

**TOWN OF HALIFAX, MASSACHUSETTS**  
**FINANCIAL REPORT PURSUANT TO OMB CIRCULAR A-133**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**TOWN OF HALIFAX, MASSACHUSETTS**  
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**INDEX**

	<u><b>PAGE</b></u>
Independent Auditor's 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>	1
Independent Auditor's Report on Compliance for Each Major Program and On Internal Control Over Compliance Required by OMB Circular A-133	3
Schedule of Expenditure of Federal Awards	5
Notes to Schedule of Expenditure of Federal Awards	6
Schedule of Findings and Questioned Costs	7



Lynch, Malloy, Marini, LLP

*Certified Public Accountants & Advisors*

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**INDEPENDENT AUDITOR'S 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**

To the Honorable Board of Selectmen  
Town of Halifax, 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 financial statements of Town of Halifax, Massachusetts, as of and for the year ended June 30, 2013, and the notes to the financial statements, which collectively comprise Halifax, Massachusetts basic financial statements and have issued our report thereon dated March 17, 2014.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* 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 misstatements 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. 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. We consider the deficiencies described in the accompanying schedule of findings and responses 2013-01 to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Town of Halifax, Massachusetts' financial statements are free of 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*.

We noted certain matters that we reported to the management of Town of Halifax, Massachusetts in a separate letter dated March 17, 2014.

### **Town of Halifax's Response to Findings**

Town of Halifax, Massachusetts' responses to findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Town of Halifax, Massachusetts' responses were not subject to auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **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.

*Lynch, Malloy, Marini, LLP*

March 17, 2014  
Norwell, MA





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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

The Board of Selectmen  
The Town of Halifax, Massachusetts

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

We have audited the Town of Halifax's (the "Town") compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2013. 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 the requirement 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 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 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 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 Halifax 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, 2013.

**Report on Internal Control Over Compliance**

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with 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 a 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 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 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.

#### **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 activities, each major fund, and the aggregate remaining fund information of the Town of Halifax, Massachusetts as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements. We issued our report thereon dated March 17, 2014, which contained unqualified 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 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 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.

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.

*Lynch, Malloy, Marini, LLP*

Norwell, MA  
March 17, 2014



TOWN OF HALIFAX, MASSACHUSETTS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2013

<u>Federal Grantor/Pass-through Grantor Program or Title</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>			
Passed through the Commonwealth of Massachusetts			
Child Nutrition Cluster	10.553, 10.555, 10.556	CTDOESCDOE13758G70532112A	\$ 24,545
Total U.S. Department of Agriculture			24,545
<u>Institute of Museum and Library Services</u>			
Passed through the Commonwealth of Massachusetts			
On the Same Page Grant	45.310	CTBLC12HOLMESONSAMEPAGE	843
Library Services and Technology Grant	45.310	CTBLC13HALIFAXDISABILIE	5,081
Total Institute of Museum and Library Services			5,924
<u>U.S. Department of Education</u>			
Passed through the Commonwealth of Massachusetts			
Passed through Silver-Lake Regional School District			
Title I Distribution	84.010	None	54,300
Total U.S. Department of Education			54,300
<u>U.S. Department of Homeland Security</u>			
Direct			
FEMA Assistance to Firefighters	97.044	Not Applicable	799,920
Passed through the Commonwealth of Massachusetts			
FEMA Hurricane Sandy	97.036	CTFEMA4097HALIF	15,833
Total U.S. Department of Homeland Security			815,753
Total			\$ 900,522

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**TOWN OF HALIFAX, MASSACHUSETTS**  
Notes to Schedule of expenditures of Federal Awards  
For the year ended June 30, 2013

**1. Scope of Audit**

The Town of Halifax, Massachusetts (the "Town") was incorporated in 1734 under the laws of the Commonwealth of Massachusetts.

All operations related to the Town's federal award programs are included in the scope of the OMB Circular A-133 Audit Requirements for audits of state, local governments, and non-profit organizations (the single audit). The Town has not been designated an oversight agency for the single audit.

**2. Period Audited**

Single audit testing procedures were performed for the Town's federal grant transactions during the year ended June 30, 2013.

**3. Summary of Significant Accounting Policies**

Accounting policies and financial reporting practices permitted for municipalities in Massachusetts are prescribed by the Uniform Municipal Accounting System (UMAS) promulgated by the Commonwealth of Massachusetts Department of Revenue. The significant accounting policies followed by the Town are as follows:

**(a) Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant transactions of the Town and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**(b) Non-monetary assistance – food commodities**

Non-monetary assistance of commodities under the child nutrition cluster's food distribution program are received under a state distribution formula and are valued at federally published wholesale prices for purposes of this schedule. Such commodities, if any, are not recorded in the financial records, although memorandum records are maintained. The Town spent \$24,545 of federal awards under the child nutrition cluster.

**TOWN OF HALIFAX, MASSACHUSETTS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unqualified opinion on the financial statements of the Town of Halifax.
2. One material weaknesses in internal control over financial reporting, which are required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.
3. No instances of noncompliance material to the financial statements of the Town of Halifax, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No material weaknesses in the internal controls over major federal award programs which are required to be reported in accordance with OMB Circular A-133 were disclosed during the audit.
5. The auditor's report on compliance for the major federal award programs for the Town of Halifax expresses an unqualified opinion.
6. Audit findings that are required to be reported in accordance with Section 510 (a) of OMB Circular A-133 are reported in this schedule.
7. The programs tested as major programs included:
  - FEMA – Assistance to Firefighters, CFDA # 97.044
8. The threshold used for distinguishing Types A and B programs was \$300,000.
9. The Town of Halifax did not qualify as a low-risk auditee.

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

**Material Weakness**

2013-01 - Implement procedures to reconcile cash timely

*Criteria:* The Town must provide adequate procedures to ensure timely reconciliation of cash accounts to maintain good internal controls of the Town's cash balance and bank accounts.

The June 30, 2013 reconciliation of cash accounts was available for audit. Although there was no change to the Town's overall cash position through audit adjustments, we identified differences between the treasurer's reconciliation and the accountant's reconciliation. There is also an unidentified difference between the bank statements and the cashbook. Subsequent to year end, cash reconciliations have not been completed since the June 30, 2013 reconciliation.

*Effect:* Cash accounts were not timely reconciled throughout the year and at year end from bank statements to cashbook through to the Town general ledger. Without timely reconciliation of cash accounts to the general ledger each month, the Town is at risk of overstating or understating cash balances.

*Recommendation:* We understand the Town has incrementally improved its cash reconciliation procedures over the past year and the difference in the variance has not increased significantly, however we continue to recommend the Town provide for maintaining bank reconciliations on a timely basis throughout the year.

*Management's Response:* During fiscal year 2013, Treasurer implemented a more conventional and standardized cash book and reconciliation system. The Town also implemented a new financial management system that provides for an integrated cash book and general ledger. We expect to be up to date and timely with cash reconciliations by end fiscal year 2014.

**TOWN OF HALIFAX, MASSACHUSETTS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**C. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS - NONE**

**D. PRIOR YEAR AUDIT FINDINGS**

The Town was not required to have a single audit performed in fiscal year 2012 (prior year); accordingly, there were no findings to be reported relating to federal award programs.