

TOWN OF NANTUCKET, MASSACHUSETTS

SINGLE AUDIT REPORTS

PURSUANT TO

OMB CIRCULAR A-133

JUNE 30, 2015

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**INDEPENDENT AUDITOR'S 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 Nantucket, Massachusetts

We have audited, 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, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Nantucket, Massachusetts, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Nantucket, Massachusetts's basic financial statements and have issued our report thereon dated January 15, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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 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 Town's 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*.

We noted certain other matters that we reported to management of the Town in a separate letter dated January 15, 2016.

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.



Roselli, Clark and Associates
Certified Public Accountants
Woburn, Massachusetts
January 15, 2016



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133**

To the Honorable Board of Selectmen
Town of Nantucket, Massachusetts

Report on Compliance for Each Major Federal Program

We have audited the Town of Nantucket, 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 Town of Nantucket, Massachusetts' major federal programs for the year ended June 30, 2015. The Town of Nantucket, 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 Town of Nantucket, 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 Town of Nantucket, 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 Nantucket, Massachusetts' compliance.

Opinion on Each Major Federal Programs

In our opinion, the Town of Nantucket, 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, 2015.

Report on Internal Control Over Compliance

Management of the Town of Nantucket, 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 Nantucket, 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 Town of Nantucket, 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2015-001 that we consider to be a significant deficiency.

The Town of Nantucket, Massachusetts' response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing 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, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Nantucket, Massachusetts, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Nantucket, Massachusetts's basic

financial statements. We have issued our report thereon dated January 15, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming our 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.



Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
January 15, 2016

**TOWN OF NANTUCKET, MASSACHUSETTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015**

Federal Grantor / Pass-Through Grantor / Program Title	CFDA Number	Pass-Through Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
<i>Passed through the Commonwealth of Massachusetts - Department of Elementary and Secondary Education</i>			
School Breakfast Program	10.553	10-197	\$ 11,879
National School Lunch Program:	10.555	10-197	
Cash Assistance			109,628
Non-Cash Assistance (Commodities)			17,258
<u>U.S. Department of Interior</u>			
<i>Passed through the Commonwealth of Massachusetts - Department of Fish and Game</i>			
Clean Vessel Act	15.616		5,105
<u>U.S. Department of Transportation</u>			
<i>Federal Aviation Administration</i>			
<i>Passed through the Commonwealth of Massachusetts - Department of Transportation/Division of Aeronautics</i>			
Airport Improvement Program	* 20.106	AIP 3-25-0033-057-2013 AIP 3-25-0033-059-2014 AIP 3-25-0033-060-2014	998,836
<i>Passed through the Commonwealth of Massachusetts - Department of Transportation/Division of Highways</i>			
Highway Planning and Construction	20.205	INTF00X02010H0059646	229,772
<u>U.S. Department of Education</u>			
<i>Passed through the Commonwealth of Massachusetts - Department of Elementary and Secondary Education</i>			
Title I	84.010	305-061121-2015-0197 305-018065-2014-0197	113,225
Special Education - Grants to States	* 84.027	240-039-5-0197-P 274-013-5-0197-P 240-229-4-0197-O	346,213
Special Education - Preschool Grants	* 84.173	298-448-5-0197-P	5,600
English Language Acquisition Grants	84.365	180-069-5-0197-P 184-011-5-0197-P 180-073-4-0197-O	32,028
Title II - Part A: Improving Teacher Quality State Grants	84.367	140-066111-2015-0197 140-032747-2014-0197	18,561
ARRA - Race to the Top	84.395	133-048-5-0197-P	4,722
<i>Passed through the Commonwealth of Massachusetts - Department of Early Education and Care</i>			
Special Education - Preschool Grants	* 84.173	26215NantucketPublicsch	8,547
<u>U.S. Department of Health & Human Services</u>			
<i>Passed Through the Commonwealth of Massachusetts - Executive Office of Health and Human Services/ Department of Public Health</i>			
Community Transformation Grants	93.531	INTF4200P01W20612040	15,000
<u>U.S. Department of Homeland Security</u>			
<i>Direct Award</i>			
Law Enforcement Officer Reimbursement Agreement Program	97.090		90,820
TOTAL FEDERAL GRANT EXPENDITURES			<u>\$ 2,007,194</u>

* Denotes Major Program

See notes to Schedule of Expenditures of Federal Awards

**TOWN OF NANTUCKET, MASSACHUSETTS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015**

A. Scope of Audit

The Town of Nantucket, Massachusetts (the Town) is a governmental agency established by the laws of the Commonwealth of Massachusetts. All operations related to the Town of Nantucket's federal grant programs are included in the scope of the OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Compliance testing of all requirements, as described in the Compliance Supplement was performed. The grants determined to be major programs were the Airport Improvement Program (CFDA #20.106) and Special Education Cluster (CFDA #'s 84.027 & 84.173) programs.

