

CITY OF NEWTON, MASSACHUSETTS
REPORTS ON FEDERAL AWARD PROGRAMS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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Independent Auditors' 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 Aldermen and Mayor
City of Newton, Massachusetts

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Newton, Massachusetts, as of and for the fiscal year ended June 30, 2008 (except for the Newton Contributory Retirement System and the Newton Commonwealth Foundation, Inc., which are as of and for the fiscal year ended December 31, 2007, and the Newton Schools Foundation, Inc., which is as of and for the fiscal year ended June 30, 2007), which collectively comprise the City of Newton, Massachusetts' basic financial statements and have issued our report thereon dated March 10, 2009. 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 City of Newton, Massachusetts' 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 City of Newton, Massachusetts' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Newton, Massachusetts' 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 City of Newton, Massachusetts' 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 City of Newton, Massachusetts' financial statements that is more than inconsequential will not be prevented or detected by the City of Newton, Massachusetts' internal control. We consider the deficiencies described in items 08-1 and 08-2 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 City of Newton, Massachusetts' 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 and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiencies as described in items 08-1 and 08-2 in the accompanying schedule of findings and questioned costs to be material weaknesses.

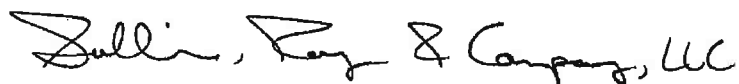
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Newton, Massachusetts' 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 City of Newton, Massachusetts, in a separate letter dated March 10, 2009.

The City of Newton, Massachusetts' responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of Newton, Massachusetts' responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Audit Committee, Board of Aldermen, Mayor, 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.



March 10, 2009



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**Independent Auditors' 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 Honorable Board of Aldermen and Mayor
City of Newton, Massachusetts

Compliance

We have audited the compliance of the City of Newton, 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 fiscal year ended June 30, 2008. The City of Newton, Massachusetts' 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 City of Newton, Massachusetts' management. Our responsibility is to express an opinion on the City of Newton, Massachusetts' 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 City of Newton, 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. Our audit does not provide a legal determination of the City of Newton, Massachusetts' compliance with those requirements.

In our opinion, the City of Newton, Massachusetts 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, 2008.

Internal Control Over Compliance

The management of the City of Newton, Massachusetts 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 City of Newton, Massachusetts' 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 City of Newton, Massachusetts' 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.

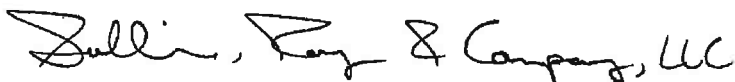
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Newton, Massachusetts, as of and for the fiscal year ended June 30, 2008 (except for the Newton Contributory Retirement System and the Newton Commonwealth Foundation, Inc., which are as of and for the fiscal year ended December 31, 2007, and the Newton Schools Foundation, Inc., which is as of and for the fiscal year ended June 30, 2007), and have issued our report thereon dated March 10, 2009. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City of Newton, Massachusetts' 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, the Audit Committee, Board of Aldermen, Mayor, 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.



March 10, 2009

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

<u>Federal Grantor/ Pass-Through Grantor/ Program</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture			
<u>Passed through the State Department of Education:</u>			
Food Distribution Program	10.550	09-207	\$ 99,178
<i>Child Nutrition Cluster:</i>			
School Breakfast Program	10.553	09-207	404,385
National School Lunch Program	10.555	09-207	<u>50,020</u>
Total U.S. Department of Agriculture			<u>553,583</u>
U.S. Department of Housing and Urban Development			
<u>Direct Programs:</u>			
Community Development Block Grant	14.218	Not Applicable	2,653,671
Emergency Shelter Grants Program	14.231	Not Applicable	99,081
Supportive Housing Program	14.235	Not Applicable	2,699
HOME Investment Partnerships Program	14.239	Not Applicable	4,333,758
Fair Housing Initiatives Program	14.408	Not Applicable	<u>57,503</u>
Total U.S. Department of Housing and Urban Development			<u>7,146,712</u>
U.S. Department of Justice			
<u>Passed through the State Executive Office of Public Safety:</u>			
Law Enforcement Block Grant	16.592	Not available	<u>14,620</u>
Institute of Museum and Library Services			
<u>Direct Program:</u>			
Museum for America Grant	45.301	Not Applicable	11,309
<u>Passed through the State Library Board of Commissioners:</u>			
Library Services and Technology Grant	45.310	8NEWTONFREELOOSE0000	<u>14,656</u>
Total Institute of Museum and Library Services			<u>25,965</u>
Environmental Protection Agency			
<u>Passed through the State Executive Office of Environmental Affairs:</u>			
Environmental Education Grant	66.951	Not available	<u>501</u>
U.S. Department of Energy			
<u>Direct Program:</u>			
Solar Energy Demonstration Grant	81.117	Not Applicable	<u>1,955</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

