

CITY OF EVERETT, 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 City Council
City of Everett, 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 Everett, Massachusetts, as of and for the year ended June 30, 2017 (except for the Everett Contributory Retirement System which is as of and for the year ended December 31, 2016), and the related notes to the financial statements, which collectively comprise the City of Everett, Massachusetts' basic financial statements, and have issued our report thereon dated December 12, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Everett, 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 Everett, Massachusetts' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Everett, 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. 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 Everett, 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 "Ronald A. Sullivan, LLC". The signature is written in a cursive style.

December 12, 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 City Council
City of Everett, Massachusetts

Report on Compliance for Each Major Federal Program

We have audited the City of Everett, 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 City of Everett, Massachusetts' major federal programs for the year ended June 30, 2017. The City of Everett, 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 Everett, 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 City of Everett, 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 of Everett, Massachusetts' compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Everett, 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 City of Everett, 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 Everett, 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 the 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 City of Everett, 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 the 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 City of Everett, Massachusetts as of and for the year ended June 30, 2017 (except for the Everett Contributory Retirement System which is as of and for the year ended December 31, 2016), and the related notes to the financial statements, which collectively comprise the City of Everett, Massachusetts' basic financial statements. We issued our report thereon dated December 12, 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 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.

Ronald A. Allie, LLC

December 12, 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 Massachusetts Department of Elementary and Secondary Education:</u>				
Non-Cash Assistance (Commodities):				
National School Lunch Program.....	10.555	09-093	\$ -	\$ 273,379
Cash Assistance:				
National School Lunch Program.....	10.555	09-093	-	2,987,098
Total National School Lunch Program.....			-	3,260,477
Cash Assistance:				
School Breakfast Program.....	10.553	09-093	-	877,174
TOTAL CHILD NUTRITION CLUSTER.....			-	4,137,651
SPECIAL EDUCATION CLUSTER:				
U.S. DEPARTMENT OF EDUCATION:				
<u>Passed through the Massachusetts Department of Elementary and Secondary Education:</u>				
Special Education Grants to States (IDEA, Part B).....	84.027	240-065-6-0093	-	279,350
Special Education Grants to States (IDEA, Part B).....	84.027	240-097674-2017-0093	-	1,368,939
Special Education Grants to States (IDEA, Part B).....	84.027	274-009-6-0093	-	25,656
Special Education Grants to States (IDEA, Part B).....	84.027	274-035-7-0093	-	11,628
Total Special Education Grants to States (IDEA, Part B).....			-	1,685,573
<u>Passed through the Massachusetts Department of Elementary and Secondary Education:</u>				
Special Education Preschool Grants (IDEA, Preschool).....	84.173	298-876-7-0093	-	1,575
<u>Passed through the Massachusetts Department of Early Education and Care:</u>				
Special Education Preschool Grants (IDEA, Preschool).....	84.173	26216EVERETTPUB	-	23,007
Special Education Preschool Grants (IDEA, Preschool).....	84.173	26217EVERETTPUB	-	25,950
Total Special Education Preschool Grants to States (IDEA, Preschool).....			-	50,532
TOTAL SPECIAL EDUCATION CLUSTER.....			-	1,736,105
OTHER PROGRAMS:				
U.S. ENVIRONMENTAL PROTECTION AGENCY:				
<u>Direct Program:</u>				
Brownfields Assessment and Cleanup Cooperative Agreements.....	66.818	Not applicable	-	15,571
U.S. DEPARTMENT OF EDUCATION:				
<u>Direct Program:</u>				
Elementary and Secondary School Counseling Programs.....	84.215E	Not applicable	-	162,844
Arts in Education Model Development and Dissemination Grant Program....	84.351D	Not applicable	-	273,687
TOTAL EDUCATION DIRECT PROGRAMS.....			-	436,531
U.S. DEPARTMENT OF HOMELAND SECURITY:				
<u>Direct Program:</u>				
Staffing for Adequate Fire and Emergency Response (SAFER).....	97.083	Not applicable	-	623,820
PASS-THROUGH PROGRAMS:				
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:				
<u>Passed through State Office for Community Development:</u>				
Community Development Block Grants - State's Program.....	14.228	SCOCD322016640340000	-	616,392
Brownfields Economic Development Initiative.....	14.246	B-99-BD-25-0011	-	264,893
TOTAL HOUSING AND URBAN DEVELOPMENT.....			-	881,285
U.S. DEPARTMENT OF JUSTICE:				
<u>Passed through the Massachusetts Executive Office of Public Safety:</u>				
Edward Byrne Memorial Justice Assistance Grant.....	16.738	2016-DJ-BX-0761	-	3,539
U.S. DEPARTMENT OF TRANSPORTATION:				
<u>Passed through the Massachusetts Executive Office of Public Safety and Security:</u>				
State and Community Highway Safety.....	20.600	2013OTENF2017XXXXXXX	-	12,214

