Special Education Grants to States (IDEA, Part B)	84.027
Special Education – Grants to States (IDEA, Part B, 611)	84.027A
Special Education Preschool Grants	84.173
ARRA – Special Education Grants to States	84.391
ARRA – Special Education Preschool Grants	84.392

A. Summary of Auditors' Results

1. The auditors' report expresses an unqualified opinion on the financial statements of the Town of Ipswich, Massachusetts.
2. No significant deficiencies relating to the audit of the basic 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 Ipswich, 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 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 Ipswich, Massachusetts, expresses an unqualified opinion on all major federal award programs.
6. There were no audit findings relative to the major federal award programs for the Town of Ipswich, Massachusetts.
7. The programs tested as major grants are:

<u>Program Title</u>	<u>CFDA Number</u>
Special Education Grants to States (IDEA, Part B)	84.027
Special Education – Grants to States (IDEA, Part B, 611)	84.027A
Special Education Preschool Grants	84.173
ARRA – Special Education Grants to States	84.391
ARRA – Special Education Preschool Grants	84.392

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

B. Findings-Financial Statements Audit

None

C. Findings and Questioned Costs-Major Federal Award Programs

None

D. Summary Schedule of Prior Audit Findings

None