

***CITY OF LOWELL, MASSACHUSETTS***

***REPORTS ON FEDERAL AWARD PROGRAMS***

***FOR THE YEAR ENDED JUNE 30, 2016***

**CITY OF LOWELL, MASSACHUSETTS**  
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**FOR THE YEAR ENDED JUNE 30, 2016**

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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**

**Independent Auditor's Report**

To the Honorable Mayor and City Council  
City of Lowell, 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 City of Lowell, Massachusetts, as of and for the year ended June 30, 2016, (except for the Lowell Contributory Retirement System which is as of and for the year ended December 31, 2015), and the related notes to the financial statements, which collectively comprise the City of Lowell, Massachusetts' basic financial statements, and have issued our report thereon dated January 31, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Lowell, Massachusetts' 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 of Lowell, Massachusetts' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Lowell, Massachusetts' 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 of Lowell, Massachusetts' 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.

*Powers + Sullivan, LLC*

January 31, 2017



**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**

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**Independent Auditor's Report**

To the Honorable Mayor and City Council  
City of Lowell, Massachusetts

**Report on Compliance for Each Major Federal Program**

We have audited the City of Lowell, Massachusetts' compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the City of Lowell, Massachusetts' major federal programs for the year ended June 30, 2016. The City of Lowell, Massachusetts' major federal programs are identified in the summary of auditor's 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.

**Auditor's Responsibility**

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

**Opinion on Each Major Federal Program**

In our opinion, the City of Lowell, 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, 2016.

**Report on Internal Control Over Compliance**

Management of the City of Lowell, Massachusetts 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 of Lowell, Massachusetts' 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 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 City of Lowell, Massachusetts' 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.

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 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 City of Lowell, Massachusetts, as of and for the year ended June 30, 2016 (except for the Lowell Contributory Retirement System which is as of and for the year ended December 31, 2015), and the related notes to the financial statements, which collectively comprise the City of Lowell, Massachusetts' basic financial statements. We issued our report thereon dated January 31, 2017, 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 expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Powers + Sullivan, LLC*

