



CITY OF CAMBRIDGE, MASSACHUSETTS

Independent Auditors' Reports as Required by Office of
Management and Budget (OMB) Circular A-133 and
Government Auditing Standards and Related Information

Year ended June 30, 2015

CITY OF CAMBRIDGE, MASSACHUSETTS

Table of Contents

	Page
Independent Auditors' Report on Compliance for Each Major Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required By OMB Circular A-133, <i>Audits of States, Local Governments, and Non-Profit Organizations</i>	Exhibit I
Schedule of Expenditures of Federal Awards	Exhibit II
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 <i>Government Auditing Standards</i>	Exhibit III
Schedule of Findings and Questioned Costs	Exhibit IV



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Exhibit I

Independent Auditors' Report on Compliance for Each Major Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*

The Honorable Mayor and City Council
City of Cambridge, Massachusetts:

Report on Compliance for Each Major Federal Program

We have audited the City of Cambridge, Massachusetts' (the City's) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2015. The City'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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City'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 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'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 City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Cambridge, Massachusetts 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, 2015.

Report on Internal Control over Compliance

Management of the City 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 City'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



Exhibit I

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 OMB Circular A-133, 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'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activity, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 23, 2015, 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 (the Schedule) 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements or to the basic financial statements themselves 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 is fairly stated in all material respects in relation to the financial statements as a whole.

KPMG LLP

March 23, 2016

CITY OF CAMBRIDGE, MASSACHUSETTS

Exhibit II

Schedule of Expenditures of Federal Awards

Year ended June 30, 2015

<u>Federal grantor/pass-through grantor/ program title/pass-through grantor's number</u>	<u>CFDA number</u>	<u>Federal expenditures</u>
U.S. Department of Agriculture:		
Passed through the Commonwealth of Massachusetts Department of Education:		
Food Distribution	10.550	\$ 93,499
Child Nutrition Cluster:		
School Breakfast Program (SBP)	10.553	284,280
National School Lunch Program (NSLP)	10.555	1,083,421
Summer Food Service Program for Children (SFSPC)	10.559	124,020
Total Child Nutrition Cluster		<u>1,491,721</u>
Child and Adult Care Food Program	10.558	6,012
Fresh Fruit and Vegetable Program	10.582	24,939
Total		<u>1,616,171</u>
U.S. Department of Housing and Urban Development:		
Direct Programs:		
Community Development Block Grants	14.218	9,960,054
Emergency Solutions Grants Program	14.231	238,348
HOME Investment Partnerships Program	14.239	13,263,197
Continuum of Care Program	14.267	3,385,426
Fair Housing Assistance Program State and Local	14.401	48,109
Passed through the Commonwealth of Massachusetts Department of Housing and Community Development:		
Emergency Solutions Grants Program	14.231	118,390
Passed through the Cambridge Housing Authority:		
Resident Opportunity and Supportive Services – Service Coordinators	14.870	14,040
Moving to Work Demonstration Program	14.881	74,903
Total		<u>27,102,467</u>
U.S. Department of Justice:		
Direct Programs:		
Grants to Encourage Arrest Policies and Enforcement of Protection Orders	16.590	124,015
Bullet Proof Vest Partnership Program	16.607	5,053
Edward Byrne Memorial Justice Assistance Grant Program	16.738	83,084
Passed through the Commonwealth of Massachusetts Executive Office of Public Safety:		
Juvenile Accountability Block Grants	16.523	56,891
Edward Byrne Memorial Justice Assistance Grant Program	16.738	1,875
Total		<u>270,918</u>
U.S. Department of Transportation:		
Passed through the Commonwealth of Massachusetts Executive Office of Transportation:		
Highway Planning and Construction Program	20.205	252,267
Passed through the Commonwealth of Massachusetts Department of Transportation and the Metropolitan Area Planning Council:		
Highway Planning and Construction Program	20.205	26,247
Passed through the Commonwealth of Massachusetts Executive Office of Public Safety:		
State and Community Highway Safety	20.600	69,049
Passed through the Massachusetts Emergency Management Agency:		
Interagency Hazardous Materials Public Sector Training and Planning	20.703	3,902
Total		<u>351,465</u>
National Endowment for the Arts:		
Direct Programs:		
Promotion of the Arts Grants to Organizations and Individuals	45.024	1,391
U.S. Environmental Protection Agency:		
Passed through the Massachusetts Clean Water Trust:		
Capitalization Grants for Clean Water State Revolving Funds	66.458	8,117,987

