

TOWN OF FAIRHAVEN, MASSACHUSETTS

Independent Auditors' Reports Pursuant
to Governmental Auditing Standards
and Uniform Guidance

For the Year Ended June 30, 2016

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Ellsworth, ME

**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 Auditors' Report

To the Board of Selectmen
Town of Fairhaven, 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 Town of Fairhaven, Massachusetts, as of and for the year ended June 30, 2016, (except for the Fairhaven 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 Town's basic financial statements, and have issued our report thereon dated March 23, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town'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 Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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 a 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 Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance 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.

Melanson Heath

March 23, 2017



Additional Offices:

Nashua, NH
Manchester, NH
Greenfield, MA
Ellsworth, ME

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

Independent Auditors' Report

To the Board of Selectmen
Town of Fairhaven, Massachusetts

Report on Compliance for Each Major Federal Program

We have audited the Town of Fairhaven, 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 Town's major federal programs for the year ended June 30, 2016. The Town's 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

Opinion on Each Major Federal Program

In our opinion, the Town of Fairhaven, 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 Town of Fairhaven, 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 Town'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 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 the 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 Town'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. 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 the 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 Town of Fairhaven, Massachusetts as of and for the year ended June 30, 2016, (except for the Fairhaven 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 Town's basic financial statements. We issued our report thereon dated March 23, 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 expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Melanson Heath

March 23, 2017

TOWN OF FAIRHAVEN, MASSACHUSETTS
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

<u>Federal Agency</u>				
Cluster	Federal	Pass Through		
Pass-through Agency	CFDA	Identifying		Federal
Program Title	Number	Number		Expenditures
<u>U.S. Department of Agriculture</u>				
Child Nutrition Cluster				
Passed Through Massachusetts Department of Elementary and Secondary Education				
School Breakfast Program	10.553	DOENUT201601SL323	\$	80,684
National School Lunch Program - Cash Assistance	10.555	DOENUT201601SL323		337,924
National School Lunch Program - Non-Cash Assistance	10.555	DOENUT201601SL323		71,390
Total Child Nutrition Cluster				489,998
Total U.S. Department of Agriculture				489,998
<u>U.S. Department of Housing and Urban Development</u>				
CDBG - Entitlement Grants Cluster				
Direct Federal Program				
Community Development Block Grants/Entitlement Grants - Union Wharf	14.218	N/A		274,753
Community Development Block Grants/Entitlement Grants - Francis St.	14.218	N/A		238,224
Community Development Block Grants/Entitlement Grants - Elliot & Sproat	14.218	N/A		16,989
Total CDBG - Entitlement Grants Cluster				529,966
Total U.S. Department of Housing and Urban Development				529,966
<u>U.S. Department of Interior</u>				
Direct Federal Program				
Clean Vessel Act Program	15.616	N/A		7,970
Total U.S. Department of Interior				7,970
<u>U.S. Department of Justice</u>				
Direct Federal Program				
Law Enforcement Assistance Narcotics and Dangerous Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	N/A		18,920
Bulletproof Vest Partnership Program	16.607	N/A		10,335
Total U.S. Department of Justice				29,255
<u>U.S. Department of Transportation</u>				
Highway Safety Cluster				
Direct Federal Program				
State and Community Highway Safety	20.600	N/A		2,885
Total Highway Safety Cluster				2,885
Total U.S. Department of Transportation				2,885
<u>U.S. Department of Education</u>				
Special Education Cluster				
Passed Through Massachusetts Department of Elementary and Secondary Education				
Special Education Grants to States	84.027	240-055-6-0094		493,594
Special Education Grants to States - Program Improvement	84.027	274-010-6-0094		20,223
Passed Through Massachusetts Department of Early Education and Care				
Special Education Preschool Grants - Early Childhood Allocation	84.173	26216FAIRHAVENPUP1P2		24,353
Total Special Education Cluster				538,170
Passed Through Massachusetts Department of Elementary and Secondary Education				
Title I Grants to Local Educational Agencies	84.010	305-070721-2016-0094		433,268
Supporting Effective Instruction State Grant	84.367	140-081218-2016-0094		85,205
FY15 Race to the Top	84.395	201-043787-2015-0094		1,778
Total U.S. Department of Education				1,058,421
<u>U.S. Department of Health and Human Services</u>				
Aging Cluster				
Direct Federal Program				
Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	93.044	N/A		23,373
Total Aging Cluster				23,373
Total U.S. Department of Health and Human Services				23,373
<u>U.S. Department of Homeland Security</u>				
Direct Federal Program				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	N/A		66,257
Assistance to Firefighters Grant	97.044	N/A		127,775
Total U.S. Department of Homeland Security				194,032
Total Federal Expenditures			\$	2,335,900

The accompanying notes are an integral part of this schedule.

TOWN OF FAIRHAVEN, MASSACHUSETTS

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2016

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Town of Fairhaven, 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 Town, it is not intended to and does not present the financial position, changes in net position or cash flows of the Town.

Note 2. Summary of Significant Accounting Policies

- Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- The amounts reported for the National School Lunch Program – Non-Cash Assistance (Commodities) represent the fair value of commodities provided by the Commonwealth.
- The Town has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3. Subrecipients

Of the federal expenditures presented in the Schedule, the Town of Fairhaven did not provide federal awards to subrecipients.

TOWN OF FAIRHAVEN, MASSACHUSETTS

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified? ☐ yes ☒ none reported

Noncompliance material to financial statements noted? ☐ yes ☒ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified? ☐ yes ☒ none reported

Type of auditors' report issued on compliance for major programs:

Special Education Cluster Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ☐ yes ☒ no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027/84.173	Special Education Cluster

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? ☒ yes ☐ no

SECTION II - FINANCIAL STATEMENT FINDINGS

None.

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None.

SECTION IV - SCHEDULE OF PRIOR YEAR FINDINGS

There were no findings in the prior year.