

TOWN OF SALISBURY, MASSACHUSETTS

SINGLE AUDIT REPORTS

PURSUANT TO THE

UNIFORM GUIDANCE

JUNE 30, 2016

**TOWN OF SALISBURY, MASSACHUSETTS
TABLE OF CONTENTS
JUNE 30, 2016**

	<u>Page</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>	1-2
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	3-5
Schedule of Expenditures of Federal Awards	6-7
Notes to Schedule of Expenditures of Federal Awards.....	8
Schedules of Findings and Questioned Costs.....	9-10
Corrective Action Plan	11



ROSELLI, CLARK & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

500 West Cummings Park
Suite 4900
Woburn, MA 01801

Telephone: (781) 933-0073

www.roselliclark.com

**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 Salisbury, Massachusetts

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Salisbury, Massachusetts, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Salisbury, Massachusetts's basic financial statements and have issued our report thereon dated December 8, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit, 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, 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 other matters that we reported to management of the Town in a separate letter dated December 8, 2016.

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.



Roselli, Clark and Associates
Certified Public Accountants
Woburn, Massachusetts
December 8, 2016



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE**

To the Honorable Board of Selectmen
Town of Salisbury, Massachusetts

Report on Compliance for Each Major Federal Program

We have audited the Town of Salisbury, 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 Town of Salisbury, Massachusetts' major federal programs for the year ended June 30, 2016. The Town of Salisbury, 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 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 of Salisbury, 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 Town of Salisbury, 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 of the Town of Salisbury, Massachusetts' compliance.

Opinion on Each Major Federal Programs

In our opinion, the Town of Salisbury, 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.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2016-001. Our opinion on each major federal program is not modified with respect to this matter.

The Town of Salisbury, Massachusetts' response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Town of Salisbury, 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 of Salisbury, 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 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 of Salisbury, 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 efficiencies. 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 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 Salisbury, Massachusetts, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively compromise the Town of Salisbury, Massachusetts's basic financial statements. We have issued our report thereon dated December 8, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming our 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.



Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts

February 3, 2017, except for our report on the Schedule of Expenditures of Federal Awards, for which the date is December 8, 2016

**TOWN OF SALISBURY, MASSACHUSETTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016**

Federal Grantor/ Pass-Through Grantor/ Program Title		CFDA Number	Pass-Through Number	Passed Through to Subrecipients	Federal Expenditures
<u>U.S. Department of Agriculture</u>					
Water and Waste Program Cluster					
<i>Direct Award</i>					
Water and Waste Disposal Systems for Rural Communities - Grant	*	10.760		\$ -	\$ 396,863
Water and Waste Disposal Systems for Rural Communities - Loan	*	10.760		-	1,049,536
Total Water and Waste Program Cluster				-	1,446,399
<u>U.S. Department of Housing & Urban Development</u>					
<i>Passed through the Commonwealth of Massachusetts- Executive Office of Housing and Community Development</i>					
Community Development Block Grants/State's Program	*	14.228	CDF I-G-2014-Salisbury-00735	24,766	709,319
Community Development Block Grants/State's Program	*	14.228	CDF I-G-2013-Salisbury-00714	-	9,868
<i>Passed through the Town of Amesbury, Massachusetts</i>					
Community Development Block Grants/State's Program	*	14.228	CDF I-G-2015-Amesbury-00743	-	79,048
<i>Passed through the North Shore Home Consortium</i>					
Home Investment Partnerships Program		14.239	N/A	-	38,557
Total U.S. Department of Housing & Urban Development				24,766	836,792
<u>U.S. Department of Fisheries & Wildlife Services</u>					
<i>Passed through the Commonwealth of Massachusetts - Department of Fish & Game</i>					
Clean Vessel Act		15.616	TOWNOFSALISBURY2016	-	8,202
Total U.S. Department of Fisheries & Wildlife Services				-	8,202
<u>U.S. Department of Justice</u>					
<i>Passed through the Commonwealth of Massachusetts - Executive Office of Public Safety and Security</i>					
Violence Against Women Formula Grants		16.588	SCEPS3001VAWA15SALIS	-	32,957
Violence Against Women Formula Grants		16.588	SCEPS3001VAWA14SALIS	-	12,086
Enforcing Underage Drinking Laws Program		16.727	2015SALISBURYEUDLXXX	-	4,718
Edward Byrne Memorial Justice Assistance Grant (JAG)		16.738	FJG14LEKDE	-	87,487

(continued)

See notes to Schedule of Expenditures of Federal Awards

TOWN OF SALISBURY, MASSACHUSETTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016
(Continued)