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
U.S. DEPARTMENT OF EDUCATION:				
<u>Passed through the Massachusetts Department of Elementary and Secondary Education:</u>				
Title I Grants to Local Educational Agencies	84.010	305-070309-2016-0093	-	421,229
Title I Grants to Local Educational Agencies	84.010	305-094026-2017-0093	-	1,499,847
Total Title 1 Grants to Local Educational Agencies.....			-	1,921,076
Career and Technical Education.....	84.048	400-053-6-0093	-	23,650
Career and Technical Education.....	84.048	400-063-7-0093	-	76,641
Total Career and Technical Education.....			-	100,291
21st Century Community Learning Centers.....	84.287	245-023-6-0093	-	24,540
21st Century Community Learning Centers.....	84.287	245-018-7-0093	-	386,467
Total 21st Century Community Learning Centers.....			-	411,007
English Language Acquisition Grants	84.365	180-011-6-0093	-	30,801
English Language Acquisition Grants	84.365	180-005-7-0093	-	140,477
English Language Acquisition Grants	84.365	180-097-6-0093	-	39,370
English Language Acquisition Grants	84.365	186-003-6-0093	-	2,302
English Language Acquisition Grants	84.365	186-129493-2017-0093	-	36,505
Total English Language Acquisition Grants.....			-	249,455
Improving Teacher Quality State Grants	84.367	140-050444-2015-0093	-	3,286
Improving Teacher Quality State Grants	84.367	140-077315-2016-0093	-	46,737
Improving Teacher Quality State Grants	84.367	140-114610-2017-0093	-	206,345
Total Improving Teacher Quality State Grants.....			-	256,368
TOTAL EDUCATION PASS-THROUGH PROGRAMS.....			-	2,938,197
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:				
<u>Passed through the Massachusetts Department of Public Health:</u>				
Hospital Preparedness Program.....	93.074	5 NU90TP000527-05-00	-	568
Substance Abuse and Mental Health Services.....	93.243	INTF2354M04W50091126	-	21,185
Preventive Health and Health Services Block Grant.....	93.758	INTF4200P01502925068	-	20,000
National Bioterrorism Hospital Preparedness.....	93.889	INTF6207P01W17013744	-	4,000
TOTAL HEALTH AND HUMAN SERVICES.....			-	45,753
U.S. DEPARTMENT OF HOMELAND SECURITY:				
<u>Passed through Massachusetts Emergency Management Agency:</u>				
Disaster Grants - Public Assistance.....	97.036	CTFEMA4214EVERT00934	-	126,272
Disaster Grants - Public Assistance.....	97.036	CTFEMA4214EVERT00961	-	157,032
Total Disaster Grants - Public Assistance.....			-	283,304
<u>Passed through State Office of Public Safety:</u>				
Urban Areas Security Initiative	97.008	2014-SS00024 (21811)	-	590
Emergency Food and Shelter National Board Program.....	97.024	33-4510-00-014	-	32,794
<u>Passed through the City of Boston, Massachusetts:</u>				
Homeland Security Grant Program.....	97.067	BOSTONFFY14UASIXXXXX	-	61,763
Homeland Security Grant Program.....	97.067	BOSTONFFY15UASIXXXXX	-	17,241
Homeland Security Grant Program.....	97.067	BOSTONFFY16UASIXXXXX	-	62,001
Total Homeland Security Grant Program.....			-	141,005
TOTAL HOMELAND SECURITY.....			-	457,693
TOTAL.....			\$ -	\$ 11,288,359

See notes to schedule of expenditures of federal awards.

Note 1 - Definition of Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of the City of Everett, 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 the Uniform Guidance. Because the Schedule presents only a selected portion of the operations of the City of Everett, Massachusetts, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Everett, Massachusetts.

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 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) Homeland Security Grant Program – Program expenditures represent financial and non-financial federal assistance passed through from the City of Boston, Massachusetts.
- (e) Disaster Grants – Program expenditures have been recorded in the year that the grant was approved.
- (f) The City of Everett, Massachusetts has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

A. Summary of Auditor’s Results

1. The independent auditor’s report expresses an unmodified opinion on the financial statements of the City of Everett, Massachusetts.
2. No significant deficiencies relating to the audit of the financial statements is 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 City of Everett, Massachusetts’ of Everett, 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 independent auditor’s report on compliance for the major federal award programs for the City of Everett, Massachusetts, expresses an unmodified opinion.
6. There were no audit findings relative to the major federal award programs for the City of Everett, Massachusetts.
7. The Special Education Cluster and Title 1 Grants to Local Agencies were determined to be major programs.
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. The City of Everett, 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.