

CITY OF EVERETT, MASSACHUSETTS
REPORTS ON FEDERAL AWARD PROGRAMS
FISCAL YEAR ENDED JUNE 30, 1999

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor
City of Everett, Massachusetts

We have audited the financial statements of the City of Everett, Massachusetts, as of and for the year ended June 30, 1999, and have issued our report thereon dated September 3, 1999, which was qualified for the noncapitalization of fixed assets. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Everett's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Everett's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the City of Everett in a separate letter dated September 3, 1999.

This report is intended for the information of management of the City of Everett, Massachusetts, federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.



September 3, 1999

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Honorable Mayor
City of Everett, Massachusetts

Compliance

We have audited the compliance of the City of Everett, Massachusetts, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 1999. The City of Everett's 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 City of Everett's management. Our responsibility is to express an opinion on the City of Everett's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; 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 Everett'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. Our audit does not provide a legal determination on the City of Everett's compliance with those requirements.

In our opinion, the City of Everett, Massachusetts, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1999.

Internal Control Over Compliance

The management of the City of Everett, Massachusetts is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Everett's internal control over compliance with 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of management of the City of Everett, Massachusetts and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.



September 3, 1999

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INDEPENDENT AUDITOR'S REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the Honorable Mayor
City of Everett, Massachusetts

We have audited the general purpose financial statements of the City of Everett, Massachusetts, as of and for the year ended June 30, 1999, and have issued our report thereon dated September 3, 1999, which was qualified for the noncapitalization of fixed assets. Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. 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 general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.



September 3, 1999

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 1999

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF EDUCATION:		
<u>Passed through State Department</u>		
<u>of Education:</u>		
Title I Distribution	84.010	\$ 1,373,788 *
Sped 94-142 Allocation	84.027	402,250 *
Sped Curriculum Frameworks	84.027	25,097 *
Sped Early Childhood Allocation	84.173	35,742
Occupational Education - Vocational Skills	84.048	96,744
Title VI	84.151	41,205
Emergency Immigration Act	84.162	23,234
Teacher Training Math/Science	84.164	37,942
Drug Free Schools - Distribution	84.186	40,282
Chapter I Capital Expense/Private	84.216	26,148
Chapter 1 Program Improvement - CII	84.218	8,756
Curriculum Study Groups	84.276	1,394
Technical Literacy Challenge I	84.318	14,135
Profesional Development Englishl Language/History	84.276	<u>26,726</u>
Total Passed Through		2,153,443
 <u>Direct Program:</u>		
ERI Grant	84.unknown	<u>11,331</u>
 TOTAL EDUCATION		 <u>2,164,774</u>
 U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:		
<u>Passed through State Office for</u>		
<u>Communities and Development:</u>		
Small Cities Program	14.219	596,936 *
CDBG Ready Resource	14.219	15,015 *
CDBG Program Income	14.219	21,554 *
CDBG-Housing Development Support Program	14.unknown	<u>226,717</u>
Total Passed Through		860,222
 <u>Direct Program:</u>		
UDAG Program Income	14.221	<u>88,932</u>
 TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		 <u>949,154</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 1999

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE:		
<u>Passed through State Department</u>		
<u>of Education:</u>		
Food Distribution	10.550	55,099
School Breakfast Program	10.553	77,489
School Lunch Program	10.555	655,472 *
Special Milk Program	10.556	5,916
		<hr/>
TOTAL U.S. DEPARTMENT OF AGRICULTURE		793,976
		<hr/>
U.S. DEPARTMENT OF JUSTICE:		
Law Enforcement Block Grant	16.592	105,368
Local Law Enforcement Block Grant	16.unknown	73,472
Police Drug	16.unknown	11,220
		<hr/>
TOTAL U.S. DEPARTMENT OF JUSTICE		190,060
		<hr/>
FEDERAL EMERGENCY MANAGEMENT AGENCY:		
<u>Passed through Massachusetts Emergency</u>		
<u>Management Agency:</u>		
Local Emergency Grant	83.503	8,033
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U.S. DEPARTMENT OF MUSUEM AND LIBRARY:		
<u>Passed through Massachusetts Board</u>		
<u>of Library Commission:</u>		
Health Information Project	45.312	4,566
Computer Training	45.312	8,166
		<hr/>
TOTAL U.S. DEPARTMENT OF MUSUEM AND LIBRARY		12,732
		<hr/>
TOTAL		\$ 4,118,729
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* Major program

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 City of Everett, 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 Everett, 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) School Lunch Program - Program expenditures represent federal reimbursement for meals provided during the year.

A. Summary of Auditors' Results

1. The auditors' report expresses a qualified opinion on the general purpose financial statements of the City of Everett, Massachusetts, for noncapitalization of fixed assets.
2. No reportable conditions relating to the audit of the financial statements are reported in the Report on Compliance and on Internal Control over Financial Reporting 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 Everett, Massachusetts, were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs is reported in the Report on Compliance with Requirements Applicable to Each Major Program and 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 City of Everett, Massachusetts expresses an unqualified opinion.
6. There are no audit findings relative to the major federal award programs for the City of Everett, Massachusetts.

The programs tested as major grants include:

<u>Program Title</u>	<u>CFDA Number</u>
Title I	84.010
Sped 94-142 Allocation	84.027
Sped Curriculum Frameworks	84.027
Small Cities Program	14.219
CDBG Ready Resource	14.219
CDBG Program Income	14.219
School Lunch Program	10.555

7. The threshold for distinguishing Types A and B programs was \$300,000.
8. The City of Everett, Massachusetts, was not determined to be a low-risk auditee.

B. Findings-Financial Statements Audit

None

C. Prior Year Audit Findings and Questioned Costs

None

