

**TOWN OF NEEDHAM, MASSACHUSETTS**

Independent Auditors' Reports Pursuant  
to Governmental Auditing Standards  
and The Single Audit Act Amendments of 1996

For the Year Ended June 30, 2013

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MELANSON HEATH & COMPANY, PC

CERTIFIED PUBLIC ACCOUNTANTS  
MANAGEMENT ADVISORS

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 Needham, 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 Needham, Massachusetts (the Town), 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, and have issued our report thereon dated December 11, 2013.

***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 + Company P.C.*

Andover, Massachusetts  
December 11, 2013



MELANSON HEATH & COMPANY, PC  
CERTIFIED PUBLIC ACCOUNTANTS  
MANAGEMENT ADVISORS

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT  
ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB  
CIRCULAR A-133

Independent Auditors' Report

To the Board of Selectmen  
Town of Needham, Massachusetts

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

We have audited the Town of Needham, Massachusetts' (the Town) compliance with the types of compliance requirements described in the *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 auditors' 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.

***Auditors' 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 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 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 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.

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.

***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 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 December 11, 2013, 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 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 expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Melanson, Heath + Company P.C.*

Andover, Massachusetts  
March 5, 2014

TOWN OF NEEDHAM, MASSACHUSETTS

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2013

| Federal Grantor/<br>Pass-Through Grantor/<br><u>Program Name</u>                                         | <u>Federal<br/>CFDA<br/>Number</u> | <u>Federal<br/>Expenditures</u> |
|----------------------------------------------------------------------------------------------------------|------------------------------------|---------------------------------|
| <u>U.S. Department of Agriculture</u>                                                                    |                                    |                                 |
| Passed Through Massachusetts Department of Elementary<br>and Secondary Education<br>School Lunch Program | 10.555                             | \$ <u>218,331</u>               |
| Total U.S. Department of Agriculture                                                                     |                                    | 218,331                         |
| <u>U.S. Environmental Protection Agency</u>                                                              |                                    |                                 |
| Environmental Education                                                                                  | 66.951                             | <u>727</u>                      |
| Total U.S. Environmental Protection Agency                                                               |                                    | 727                             |
| <u>U.S. Department of Education</u>                                                                      |                                    |                                 |
| Passed Through Massachusetts Department of Elementary<br>and Secondary Education                         |                                    |                                 |
| Title I ECIAA, P.L. 97-35                                                                                | 84.010                             | 125,786                         |
| Title VIB P.L. 94-142 Handicapped Assistance                                                             | 84.027                             | 1,231,570                       |
| Special Education Program Improvement                                                                    | 84.027                             | 46,764                          |
| Title II Teacher Quality                                                                                 | 84.367                             | 69,891                          |
| Early Childhood Special Education Program Improvement                                                    | 84.173A                            | 2,720                           |
| Passed Through Massachusetts Department of Early Education and Care                                      |                                    |                                 |
| P.L. 99-457 Early Childhood                                                                              | 84.173                             | <u>32,271</u>                   |
| Total U.S. Department of Education                                                                       |                                    | 1,509,002                       |
| <u>U.S. Department of Health and Human Services</u>                                                      |                                    |                                 |
| Substance Abuse Mental Health Services Administration                                                    | 93.243                             | 129,322                         |
| Passed Through National Association of County and City Health<br>Officials                               |                                    |                                 |
| Medical Reserve Corps Small Grant Program                                                                | 93.008                             | 5,310                           |
| Passed Through Cambridge Public Health Commission                                                        |                                    |                                 |
| 4B Emergency Preparedness                                                                                | 93.069                             | <u>8,451</u>                    |
| Total U.S. Department of Health and Human Services                                                       |                                    | 143,083                         |
| <u>U.S. Department of Homeland Security</u>                                                              |                                    |                                 |
| Passed Through Massachusetts Emergency Management Agency                                                 |                                    |                                 |
| FEMA Tropical Storm Irene                                                                                | 97.036                             | 1,699                           |
| FEMA Emergency Management Performance                                                                    | 97.042                             | <u>5,244</u>                    |
| Total U.S. Department of Homeland Security                                                               |                                    | <u>6,943</u>                    |
| Grand Total                                                                                              |                                    | <u>\$ 1,878,086</u>             |

See Auditors' report on Schedule of Federal Awards.

This schedule is prepared on the modified accrual basis of accounting.

State identifying numbers were not available for the pass-through grants listed above.

**TOWN OF NEEDHAM, MASSACHUSETTS**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2013

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified?  yes  no
- Significant deficiencies identified?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

Federal Awards

Internal control over major programs:

- Material weaknesses identified?  yes  no
- Significant deficiencies 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 section 510(a) of Circular A-133?  yes  no

Identification of major programs:

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

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

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**

| <b><u>Finding #</u></b> | <b><u>Program</u></b>                                               | <b><u>Finding/Noncompliance</u></b>                                                           |
|-------------------------|---------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|
| 12-1                    | Title VI B<br>and Early<br>Childhood<br>Grants<br>84.027/<br>84.173 | <u>Maintain Employee's Time and Effort<br/>Records</u><br><br>Finding 12-1 has been resolved. |