January 31, 2017

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Amount Passed Through to Sub-Recipients	Expenditures
<b>CHILD NUTRITION CLUSTER:</b>				
U.S. DEPARTMENT OF AGRICULTURE:				
<u>Passed through Massachusetts Department of Elementary &amp; Secondary Education:</u>				
Non-Cash Assistance (Commodities):				
National School Lunch Program.....	10.555	09-160	\$ -	\$ 916,146
Cash Assistance:				
National School Lunch Program.....	10.555	09-160	-	5,925,630
Total National School Lunch Program.....			-	6,841,776
Cash Assistance:				
School Breakfast Program.....	10.553	09-160	-	2,615,486
TOTAL CHILD NUTRITION CLUSTER.....			-	9,457,262
<b>JAG PROGRAM CLUSTER</b>				
U.S. DEPARTMENT OF JUSTICE:				
<u>Passed through the Massachusetts Executive Office of Public Safety and Security:</u>				
Edward Byrne Memorial Justice Assistance Grant Program.....	16.738	SCEPSBJAG1FY15LOWELL	-	261,056
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants To Units Of Local Government (Fiscal Year 2015).....	16.804	BJAG12 EQUIP	-	29,802
TOTAL JAG PROGRAM CLUSTER.....			-	290,858
<b>EMPLOYMENT SERVICE CLUSTER</b>				
U.S. DEPARTMENT OF LABOR:				
<u>Passed through Executive Office of Labor and Workforce Development:</u>				
Employment Service/Wagner-Peyser Funded Activities.....	17.207	16CLOWWP-FY16	-	206,607
Disabled Veterans Outreach Program (DVOP).....	17.801	16CLOWEVETSUI-FY16	-	9,054
TOTAL EMPLOYMENT SERVICE CLUSTER.....			-	215,661
<b>WIA CLUSTER</b>				
U.S. DEPARTMENT OF LABOR:				
<u>Passed through Executive Office of Labor and Workforce Development:</u>				
WIA Adult Program.....	17.258	16CLOWWIA-FY16	-	479,751
WIA Youth Activities.....	17.259	16CLOWWIA-WIA16	-	497,298
WIA Dislocated Workers.....	17.278	16CLOWWIA	-	629,967
TOTAL WIA CLUSTER.....			-	1,607,016
<b>SPECIAL EDUCATION CLUSTER:</b>				
U.S. DEPARTMENT OF EDUCATION:				
<u>Passed through Massachusetts Department of Elementary &amp; Secondary Education:</u>				
Special Education-Grants to States (IDEA, Part B) (Fiscal Year 2016).....	84.027	240-413-6-0160	-	2,819,009
Special Education-Grants to States (IDEA, Part B) (Fiscal Year 2015).....	84.027	240-167-6-0160	-	777,853
Special Education-Grants to States (IDEA, Part B) (Fiscal Year 2016).....	84.027	274-223-6-0160	-	44,249
Special Education-Grants to States (IDEA, Part B) (Fiscal Year 2015).....	84.027	274-162-5-0160	-	45,862
Total Special Education-Grants to States (IDEA, Part B).....			-	3,686,973
<u>Passed through Massachusetts Department of Elementary &amp; Secondary Education:</u>				
Special Education Preschool Grants (IDEA, Preschool) (Fiscal Year 2016).....	84.173	298-764-6-0160	-	2,780
<u>Passed through Department of Early Education and Care:</u>				
Special Education Preschool Grants (IDEA, Preschool) (Fiscal Year 2016).....	84.173	26216LOWELLPUBS	-	91,532
Special Education Preschool Grants (IDEA, Preschool) (Fiscal Year 2015).....	84.173	26215LOWELLPUBS	-	4,041
Total Special Education Preschool Grants (IDEA, Preschool).....			-	98,353
TOTAL SPECIAL EDUCATION CLUSTER.....			-	3,785,326
<b>OTHER PROGRAMS:</b>				
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:				
<u>Direct Programs:</u>				
Community Development Block Grants/Entitlement Grants.....	14.218	Not Applicable	-	2,392,058
Emergency Shelter Grants Program.....	14.231	Not Applicable	-	51,090
Supportive Housing Program.....	14.235	Not Applicable	-	911,246
HOME Investment Partnerships Program.....	14.239	Not Applicable	-	973,667
Housing Opportunities for Persons with AIDS.....	14.241	Not Applicable	-	549,733
Lead-Based Paint Hazard Control in Privately-Owned Housing.....	14.900	Not Applicable	-	673,738
TOTAL HOUSING AND URBAN DEVELOPMENT.....			-	5,551,532
U.S. DEPARTMENT OF THE SECRETARY OF THE COMMONWEALTH				
<u>Direct Programs:</u>				
Historic Preservation Fund Grants-In-Aid.....	15.904	Not Applicable	-	5,837
U.S. DEPARTMENT OF THE INTERIOR - NATIONAL PARKS SERVICE				
<u>Direct Programs:</u>				
Cultural Resources Management.....	15.946	Not Applicable	-	58,708
U.S. DEPARTMENT OF JUSTICE:				
<u>Direct Programs:</u>				
Grants to Encourage Arrest Policies & Enforcement of Protection Orders Program.....	16.590	Not Applicable	-	14,380
Second Chance Act Prisoner Reentry Initiative.....	16.812	Not Applicable	-	213,062
Byrne Criminal Justice Innovation Program.....	16.817	Not Applicable	-	357,274
State and Community Highway Safety.....	20.600	Not Applicable	-	115,524
TOTAL JUSTICE.....			-	700,240
U.S. ENVIRONMENTAL PROTECTION AGENCY:				
<u>Direct Programs:</u>				
ARRA - Brownfields Assessment and Cleanup Cooperative Grants.....	66.818	Not Applicable	-	325,546

(Continued)

