

**TOWN OF STOW
STOW, MASSACHUSETTS
MANAGEMENT REPORT
FOR THE YEAR ENDED JUNE 30, 2015**

DRAFT

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

To the Honorable Board of Selectmen
Town of Stow, Massachusetts

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 Town of Stow, Massachusetts as of and for the year ended June 30, 2015 which collectively comprise the Town of Stow's basic financial statements and have issued our report thereon, dated . 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 Stow'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 Stow'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 Town of Stow's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Stow'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 Town of Stow'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

Town of Stow's financial statements that is more than inconsequential will not be prevented or detected by the Town of Stow'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 Town of Stow's internal control.

Our consideration of the 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 that we consider to be material weaknesses, as defined above.

We have identified current procedures involving the custodianship of certain Town trust funds that we believe should be amended as explained in our comment on page 3 of this report.

This report is intended solely for the information and use by the Board of Selectmen, management and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

May 3, 2016

**TOWN OF STOW
STOW, MASSACHUSETTS**

MANAGEMENT REPORT

For the Year Ended June 30, 2015

I. INTERNAL CONTROL

Trust Fund Custodianship

The Town has several trust funds that are under the custodianship of individuals not employed by the Town and do not have the Town Treasurer as a co-custodian thus the funds are not covered under the Town's fidelity bond for insurance purposes. The trust funds in question are the *Hale High School Trust*, *Randall Library Fund* and the *Randall Relief Fund*. Collectively the asset balance in these funds exceeded \$1,000,000 in 2015.

We recommend that management through authority by the Board of Selectmen request the current custodians of the aforementioned trust funds to notify the investment advisors that the Town Treasurer be authorized as a co-custodian with authority to receive all investment information in relation to management of the trust investments henceforth. Likewise the investments of the aforementioned trust funds should be added to the coverage of the Town's fidelity bond held by the Town Treasurer.