

TOWN OF MILLBURY, MASSACHUSETTS

Independent Auditors' Reports Pursuant  
to Governmental Auditing Standards  
and The Single Audit Act Amendments of 1996

For the Year Ended June 30, 2008

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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 Board of Selectmen  
Town of Millbury, Massachusetts

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Millbury, Massachusetts, as of and for the year ended June 30, 2008, which collectively comprise the Town's basic financial statements and have issued our report thereon dated December 29, 2008. 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's 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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town's financial statements that is more than inconse-

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quential will not be prevented or detected by the Town's internal control. We consider the deficiency described in item 08-1 in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's 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 matters that we reported to management of the Town in a separate letter dated December 29, 2008.

The Town's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Town's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, Board of Selectmen, others within the entity, 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.

*Melanson, Heath + Company P.C.*

Andover, Massachusetts  
December 29, 2008



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

To the Board of Selectmen  
Town of Millbury, Massachusetts

Compliance

We have audited the compliance of the Town of Millbury, 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, 2008. The Town'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 grant agreements applicable to each of its major federal programs is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's 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'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 of the Town's compliance with those requirements.

In our opinion, the Town 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, 2008.

### Internal Control Over Compliance

The management of the Town is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with the 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, 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's internal control over compliance.

A *control deficiency* in a Town's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Town's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Town's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Town's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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, each major fund, and the aggregate remaining fund information of the Town of Millbury, as of and for the year ended June 30, 2008, and have issued our report thereon dated December 29, 2008. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the Town's 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, Board of Selectmen, others within the entity, 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.

*Melanson, Heath + Company P.C.*

Andover, Massachusetts  
December 29, 2008

TOWN OF MILLBURY, MASSACHUSETTS

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2008

Federal Grantor/ Pass-Through Grantor/ <u>Program Name</u>	Federal Catalogue <u>Number</u>	Federal <u>Expenditures</u>
U.S. Department of Agriculture Passed Through State Department of Nutrition School Lunch Program	10.555	\$ <u>157,560</u>
Total U.S. Department of Agriculture		157,560
U.S. Department of Education Passed Through State Department of Elementary and Secondary Education		
Title I	84.010	202,887
Title VIB -SPED PL 94-142	84.027	423,665
Program Improvement	84.027	8,511
SPED Electronic Portfolio	84.027	895
Title IV - 21st Century Schools	84.184	7,595
Title V Part A	84.298	2,829
Enhanced Technology	84.318	2,886
Title II Improving Teacher Quality	84.367	55,488
Passed Through State Department of Early Childhood and Care Project Early Childhood	84.173	<u>22,658</u>
Total U.S. Department of Education		727,414
U.S. Department of Justice School Resource Officers	16.710	55,024
Community Policing Grant	16.710	<u>12,434</u>
Total U.S. Department of Justice		67,458
U.S. Department of Homeland Security Passed Through Commonwealth of Massachusetts Emergency Management Agency		
Emergency Management - Public Works	97.036	<u>43,095</u>
Total U.S. Department of Homeland Security		<u>43,095</u>
Total Federal Expenditures		<u>\$ 995,527</u>

See Independent Auditors' Report on Compliance with OMB A-133

This schedule has been prepared on the modified accrual basis of accounting.

State identifying numbers were not available for the pass-thru grants listed above.



TOWN OF MILLBURY, MASSACHUSETTS

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2008

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?  yes  no
- Significant deficiencies identified that are not considered to be material weakness(es)?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?  yes  no
- Significant deficiencies identified that are not considered to be material weakness(es)?  yes  none reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?  yes  no

Identification of major programs:

CFDA Number(s)

84.010  
84.027/84.173

Name of Federal Program or Cluster

Title I  
Special Education Cluster

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee?  yes  no

## SECTION II - FINANCIAL STATEMENT FINDINGS

### Finding #

### Finding/Noncompliance

08-1

#### Improve Controls over Student Activity Funds (Significant Deficiency)

##### Prior Year Issue:

In the prior year, we recommended the Town and School Department implement a variety of procedures to improve oversight, segregation of duties, and reconciliations for the student activity funds.

##### Current Year Status:

The Town and School Department have taken some steps, however has not accepted student activity fund legislation, or completely implemented proper reconciliation procedures.

##### Further Action Needed:

- We continue to recommend that the student activity funds held at Elmwood Street and Raymond E. Shaw schools comply with Massachusetts General Law. This will increase the oversight the Town has over the student activity funds and minimize the risk of errors or irregularities occurring and going undetected.
- We continue to recommend that checking account bank statements be reconciled to the Schools' check book balances monthly. In addition, total student activity fund program balances should be reconciled to both the checking account, and savings accounts bank statements balances, monthly.
- We continue to recommend that the Town Treasurer perform monthly reconciliations between the bank statement and both the general ledger agency balance and the Schools' program records.
- We continue to recommend that another individual review the monthly reconciliations and initial or sign the actual reconciliations to provide documented evidence of the review. In addition, the monthly reconciliations of checking accounts should be provided to the Town Treasurer's office.
- We continue to recommend that the Town perform annual reviews of the student activity funds at all schools. This will help ensure that errors and irregularities do not go undetected.

##### Town's Response:

- The School Department will work to ensure that the student activity funds held at Elmwood Street School and Raymond E. Shaw Elementary School will comply with Massachusetts General Law.

(continued)

(continued)

**Finding #**

**Finding/Noncompliance**

- The School Department will work to ensure that the checking account bank statements be reconciled to the Schools' check book balances on a monthly basis. In addition, a monthly reconciliation will be conducted for both the checking account and the savings account.
- The Town Treasurer will work to ensure that monthly reconciliations will be performed between the bank statement, the general ledger and the Schools' program records.
- The School Department will work to ensure that a second person conducts the monthly reconciliations and initials the document to provide evidence of review.
- The Town will perform annual reviews of the student activity funds at all schools. In addition, the School Business Manager will conduct periodic unannounced reviews of the student activity accounts.

A training session has been scheduled for student activity account treasurers to begin the process to completely implement proper student activity fund legislation and reconciliation procedures.

**SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

None.

**SECTION IV - SCHEDULE OF PRIOR YEAR FINDINGS**

<b><u>Finding #</u></b>	<b><u>Program</u></b>	<b><u>Finding/Noncompliance</u></b>	<b><u>Questioned Cost</u></b>
07-5	Title I 84.010	<u>Maintain Employee's Time and Effort Records</u>	\$ 99,273
	Special Education Cluster 84.027/84.173	Finding 07-5 was resolved in the current year.	\$ 371,593