

TOWN OF DOUGLAS, MASSACHUSETTS
INDEPENDENT AUDITOR'S REPORTS PURSUANT
TO GOVERNMENTAL AUDITING STANDARDS
AND OMB CIRCULAR A-133
YEAR ENDED JUNE 30, 2004

TOWN OF DOUGLAS, MASSACHUSETTS

INDEPENDENT AUDITOR'S REPORTS PURSUANT TO GOVERNMENTAL
AUDITING STANDARDS AND OMB CIRCULAR A-133

YEAR ENDED JUNE 30, 2004

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Board of Selectmen
Town of Douglas, Massachusetts

We have audited the financial statements of the Town of Douglas, Massachusetts for the year ended June 30, 2004 and have issued our report thereon dated December 16, 2004. 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.

Compliance

As part of obtaining reasonable assurance about whether the Town of Douglas, Massachusetts's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit we considered the Town of Douglas, Massachusetts's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, others within the organization, Board of Selectmen, 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.

Borgatti Harrison & Co.

Borgatti Harrison & Co.

Framingham, Massachusetts
December 16, 2004

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

The Honorable Board of Selectmen
Town of Douglas, Massachusetts

Compliance

We have audited the compliance of the Town of Douglas, 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, 2004. The Town of Douglas, Massachusetts's major federal programs are identified in the summary of auditor's 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 Town of Douglas, Massachusetts's management. Our responsibility is to express an opinion on Town of Douglas, Massachusetts's compliance based on our audit.

We conducted our audit 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 State, 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 Town of Douglas, Massachusetts'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 Town of Douglas, Massachusetts's compliance with those requirements.

In our opinion, Town of Douglas, Massachusetts 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, 2004.

Internal Control Over Compliance

The management of the Town of Douglas, Massachusetts is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Town of Douglas, Massachusetts' internal control over compliance with 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the Town of Douglas, Massachusetts as of and for the year ended June 30, 2004, and have issued our report thereon dated December 16, 2004. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. 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 for the information and use of the audit committee, management, others within the organization, Board of Selectmen, 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.

Borgatti Harrison & Co.

Borgatti Harrison & Co.

