

TOWN OF LUDLOW, MASSACHUSETTS

Independent Auditors' Reports Pursuant
to Government Auditing Standards
and Uniform Guidance

For the Year Ended June 30, 2017

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Additional Offices:

Nashua, NH
Manchester, NH
Andover, MA
Ellsworth, ME

**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 Auditors' Report

Selectboard
Town of Ludlow, 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 Town, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated June 7, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, 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.

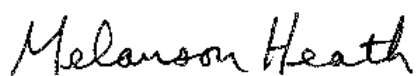
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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*.

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.



June 7, 2018

Additional Offices:

Nashua, NH
Manchester, NH
Andover, MA
Ellsworth, ME

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT
ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED
BY THE UNIFORM GUIDANCE

Independent Auditors' Report

Selectboard
Town of Ludlow, Massachusetts

Report on Compliance for Each Major Federal Program

We have audited the Town's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Town's major federal programs for the year ended June 30, 2017. The Town's major federal programs are identified in the Summary of Auditors' Results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Town's 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 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Town's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town 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.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2017-001. Our opinion on each major federal program is not modified with respect to this matter.

The Town's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. 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.

Report on Internal Control Over Compliance

Management of the Town 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's 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 Town's 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.

Purpose of This Report

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 Town as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements. We issued our report thereon dated June 7, 2018, 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 expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Melanson Heath

June 7, 2018

TOWN OF LUDLOW, MASSACHUSETTS
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

<u>Federal Agency</u>				
Cluster	Federal	Pass Through		
Pass-through Agency	CFDA	Identifying		
Program Title	<u>Number</u>	<u>Number</u>		<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>				
Child Nutrition Cluster				
Passed Through Massachusetts Department of Elementary and Secondary Education				
National School Lunch Program - Cash Assistance	10.555	07-161	\$	445,140
National School Lunch Program - Non-Cash Assistance	10.555	07-161		138,666
Total Child Nutrition Cluster				<u>583,806</u>
Total U.S. Department of Agriculture				583,806
<u>U.S. Department of Justice</u>				
Direct Federal Program				
Equitable Sharing Program (Law Enforcement Trust Fund)	16.922	N/A		5,350
Passed Through Massachusetts Executive Office of Public Safety and Security				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	UNAVAILABLE		<u>8,660</u>
Total U.S. Department of Justice				14,010
<u>U.S. Department of Education</u>				
Special Education Cluster				
Passed Through Massachusetts Department of Elementary and Secondary Education				
Special Education Grants to States	84.027	240-128-6-0161-Q		688,359
Special Education Grants to States - Program Improvement	84.027	274-219-6-0161-Q		29,766
Passed Through Massachusetts Department of Early Education and Care				
Special Education Preschool Grants	84.173	26216LUDLOWPUBLICSCH		<u>33,367</u>
Total Special Education Cluster				751,492
Passed Through Massachusetts Department of Elementary and Secondary Education				
Title I Grants to Local Educational Agencies	84.010	0305-070369-2016-0161		300,860
Improving Teacher Quality State Grants	84.367	0140-077371-2016-0161		<u>65,492</u>
Total U.S. Department of Education				1,117,844
<u>U.S. Department of Health and Human Services</u>				
Aging Cluster				
Passed Through Massachusetts Department of Health and Human Services				
Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	93.044	UNAVAILABLE		<u>1,750</u>
Total U.S. Department of Health and Human Services				<u>1,750</u>
Total Federal Expenditures			\$	<u><u>1,717,410</u></u>

The accompanying notes are an integral part of this schedule.

TOWN OF LUDLOW, MASSACHUSETTS

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2017

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Town 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position, changes in net position or cash flows of the Town.

Note 2. Summary of Significant Accounting Policies

- Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement.
- The amounts reported for the National School Lunch Program – Non-Cash Assistance represent the fair value of commodities provided by the Commonwealth.
- The Town has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3. Subrecipients

The Town provided no federal awards to subrecipients in fiscal year 2017.

TOWN OF LUDLOW, MASSACHUSETTS

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2017

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiencies identified? ☐ 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? ☐ yes ☒ none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ☐ yes ☒ no

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

84.027 / 84.173

Special Education Cluster

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? ☐ yes ☒ no

SECTION II - FINANCIAL STATEMENT FINDINGS

None.

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

2017-001 Document Policies and Procedures Over Federal Awards

Federal Program(s) Information

Cluster/Program: All Federal Programs

Type of Finding

Compliance – Other Matters

Criteria or Specific Requirement

OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (UG) established significant new requirements related to Federal awards. The new requirements stipulate that federal award recipients must document their policies and procedures over certain aspects of financial and program management. Specifically, written policies are required for the following:

- Cash management
- Determination of allowable costs
- Employee travel
- Procurement
- Subrecipient monitoring and management

Condition and Context

The Town has not formalized written policies and procedures related to Federal awards required under Uniform Guidance.

Cause

Weaknesses in the formal documentation of internal controls.

Effect

There are no questioned costs as a result of this finding as there are no costs directly associated with this compliance requirement.

Recommendation

We recommend the Town ensure that written policies and procedures are compiled and adopted.

Views of Responsible Official and Planned Corrective Action

Management's views and corrective action plan are included at the end of this report after the schedule of prior year findings.

SECTION IV - SCHEDULE OF PRIOR YEAR FINDINGS

There were no findings in the prior year.



Town of Ludlow, Massachusetts
Office of the Board of Selectmen
Ellie Villano, Town Administrator

June 25, 2018

Melanson Heath
51 Davis Street
Greenfield, MA 01301

CORRECTIVE ACTION PLAN

In response to the finding cited in our fiscal year 2017 single audit report, the following outlines the Town of Ludlow's corrective action plan:

Audit Finding Reference:

2017 – PRIOR YEAR ISSUES (4)

Planned Corrective Action:

The School Department is in the process of creating new written policies and procedures for adoption by the School Committee to completely adhere to the requirements as established by OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

The Town is reviewing its current policies over Cash Management, Determination of Allowable Costs, Employee Travel, Procurement, and Sub recipient monitoring and management and will modify such policies in order to mirror The School Department's policies to ensure compliance with Federal Requirements.

Name of Contact Person and Completion Date:

Darlene Cincone, School Business Manager
Kimberly Collins, Town Accountant

Completion date:

September 30, 2018