CITY OF CAMBRIDGE, MASSACHUSETTS

Schedule of Expenditures of Federal Awards

Year ended June 30, 2015

Federal grantor/pass-through grantor/ program title/pass-through grantor's number	CFDA number	Federal expenditures
U.S. Department of Education:		
Direct Programs:		
Foreign Language Assistance	84.293	356
Passed through the Commonwealth of Massachusetts Department of Education:		
Adult Education Basic Grants to States	84.002	145,762
Title I Grants to Local Educational Agencies	84.010	955,672
Special Education Cluster (IDEA):		
Special Education-Grants to States (IDEA, Part B)	84.027	2,522,848
Special Education-Preschool Grants (IDEA Preschool)	84.173	39,530
Total Special Education Cluster (IDEA)		<u>2,562,378</u>
Career and Technical Education Basic Grants to States	84.048	78,412
Education for Homeless Children and Youth	84.196	32,403
Twenty-First Century Community Learning Centers	84.287	81,409
English Language Acquisition Grants	84.365	70,700
Improving Teacher Quality State Grants	84.367	416,069
ARRA-State Fiscal Stabilization Fund (SFSF)-Race to the Top Incentive Grants	84.395	113,766
Race to the Top Early Learning Challenge	84.412	94,072
Passed through the Metro North Regional Employment Board:		
Adult Education Basic Grants to States	84.002	113
Passed through the City of Newton, Massachusetts Public Schools:		
Fund for the Improvement of Education – Teaching American History Grant	84.215	200
Passed through Framingham State University:		
English Language Acquisition Grants	84.365	51,869
Total		<u>4,603,181</u>
U.S. Department of Health and Human Services:		
Passed through the Commonwealth of Massachusetts Executive Office of Health and Human Services:		
Substance Abuse and Mental Health Services (BSAS OPIOD)	93.243	26,889
Block Grants for Prevention and Treatment of Substance Abuse	93.959	55
Passed through the Institute for Community Health:		
Maternal and Child Health Federal Consolidated Programs	93.110	2,102
Passed through the Commonwealth of Massachusetts Executive Office of Housing and Community Development:		
Low Income Home Energy Assistance Programs (LIHEAP)	93.568	1,290,602
Passed through the Commonwealth of Massachusetts Department of Education:		
Community Based Child Abuse Prevention Grant	93.590	65,345
Passed through the Massachusetts Association of Councils on Aging:		
Preventative Health and Health Services Block Grant	93.991	10,500
Total		<u>1,395,493</u>
U.S. Department of Homeland Security:		
Passed through the Massachusetts Emergency Management Agency:		
Disaster Grants – Public Assistance for Presidentially Declared Disasters	97.036	133,438
Emergency Management Performance Grants	97.042	69,163
Passed through the City of Boston, Massachusetts:		
Homeland Security Grant Program	97.067	2,233,140
Total		<u>2,435,741</u>
Total federal expenditures		<u>\$ 45,894,814</u>

See accompanying notes to schedule of expenditures of federal awards.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Supplementary Schedule of Expenditures of Federal Awards

Year ended June 30, 2015

(1) Definition of Reporting Entity

The supplementary schedule of expenditures of federal awards (the Schedule) presents the activity of all federal awards of the City of Cambridge, Massachusetts (the City). All federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included in the Schedule.

(2) Summary of Significant Accounting Policies

The accounting and reporting policies of the City are set forth below:

(a) Basis of Presentation

The Schedule is presented using the modified accrual basis of accounting.

(b) School Breakfast/Lunch Programs

The City accounts for local, state, and federal expenditures of the National School Lunch and School Breakfast programs in one combined fund. Program expenditures in the Schedule represent total federal reimbursements for meals provided during fiscal 2015.

(c) Food Distribution Program

Noncash contributions of commodities under the Food Distribution Program are received under a state distribution formula and are valued at federally published wholesale prices for purposes of the Schedule. Such commodities are not recorded in the financial records, although memorandum records are maintained.

(d) Other

Certain federal programs stipulate that a portion of the grant award be paid directly to the Massachusetts Teachers Retirement System (MTRS). The City does not report the amount paid directly to the MTRS as an expenditure in the accompanying Schedule. The program and corresponding amounts paid directly to the MTRS are as follows:

Program title	CFDA number	Amount paid to MTRS
Improving Teacher Quality State Grants	84.367	\$ 13,781
Title I Grants to Local Educational Agencies	84.010	37,014
Career and Technical Education Basic Grants to States	84.048	4,018
Total		<u>\$ 54,813</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Supplementary Schedule of Expenditures of Federal Awards

Year ended June 30, 2015

(3) Subrecipient Expenditures

The Schedule includes funds paid by the City to its subrecipients. Of the federal expenditures presented in the Schedule, the City provided federal awards to subrecipients as follows:

<u>Program title</u>	<u>CFDA number</u>	<u>Amount provided to subrecipients</u>
Community Development Block Grants	14.218	\$ 1,722,765
HOME Investment Partnerships Program	14.239	1,218,293
Continuum of Care Program	14.267	3,242,196

(4) Loans or Loan Guarantees

The Schedule includes funds loaned by the City to its subrecipients. Of the federal expenditures presented in the schedule, the outstanding loan balances at the end of the previous year to subrecipients are as follows:

<u>Program title</u>	<u>CFDA number</u>	<u>Outstanding loan balance</u>
Community Development Block Grants	14.218	\$ 7,101,715
HOME Investment Partnerships Program	14.239	12,003,052



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Exhibit III

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*

The Honorable Mayor and City Council
City of Cambridge, 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 activity, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Cambridge, Massachusetts (the City) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 23, 2015. Our report includes a paragraph on other matters related to the City's implementation of Governmental Accounting Standards Board Statement (GASB) No. 67, *Financial Reporting for Pension Plans* and GASB 68, *Accounting and Financial Reporting for Pensions*. Our opinions were not modified with respect to this matter. Our report includes a reference to other auditors who audited the financial statements of Cambridge Health Alliance, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 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 City'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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

December 23, 2015

CITY OF CAMBRIDGE, MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

(1) Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes x no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes x none reported

Noncompliance material to the financial statements noted? _____ yes x no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes x no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes x 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 section 510(a) of OMB Circular A-133? _____ yes x no

Identification of Major Programs

Name of federal program or cluster	CFDA #
Child Nutrition Cluster:	
School Breakfast Program	10.553
National School Lunch Program	10.555
Summer Food Service Program for Children	10.559
Community Development Block Grants (CDBG)	14.218
HOME Investment Partnerships Program	14.239
Capitalization Grants for Clean Water State Revolving Fund	66.458
Title I-Grants to Local Educational Agencies	84.010

Dollar threshold used to distinguish between type A and type B programs: \$1,376,844

Auditee qualified as low-risk auditee? x yes _____ no

CITY OF CAMBRIDGE, MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

**(2) Findings and Questioned Costs Relating to Financial Statements Reported in Accordance with
*Government Auditing Standards***

None

(3) Findings and Questioned Costs Relating to Federal Awards

None