Framingham, Massachusetts
December 16, 2004

ACCOMPANYING INFORMATION

TOWN OF DOUGLAS

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

YEAR ENDED JUNE 30, 2004

| <u>Federal Grantor</u> <u>Pass-through Grantor</u> <u>Program Title</u> | <u>Federal</u> <u>CFDA</u> <u>Number</u> | <u>Award</u> <u>Amount</u> | <u>Balance</u> <u>July 1</u> | <u>Revenue</u> <u>Recognized</u> | <u>Federal</u> <u>Expenditures</u> | <u>Balance</u> <u>June 30</u> |
|---|--|-------------------------------|---------------------------------|-------------------------------------|---------------------------------------|----------------------------------|
| <u>U.S. Department of Education</u> | | | | | | |
| Passed through the Commonwealth of | | | | | | |
| Massachusetts - Department of Education | | | | | | |
| Title 1 - 2004 | 84.010 | \$ 140,871 | \$ - | \$ 140,871 | \$ 140,871 | \$ - |
| - 2003 | 84.010 | 73,738 | 549 | - | 549 | - |
| Title V - 2003 | 84.151 | 5,038 | 2,442 | - | 2,442 | - |
| - 2004 | 84.151 | 6,615 | - | 6,615 | 6,615 | - |
| Title VI - 2002 | 84.151 | 5,206 | 1,053 | - | 399 | 654 |
| SPED Early Child - 2004 | 84.173 | 10,808 | - | 10,808 | 10,808 | - |
| P.L. 94-142; Title VIB - 2003 | 84.027 | 167,546 | 16,331 | - | 16,219 | 112 |
| - 2004 | 84.027 | 208,421 | - | 208,421 | 205,239 | 3,182 |
| SPED Professional Develop - 2003 | 84.027 | 15,126 | 2,578 | - | 1,269 | 1,309 |
| SPED Program Improve. - 2004 | 84.027 | 11,493 | - | 11,493 | 7,691 | 3,802 |
| SPED Portfolio - 2004 | 84.027 | 1,200 | - | 1,200 | 1,160 | 40 |
| National School Lunch Program | 10.553 | N/A | - | 38,849 | 38,849 | - |
| Class Size Reduction - 2002 | 84.340 | 16,878 | 279 | - | 279 | - |
| Drug Free Schools - 2004 | 84.186 | 6,455 | - | 6,455 | 6,015 | 440 |
| - 2001 | 84.186 | 5,377 | 57 | - | - | 57 |
| Eisenhower - 2003 | 84.281 | 7,225 | 2,706 | - | 2,442 | 264 |
| Enhanced Educ. thru Tech. - 2004 | 84.318 | 5,026 | - | 5,026 | 4,332 | 694 |
| Teacher Quality - 2003 | 84.367 | 29,057 | 13,889 | - | 13,793 | 96 |
| - 2004 | 84.367 | 34,021 | - | 25,516 | 17,691 | 7,825 |
| <u>U.S. Department of Agriculture</u> | | | | | | |
| Rural Utilities Service - Water System | 10.760 | 373,500 | - | 373,500 | 373,500 | - |
| Rural Utilities Service - Treatment Plant | 10.760 | 631,000 | - | 196,610 | 196,610 | - |
| <u>U.S. Department of Agriculture, Forest Service</u> | | | | | | |
| Passed through the Commonwealth of | | | | | | |
| Massachusetts - Dept. of Environmental Mgt. | | | | | | |
| Volunteer Fire Assistance Program | | 2,000 | - | 1,934 | 1,896 | 38 |
| <u>U.S. Department of Commerce</u> | | | | | | |
| Public Telecomm. Facilities Program | 11.550 | 42,695 | - | 42,695 | 42,695 | - |
| <u>U.S. - Library Services and Technology Act</u> | | | | | | |
| Passed through the Commonwealth of | | | | | | |
| Massachusetts - Board of Library Comm. | | | | | | |
| School Library Incentive - 2003 | | 5,000 | 2,823 | - | 2,812 | 11 |
| Library Discovery Kits - 2002 | | 7,200 | 131 | - | - | 131 |
| <u>U.S. Department of Justice</u> | | | | | | |
| Passed through the Commonwealth of | | | | | | |
| Massachusetts - Dept. of Fire Services | | | | | | |
| Student Awareness of Fire Education | | 1,134 | - | 1,134 | 1,035 | 99 |
| <u>U.S. Department of Justice</u> | | | | | | |
| COPS Fast | 16.710 | 150,000 | 4,450 | - | - | 4,450 |
| Police Block - 2001 | 16.579 | 10,985 | 6,204 | - | 6,204 | - |
| - 2002 | 16.579 | 9,059 | 9,059 | - | 4,548 | 4,511 |
| | | | \$ 62,551 | \$1,071,127 | \$1,105,963 | \$ 27,715 |
| | | | ===== | ===== | ===== | ===== |

See accompanying notes to schedule

TOWN OF DOUGLAS, MASSACHUSETTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2004

A. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the financial statements of the Town of Douglas, Massachusetts.
2. No reportable conditions relating to the audit of the financial statements are reported in the report on compliance and on internal control over financial reporting based on an audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the Town of Douglas, Massachusetts were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal awards programs is reported in the report on compliance with requirements applicable to each major program and internal control over compliance.
5. The auditor's report on compliance for the major award programs for the Town of Douglas, Massachusetts expresses an unqualified opinion.
6. There are no audit findings relative to the major federal award programs for the Town of Douglas, Massachusetts.
7. The programs tested as major programs include: USDA RUS Grants, CFDA # 10.760.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Town of Douglas, Massachusetts was determined to be a low-risk auditee.

B. Findings - Financial Statements Audit

None

C. Findings and Questioned Costs - Major Federal Award Programs Audit

None

TOWN OF DOUGLAS, MASSACHUSETTS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1 - General

The accompanying schedule of expenditures of federal awards presents the activity of all federal financial assistance of the Town of Douglas, Massachusetts. The Town reporting entity is defined in Note 1 to the Town's financial statements. Federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies are included on the schedule.

2 - Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the Town's financial statements.

3 - Relationship to Federal Financial Reports

The amounts reported as federal expenditures generally were obtained from the appropriate federal financial reports for the applicable program and periods. The amounts reported in these federal financial reports are prepared from records maintained for each program. These records are periodically reconciled to the general ledger which is the source of the financial statements.