Federal Grantor/ Pass-Through Grantor/ Program Title	CFDA Number	Pass-Through Number	Passed Through to Subrecipients	Federal Expenditures
<i>Passed through the Commonwealth of Massachusetts - Office of the District Attorney for the Essex District</i>				
Equitable Sharing Program	16.922	MA0052900	-	3,165
Total U.S. Department of Justice			-	140,413
<u>U.S. Department of Transportation</u>				
Highway Safety Cluster				
<i>Passed through the Commonwealth of Massachusetts Executive Office of Public Safety and Security</i>				
State and Community Highway Safety	20.600	2015SALISBURYPEDBIKE	-	3,626
Total Highway Safety Cluster			-	3,626
<u>U.S. Environmental Protection Agency</u>				
<i>Passed through the Merrimack Valley Planning Commission</i>				
Brownfield Assessment and Cleanup Cooperative Agreements - Loan	66.818	BF-96133801	-	45,854
Total U.S. Environmental Protection Agency			-	45,854
<u>U.S. Department of Homeland Security</u>				
<i>Direct Award</i>				
Assistance to Firefighters Grant	97.044		-	94,477
<i>Passed through the Commonwealth of Massachusetts- Massachusetts Emergency Management Agency</i>				
Emergency Management Performance Grants	97.042	FY16EMPG150000SALISB	-	2,756
Emergency Management Performance Grants	97.042	FY16EMPG131400SALISB	-	909
Total U.S. Department of Homeland Security			-	98,142
Total Federal Grant Award Expenditures			\$ 24,766	\$ 2,579,428

* Denotes major program.

(concluded)

See notes to Schedule of Expenditures of Federal Awards

TOWN OF SALISBURY, MASSACHUSETTS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

A. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Town of Salisbury, Massachusetts (the Town) 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.

B. 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 accompanying Schedule includes the federal grant transactions of the Town, although some of these programs may be supplemented with state and other revenue, only federal activity is shown. 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.

C. United States Environmental Protection Agency (EPA) Loans

The Town has received the subsequently listed EPA loans through the Merrimack Valley Planning Commission's Brownfield Cleanup Revolving Loan Fund. The balances and transactions relating to these loans are included in the Town's basic financial statements in the Special Revenue Fund. The loans reported in the Schedule of Expenditures of Federal Awards represent the proceeds from new loans received during the fiscal year. The balance of loans outstanding at June 30, 2016 consists of:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Balance at June 30, 2016</u>
Brownfield Assessment and Cleanup Cooperative Agreements	66.818	\$ 246,000

**TOWN OF SALISBURY, MASSACHUSETTS
SCHEDULES OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

A. Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on the financial statements of the Town of Salisbury.
2. No significant deficiencies disclosed during the audit of the financial statements are reported in the 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*.
3. No instances of noncompliance material to the financial statements of the Town of Salisbury which would be required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required By the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for the Town of Salisbury expresses an unmodified opinion.
6. There are audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) in this Schedule.
7. The programs tested as major programs include the Water and Waste Program Cluster (CFDA #10.760) and Community Development Block Grant/State's Program (CFDA # 14.228) grant programs.
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. The Town of Salisbury did qualify as a low risk auditee.

B. Schedule of Findings – Financial Statements Audit

None

**TOWN OF SALISBURY, MASSACHUSETTS
SCHEDULES OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016
(Continued)**

C. Schedule of Findings and Questioned Costs – Major Federal Award Programs Audit

<u>Finding</u>	<u>Questioned Costs</u>
<u>2016-001. U.S. Department of Housing and Urban Development</u>	
<u>Community Development Block Grant/State's Program (CFDA # 14.228)</u>	
<p><i>Criteria:</i> A housing rehabilitation program eligible under Section 105 (a)(4) of the Housing and Community Development Act of 1992 does not include the construction of new housing units as an allowable cost, except in limited circumstances.</p> <p><i>Statement of Condition:</i> Grant funds were used for the demolition of a mobile home and the subsequent construction of a new house on the same lot that was deemed to be unallowed per the pass-through agency. Further, the grant agreement with the pass-through agency stipulates that prior authorization is needed when projects exceed \$30,000 - \$35,000 per unit, dependent on the type of work performed.</p> <p><i>Cause and Effect:</i> As a result of the performance of an unallowed activity the Town must repay the cost of the project.</p> <p><i>Recommendation:</i> Grant administration must implement procedures to review all potential grant projects against a list of allowed grant activities and must obtain the appropriate waivers for any projects exceeding the associated thresholds stipulated in the grant agreement.</p>	
	\$34,051.77

D. Summary Schedule of Prior Year Audit Findings

None

**TOWN OF SALISBURY, MASSACHUSETTS
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2016**

Findings – Major Federal Award Programs Audit

2016-001. U.S Department of Housing and Urban Development

Community Development Block Grant/State's Program (CFDA # 14.228)

Recommendation: Grant administration must implement procedures to review all potential grant projects against a list of allowed grant activities and must obtain the appropriate waivers for any projects exceeding the associated thresholds stipulated in the grant agreement.

Corrective Action Planned: The Town's Community Development Block Grant administration will implement formal policies and procedures to ensure that all potential grant projects are reviewed in advance against a list of allowable grant activities and to ensure that appropriate waivers are obtained as needed.

Anticipated Completion Date: June 30, 2017

Contact: Lisa Pearson, CDBG Program Director