

MANCHESTER ESSEX REGIONAL SCHOOL DISTRICT

REPORTS ON FEDERAL AWARD PROGRAMS

FISCAL YEAR ENDED JUNE 30, 2009

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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**

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To the Honorable School Committee
Manchester Essex Regional School District
Manchester-by-the-Sea, Massachusetts 01944

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Manchester Essex Regional School District, as of and for the year ended June 30, 2009, which collectively comprise the School's basic financial statements and have issued our report thereon dated March 12, 2010. 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 Manchester Essex Regional School District'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 Manchester Essex Regional School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Manchester Essex Regional School District's internal control over financial reporting.

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 Manchester Essex Regional School District'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 Manchester Essex Regional School District's financial statements that is more than inconsequential will not be prevented or detected by the Manchester Essex Regional School District's internal control.

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 Manchester Essex Regional School District's internal control.

Our consideration of 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 internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Manchester Essex Regional School District'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 other matters that we reported to management of the Manchester Essex Regional School District in a separate letter dated March 12, 2010.

This report is intended solely for the information and use of management of the Manchester Essex Regional School District 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.

A handwritten signature in dark ink, appearing to read "Powers & Sullivan", with a stylized flourish at the end.

Wakefield, Massachusetts
March 12, 2010



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**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 School Committee
Manchester Essex Regional School District
Manchester-by-the-Sea, Massachusetts 01944

Compliance

We have audited the compliance of the Manchester Essex Regional School District 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 fiscal year ended June 30, 2009. The Manchester Essex Regional School District'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 Manchester Essex Regional School District's management. Our responsibility is to express an opinion on the Manchester Essex Regional School District'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 Manchester Essex Regional School District'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 Manchester Essex Regional School District's compliance with those requirements.

In our opinion, the Manchester Essex Regional School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 09-01.

Internal Control Over Compliance

The management of Manchester Essex Regional School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Manchester Essex Regional School District'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 Manchester Essex Regional School District's internal control over compliance.

A *control deficiency* in an entity'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 entity'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 entity'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 entity's internal control.

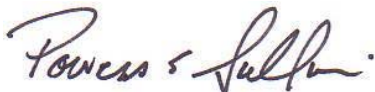
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies 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 Manchester Essex Regional School District, as of and for the year ended June 30, 2009, and have issued our report thereon dated March 12, 2010. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Manchester Essex Regional School District'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.

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

This report is intended for the information of management of the Manchester Essex Regional School District, 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.



Wakefield, Massachusetts
March 12, 2010

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE:		
<u>Passed through Massachusetts Department of</u>		
<u>Elementary and Secondary Education:</u>		
Food Donation	10.550	\$ 66,127
National School Lunch Program	10.555	215,707
		<u>281,834</u>
TOTAL DEPARTMENT OF AGRICULTURE		
U.S. DEPARTMENT OF TRANSPORTATION:		
<u>Passed through the State Office of the</u>		
<u>Aeronautics Commission</u>		
Airport Improvement Program	20.106	<u>423,629</u>
U.S. DEPARTMENT OF EDUCATION:		
<u>Passed through Massachusetts Department of</u>		
<u>Elementary and Secondary Education:</u>		
Title I Grants to Local Educational Agencies	84.010	413,251
Special Education Grants to States	84.027	842,726
Vocational Education Basic Grants to States	84.048	30,356
Safe and Drug Free Schools and Communities State Grants	84.186	14,894
Education for Homeless Children and Youth	84.196	24,193
Education Technology State Grants	84.318	5,015
Improving Teacher Quality State Grants	84.367	93,253
State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	1,537,960
<u>Passed through Massachusetts Department of Early Childhood</u>		
<u>Education & Care:</u>		
Special Education Preschool Grants	84.173	<u>31,074</u>
TOTAL EDUCATION		<u>2,992,722</u>
U.S. DEPARTMENT OF HOMELAND SECURITY		
<u>Passed through Massachusetts Emergency Management Agency:</u>		
Assistance to Firefighters Grant	97.044	<u>36,480</u>
TOTAL		<u>\$ 3,734,665</u>

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 Manchester Essex Regional School District. 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 Manchester Essex Regional School District are set forth below:

- 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.
- School Lunch Program - Program expenditures represent federal reimbursement for meals provided during the year.

Note 3 - Program Clusters

In accordance with Subpart A §_105 of OMB Circular No. A-133, *Audits of States, Local Governments and Non Profit Organizations*, certain programs have been clustered in determining major programs. The following represents the clustered programs:

<u>Name of Cluster/Program</u>	<u>CFDA Number</u>
Child Nutrition Cluster	
School Breakfast Program	10.553
National School Lunch Program	10.555
Special Education Cluster	
Special Education Grants to States	84.027
Special Education Preschool Grants	84.173

A. Summary of Auditors' Results

1. The auditors' report expresses an unqualified opinion on the basic financial statements of the Manchester Essex Regional School District.
2. No significant deficiencies relating to the audit of the basic 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 non compliance material to the financial statements of the Manchester Essex Regional School District were disclosed during the audit.
4. No significant deficiencies 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-13.
5. The auditors' report on compliance for the major federal award programs for the Manchester Essex Regional School District expresses an unqualified opinion.
6. Audit findings that are required to be reported in accordance with Section 520(a) of OMB A-133 are reported in this schedule.
7. The programs tested as major grants include:

<u>Program Title</u>	<u>CFDA Number</u>
Special Education Grants to States	84.027
Special Education Preschool Grants	84.173
State Fiscal Stabilization Fund	84.394

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Manchester Essex Regional School District was not determined to be a low-risk auditee.

B. Findings - Financial Statements Audit

None.

C. Findings and Questioned Costs - Major Federal Award Programs Audit**U.S. DEPARTMENT OF EDUCATION**Questioned
Costs

09-01: Special Education Grants to States – CFDA No. 84.027

None

Condition and Criteria: OMB Circular A-87, "Cost Principles for State, Local and Indian Tribal Governments" requires grantees to maintain documentation of employee time and effort that has been charged to federal awards. If 100% of an employee's salary is charged to a federal award, a grant recipient is required to maintain semi-annual certifications stating that 100% of the employee's time was spent working on grant activities. If less than 100% of an employee's salary is charged to a federal award, a grant recipient is required to maintain monthly personnel activity reports documenting 100% of the employee's time.

Cause: The District did not maintain semi-annual certifications for employee salaries charged to the federal awards programs.

Effect: The District is not in compliance with the grant requirements.

Auditors' Recommendation: We recommend that the District implement procedures to comply with OMB Circular A-87, "Cost Principles for State, Local and Indian Tribal Governments".

Management's Response: Management is in the process of implementing the proper procedures to eliminate this finding in Fiscal 2010.