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Amount Passed Through to Sub-Recipients	Expenditures
<b>U.S. DEPARTMENT OF ENERGY:</b>				
<u>Direct Programs:</u>				
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG).....	81.128	Not Applicable	-	497,514
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</b>				
<u>Direct Programs:</u>				
Substance Abuse and Mental Health Services - Projects of Regional and National Significance.....	93.243	Not Applicable	-	26,778
Centers for Disease Control and Prevention-Investigations Technical Assistance.....	93.283	Not Applicable	-	280
TOTAL HEALTH AND HUMAN SERVICES.....			-	27,058
<b>PASS-THROUGH PROGRAMS:</b>				
<b>U.S. DEPARTMENT OF AGRICULTURE:</b>				
<u>Passed through Massachusetts Department of Elementary &amp; Secondary Education:</u>				
Farm to School Grant Program (Fiscal Year 2015).....	10.575	CN-F2S-IMPL-15-MA	-	58,762
<b>U.S. DEPARTMENT OF JUSTICE:</b>				
<u>Passed through the Massachusetts Executive Office of Public Safety and Security:</u>				
Enforcing Underage Drinking Laws Program.....	16.727	PD UD ENF	-	10,966
<b>U.S. DEPARTMENT OF LABOR:</b>				
<u>Passed through Executive Office of Labor and Workforce Development:</u>				
ARRA - Unemployment Insurance.....	17.225	16CLOWEVETSUI-FY16	-	122,835
Trade Adjustment Assistance.....	17.245	15CCLOWTRADE	-	37,804
Workforce Investment Act (WIA) National Emergency Grants.....	17.277	10OSCC02LOWE02C-NEG2016	-	26,578
TOTAL LABOR.....			-	187,217
<b>NATIONAL SCIENCE FOUNDATION:</b>				
<u>Passed through State Department of Education:</u>				
Computer and Information Science and Engineering.....	47.070	S5210000029673P	-	20,701
<b>U.S. DEPARTMENT OF EDUCATION:</b>				
<u>Passed through Massachusetts Department of Elementary &amp; Secondary Education:</u>				
Adult Education - Basic Grants to States (Fiscal Year 2016).....	84.002	340-009-6-0160	-	336,661
Adult Education - Basic Grants to States (Fiscal Year 2015).....	84.002	340-023-5-0160	-	64,443
Total Adult Education - Basic Grants to States.....			-	401,104
Title I Grants to Local Education Agencies (Fiscal Year 2016).....	84.010	305-074209-2016-0160	-	4,004,945
Title I Grants to Local Education Agencies (Fiscal Year 2015).....	84.010	305-047467-2015-0160	-	806,113
Total Title I Grants to Local Education Agencies.....			-	4,811,058
Career and Technical Education - Basic Grants to States (Fiscal Year 2016).....	84.048	400-068-6-0160	-	69,495
Career and Technical Education - Basic Grants to States (Fiscal Year 2015).....	84.048	400-068-6-0160	-	17,921
Total Career and Technical Education - Basic Grants to States.....			-	87,416
Education for Homeless Children and Youth (Fiscal Year 2015).....	84.196	310-007-6-0160	-	13,525
Education for Homeless Children and Youth (Fiscal Year 2016).....	84.196	310-015-5-0160	-	13,744
Total Education for Homeless Children and Youth.....			-	27,269
Fund for the Improvement of Education.....	84.215	S21-5E-150-154	-	373,473
Fund for the Improvement of Education.....	84.215	U21-5J-150-023	-	173,906
Total Fund for the Improvement of Education.....			-	547,379
Twenty-First Century Community Learning Centers (Fiscal Year 2016).....	84.287	647-169-6-0160	-	915,513
Twenty-First Century Community Learning Centers (Fiscal Year 2015).....	84.287	647-168-5-0160	-	17,405
Total Twenty-First Century Community Learning Centers.....			-	932,918
English Language Acquisition Grants (Fiscal Year 2016).....	84.365	180-006-6-0160	-	663,059
English Language Acquisition Grants (Fiscal Year 2015).....	84.365	180-061-6-0160	-	88,887
Total English Language Acquisition Grants.....			-	751,946
Improving Teacher Quality State Grants (Fiscal Year 2016).....	84.367	140-077389-2016-0160	-	1,098,790
Improving Teacher Quality State Grants (Fiscal Year 2015).....	84.367	140-055850-2015-0160	-	158,448
Total Improving Teacher Quality State Grants.....			-	1,257,238
<u>Passed through Department of Early Education and Care:</u>				
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants (Fiscal Year 2015).....	84.395	RTTT14014053LOWEC4P	-	54,556
Preschool Development Grants.....	84.419	51816PEGLOWELLPU	-	1,676,892
TOTAL DEPARTMENT OF EDUCATION.....			-	10,547,776
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</b>				
<u>Passed through Massachusetts Office of Refugees and Immigrants:</u>				
Refugee & Entrant Assistance-Discretionary Grants.....	93.576	FY14-ORI-07	-	59,773
<u>Passed through Massachusetts Department of Transitional Assistance:</u>				
Temporary Assistance for Needy Families.....	93.558	INTF609016A00100	-	270,829
<u>Passed through Massachusetts Department of Public Health:</u>				
PPHF Community Transformation Grants and National Dissemination and Support Grants for Community Transformation.....	93.531	1 NB01OT009082-01-00	-	56,556
Block Grants for Prevention and Treatment and Substance Abuse.....	93.959	1U79SP020794-01	-	101,736
TOTAL HEALTH AND HUMAN SERVICES.....			-	488,894
<b>U.S. SOCIAL SECURITY ADMINISTRATION:</b>				
<u>Passed through the Massachusetts Rehabilitation Commission:</u>				
Social Security - Disability Insurance.....	96.001	RFR99-899004	-	6,120
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>				
<u>Passed through the Massachusetts Emergency Management Agency:</u>				
Disaster Grants - Public Assistance (Presidentially Declared Disasters).....	97.036	FFY15 EMPG GRANT	-	35,188
TOTAL.....			\$	33,878,182