<u>Federal Grantor/ Pass-Through Grantor/ Program</u>	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
<u>Direct Programs:</u>			
Emergency Response Crisis Management Grant	84.184E	Not Applicable	186,903
School Counseling Demonstration Grant	84.215E	Not Applicable	365,887
Physical Education Grant	84.215F	Not Applicable	163,613
Small Learning Communities Program	84.215L	Not Applicable	121,886
Interface Program	84.215M	Not Applicable	459
Teaching American History Grant	84.215X	Not Applicable	212,111
<u>Passed through the State Department of Elementary & Secondary Education:</u>			
Title One Distribution (fiscal year 2007)	84.010	305-064-7-0207-H	70,695
Title One Distribution (fiscal year 2008)	84.010	305-206-8-0207-I	390,573
Title One Carryover Grant	84.010	305-330-8-0207-I	63,694
<u>Special Education Cluster:</u>			
SPED 94-142 Allocation (fiscal year 2007)	84.027	240-041-7-0207-H	120,313
SPED 94-142 Allocation (fiscal year 2008)	84.027	240-028-8-0207-I	2,714,603
Secondary Reading Grant (fiscal year 2007)	84.027	267-016-7-0207-H	22,123
Secondary Reading Grant (fiscal year 2008)	84.027	267-029-8-0207-I	12,817
SPED Program Improvement (fiscal year 2007)	84.027	274-118-7-0207-H	57,293
SPED Program Improvement (fiscal year 2008)	84.027	274-099-8-0207-I	43,877
<u>Passed through the State Department of Early Education and Care:</u>			
SPED Early Childhood Training (fiscal year 2007)	84.173	26207 NEWTONPUBLICSCH	1,414
SPED Early Childhood Training (fiscal year 2008)	84.173	26208 NEWTONPUBLICSCH	70,295
<u>Passed through the State Department of Elementary & Secondary Education:</u>			
Carl Perkins Occupational Education (fiscal year 2007)	84.048	400-072-7-0207-H	25,076
Carl Perkins Occupational Education (fiscal year 2008)	84.048	400-068-8-0207-I	34,584
Safe and Drug-Free Schools (fiscal year 2007)	84.186	331-050-7-0207-H	12,851
Safe and Drug-Free Schools (fiscal year 2008)	84.186	331-117-8-0207-I	34,689
Innovative Education Program (fiscal year 2007)	84.298	302-143-7-0207-H	4,412
Innovative Education Program (fiscal year 2008)	84.298	302-147-8-0207-I	7,037
Technical Literacy Grant (fiscal year 2007)	84.318	160-068-7-0207-H	8,075
Title III - English Language Acquisition (fiscal year 2007)	84.365	180-008-7-0207-H	15,232
Title III - English Language Acquisition (fiscal year 2008)	84.365	180-022-8-0207-I	116,616
Title IIA - Improving Teacher Quality (fiscal year 2007)	84.367	140-054-7-0207-H	104,909
Title IIA - Improving Teacher Quality (fiscal year 2008)	84.367	140-232-8-0207-I	207,280
Total U.S. Department of Education			<u>5,189,317</u>
U.S. Department of Health and Human Services			
<u>Passed through the State Executive Office of Health and Human Services:</u>			
School-Based Medicaid Reimbursement Program	93.778	1951726	<u>299,556</u>

(continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

<u>Federal Grantor/ Pass-Through Grantor/ Program</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
Centers for Disease Control and Prevention			
<u>Passed through the State Executive Office of Health and Human Services:</u>			
Public Health Emergency Preparedness Grant	93.996	Not available	<u>35,071</u>
Corporation for National and Community Service			
<u>Passed through the State Department of Elementary & Secondary Education:</u>			
Learn and Serve Grant (fiscal year 2007)	94.004	354-022-7-0207-H	862
Learn and Serve Grant (fiscal year 2008)	94.004	354-029-8-0207-I	<u>3,547</u>
Total Corporation for National and Community Service			<u>4,409</u>
U.S. Department of Homeland Security			
<u>Passed through the State Executive Office of Public Safety:</u>			
State Homeland Security Program (MAPC Pass-Through)	97.073	Not available	3,335
<u>Passed through the State Office of Emergency Management:</u>			
Public Assistance Grants	97.036	CDA 8OUTSIDESECT38MAYFLD	<u>5,745</u>
Total U.S. Department of Homeland Security			<u>9,080</u>
Total			<u>\$ 13,280,769</u>
			(concluded)

See notes to schedule of expenditures of federal awards.