B. Period Audited

Single audit testing procedures were performed for federal grant transactions during the year ended June 30, 2015.

C. Summary of Significant Accounting Policies

Accounting policies and financial reporting practices permitted for municipalities in Massachusetts are prescribed by the Uniform Municipal Accounting System (UMAS) promulgated by the Commonwealth of Massachusetts Department of Revenue. The significant accounting principles followed by the Town are as follows:

Basis of Presentation –The accompanying Schedule of Expenditures of Federal Awards includes the federal grant transactions of the Town, although some of these programs may be supplemented with state and other revenue, only federal activity is shown. The receipts, proceeds from federal grants, and disbursements are recorded on the modified accrual basis whereby revenue is recognized when it becomes available and measurable, and expenditures are recognized when the liability is incurred. The activities of these programs are reflected in the basic financial statements in the Special Revenue Funds.

D. Non-Cash Commodities

The Town receives non-cash commodities from the U.S. Department of Agriculture as a part of the School Lunch program. In fiscal year 2015, \$17,258 was received; however, this amount is not included in the financial statements.

E. Teacher Pension On-Behalf Payments

With regards to specific education grants awarded to the Town, the Massachusetts Department of Elementary and Secondary Education and Department of Early Education and Care withhold from the total grant awards 7.2% and 9.0% of the amounts shown on applicable wage budget lines. The Commonwealth utilizes those funds as direct payments to the Massachusetts Teachers Retirement Board made on-behalf of the Town. The amount of these payments from federal grants in fiscal year 2015 was \$18,022.

**TOWN OF NANTUCKET, MASSACHUSETTS
SCHEDULES OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015**

A. Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on the financial statements of the Town of Nantucket.
2. No significant deficiencies disclosed during the audit of the financial statements are reported in the Independent Auditor's 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 Nantucket which would be required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.
4. One significant deficiency relating to the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required By OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for the Town of Nantucket expresses an unmodified opinion.
6. There is one audit finding that is required to be reported in accordance with Section 510(a) of the OMB Circular A-133 in this Schedule.
7. The programs tested as major programs include the Airport Improvement Program (CFDA #20.106) and Special Education Cluster (CFDA #'s 84.027 & 84.173) programs.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Town of Nantucket did qualify as a low risk auditee.

B. Schedule of Findings – Financial Statements Audit

None

**TOWN OF NANTUCKET, MASSACHUSETTS
SCHEDULES OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015
(Continued)**

C. Schedule of Findings and Questioned Costs – Major Federal Award Programs Audit

Finding	Questioned Costs
<p><u>2015-001. Significant Deficiency in Internal Control Over Compliance – Program Not Audited as a Major Program - U.S. Department of Agriculture</u></p> <p><i>Passed through the Commonwealth of Massachusetts Department of Elementary and Secondary Education</i></p> <p><u>Child Nutrition Cluster (CFDA #'s 10.553 and 10.555)</u></p> <p><i>Criteria:</i> In order to receive monthly reimbursements for meals, the School Department must submit claims for reimbursement forms that contain the number of meals served by category and type which are supported by accurate meals counts and records.</p> <p><i>Statement of Condition:</i> The School Department did not submit a claim for reimbursement form for the month of September 2014.</p> <p><i>Cause and Effect:</i> The School Department contracts with a third party vendor for its food service function. Turnover at the third party vendor and a lack of monitoring over compliance activities by the School Department led to missing an entire month claim for reimbursement. Furthermore, on two separate occasions during the year multiple months' claims for reimbursement were filed concurrently.</p> <p><i>Current Year Status:</i> The School Department should implement procedures to monitor the timely filing of claims for reimbursements by the third party vendor.</p>	

D. Schedule of Prior Year Findings and Questioned Costs

None

**TOWN OF NANTUCKET, MASSACHUSETTS
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2015**

Findings – Major Federal Award Programs Audit

2015-001. Significant Deficiency in Internal Control Over Compliance – Program Not Audited as a Major Program - U.S. Department of Agriculture

Child Nutrition Cluster (CFDA #'s 10.553 and 10.555)

Recommendation: The School Department should implement procedures to monitor the timely filing of claims for reimbursements by the third party vendor.

Corrective Action Planned: The School Chief Financial Officer will work with the Food Service Director and the District Manager at Chartwell's to ensure he receives a copy of each month's filing no later than the end of the second week in the month following the reimbursement period that the filing applies to – e.g. a copy should be forwarded to the Chief Financial Officer by October 15 at the latest for a September filing. The Chief Financial Officer should verify at the DESE portal that the reimbursement has indeed posted.

Anticipated Completion Date: June 30,2016

Contact: Martin Anguelov, Chief Financial Officer, Nantucket Public Schools