See notes to schedule of expenditures of federal awards.

(Concluded)

**Note 1 – Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of the City of Lowell, Massachusetts under programs of the federal government for the year ended June 30, 2016. 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 City of Lowell, Massachusetts, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Lowell, Massachusetts.

**Note 2 – Summary of Significant Accounting Policies**

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

- a) Basis of Presentation – The accompanying Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting. Accordingly, expenditures are recognized when the liability is incurred. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- b) Cash Assistance – School Breakfast and Lunch Program – Program expenditures represent federal reimbursement for meals provided during the year.
- c) Non-Cash Assistance (Commodities) – School Lunch Program – Program expenditures represent the value of donated foods received during the year.
- d) Disaster grants have been recorded the year the grant was received.
- e) The City of Lowell, Massachusetts does not use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**A. Summary of Auditor’s Results**

1. The auditor’s report expresses an unmodified opinion on the financial statements of the City of Lowell, Massachusetts.
2. No significant deficiencies relating to the audit of the basic financial statements are reported in the 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*.
3. No instances of noncompliance material to the financial statements of the City of Lowell, Massachusetts, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance for Each Major Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance.
5. The auditor’s report on compliance for the major federal award programs for the City of Lowell, Massachusetts, expresses an unmodified opinion on all major federal award programs.
6. There were no audit findings relative to the major federal award programs for the City of Lowell, Massachusetts.
7. The program tested as a major grant is the Child Nutrition Cluster, Title 1, and the Preschool Development grant.
8. The threshold for distinguishing Types A and B programs was \$1,016,345.
9. The City of Lowell, Massachusetts was determined to be a low-risk auditee.

**B. Findings – Financial Statements Audit**

None

**C. Findings and Questioned Costs – Major Federal Award Programs**

None

**D. Summary Schedule of Prior Audit Findings**

None