

INTERNAL AUDIT REPORT

CITY OF MANCHESTER

NEW HAMPSHIRE



Valley Street Cemetery Perpetual Care Trust Funds

Prepared by

City of Manchester, NH

Office of the Independent Auditor

**INTERNAL AUDIT REPORT
CITY OF MANCHESTER, NEW HAMPSHIRE
VALLEY STREET CEMETERY PERPETUAL CARE TRUST FUNDS**

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**City of Manchester
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September 29, 2004

Committee on Accounts, Enrollment and Revenue Administration
City of Manchester, New Hampshire
Honorable Aldermen: Smith, Shea, Guinta, Osborne and Thibaultt

Dear Honorable Committee Members:

In April of 2004 a request was made of the Internal Auditor to research the balance available in the Aretas Blood Mausoleum perpetual care trust fund. The City of Manchester has held all of its trust funds in a single pool of money for investment purposes and has not accounted for the balance on an individual account basis but rather on an aggregate basis by fund category. For example, all perpetual funds at the Valley Street Cemetery are accounted for as one fund. The request was to research and compile data in order to allocate the Valley Street Cemetery Perpetual Care Trust Fund to the individual accounts.

IA's procedures were limited to a compilation of principal, revenue and expenditure of the Valley Street Cemetery Perpetual Fund balances from the inception of the Aretas Blood Mausoleum Perpetual Care Fund to the current Fiscal Year. As part of the compilation laws and regulations would be reviewed to determine if the City was in compliance and the fairness of the allocation methodology for expenditures would be performed.

Conclusion

The balance of the Aretas Blood Mausoleum Perpetual Care Trust Fund at June 30, 2004 was determined to be \$5,622.30 which consists of \$4,342.73 of principal and \$1,279.57 of expendable income. Due to a lack of records the amounts noted here might not be completely accurate but represent the calculated balance using the best information available. As explained in the report that follows certain assumptions were used in the allocation and collection of data in order to approximate the balance to the best of the auditor's ability given the limited records available.

The auditor does not express an opinion on the proper use of the funds in relation to laws and regulations in force during the life of the funds. Insufficient records were available to render such an opinion.

Prior procedures used to account for and allocate expenditures to the individual funds were insufficient to ensure that only allowable expenditures were being allocated to each fund. Currently the Parks, Recreation and Cemeteries Department is using work orders to allocate expenditures to the correct funds. It appears that the true cost of caring for these plots exceeds the amount of trust income used by the City of Manchester and has been supplemented by the General Fund for many years. For prior years it was impossible to say with certainty that this was the case. The Parks, Recreation and Cemeteries Department's current system should ensure that only allowable expenditures were being paid with Trust Funds and that they are allocated fairly between plots under Perpetual Care, Special Care, non-care and common areas.

Respectfully Submitted,

Kevin Buckley, CPA
Internal Audit Manager

INTRODUCTION

BACKGROUND OF AUDIT

At the April 2004 meeting of the Committee on Accounts, Enrollment & Revenue Administration it was requested that a compilation and review engagement of Valley Street Cemetery, Aretas Blood Mausoleum perpetual care trust fund be conducted. The Office of the Independent Auditor of the City of Manchester (IA) has been designated by City Charter with the authority to conduct such engagements.

This engagement was conducted between April of 2004 and October of 2004.

SCOPE AND OBJECTIVES

This engagement was limited to a compilation of account balances for the Aretas Blood Mausoleum perpetual care trust fund from its inception on May 3, 1899 through June 30, 2004. As part of compiling this information the balances of all Valley Street Cemetery perpetual care trust funds from 1899 through 2004 were compiled and recalculated. In addition, to the extent necessary laws and regulations controlling the use of trust funds and cemeteries were reviewed in order to determine if the Parks, Recreation and Cemeteries Department were in compliance and had controls in place to ensure that the funds were spent in accordance with the trust documents and the law.

PROCEDURES AND METHODOLOGY

Reviewed the trust agreement for the Aretas Blood Mausoleum perpetual Care Trust Fund and the NH laws that regulate trust funds and cemeteries. Cemeteries are controlled by RSA 289 (cemeteries in general), RSA 31 (cemetery trust funds) and City Code of Ordinance Chapter 98.

Developed a spreadsheet that lists all the individual funds and the amount of the beginning balance in both the principal and the income accounts. Obtained information from audited reports of cemetery trustees from 1899 through 1965 and reports filed with the State of NH, Department of Justice, Charitable Trust Unit. These reports showed all new burials from the previous year and the amount they contributed to the Permanent Fund, the beginning and ending balances, and the expenditures and revenue of the Income Fund. Revenues and expenditures were allocated to the individual plot funds based on their percentage to the total fund at the beginning of the year. Using this method the balances were rolled forward from January of 1899 through June of 2004.

There were no records available to check to see if the expenditures charged to the funds were in accordance with the laws and regulations governing these funds and no opinion has been rendered as to the fairness of the allocation.

CITY OF MANCHESTER PARKS, RECREATION AND CEMETERY DEPARTMENT

The City of Manchester Cemetery Department was established in 1858 as the agency in charge of the care and maintenance of the City’s Cemeteries. The Cemetery Department was consolidated with the Parks and Recreation Department in 1993. The Cemetery Division expended 807,000 in the Perpetual Care organization code 6518 during fiscal year 2004 and received \$335,100 from the Perpetual Care Trust Funds (all cemeteries).

The Department maintains the following 9 municipal cemeteries.

Cemetery	Year Acquired	Acreage
Pine Grove	1851	275.00
Valley	1841	20.00
Amoskeag	1885	1.00
Merrill	1894	1.00
Stowell	1921	1.00
Hall	1921	.50
Huse	1930	1.00
Piscataquog	1915	2.00
Moore	1921	.25

VALLEY STREET CEMETERY

The Valley Street Cemetery comprises 20 acres and is bounded by Willow, Valley, Pine and Auburn Streets. The Amoskeag Manufacturing Corporation donated the Valley Street Cemetery to the City in 1841 making it the oldest City owned Cemetery. The cemetery is the final resting place of nine former City Mayors one of whom, Frederick Smyth, is the only Manchester Mayor to be elected to governor of the State of NH. Currently there are no available lots in the Valley Cemetery however, occasionally there is a burial, the last occurring in 2001. The cemetery has a receiving tomb built in 1888, a chapel completed in 1932 and 13 private mausoleums. There is a backlog of repair and maintenance work at the cemetery. A preservation master plan was conducted and a report issued estimating the cost to repair and preserve the cemetery at \$5,000,000.

BLOOD MAUSOLEUM

The Aretas Blood Mausoleum is currently in such disrepair that it has been judged unsafe and a chain-linked fence has been erected to keep people away from the structure for safety reasons.

In 1899 Mrs. Aretas Blood donated \$1,000 to the City of Manchester for the perpetual care of the family tomb and lot in the Valley Street Cemetery. At the time the donation was said to be one of the two largest donations ever received for the cemetery. At three percent interest it was believed that the fund would comfortably take care of the work needed.

From the funds inception in 1899 through 1940 the funds were invested in City of Manchester debt and savings accounts at local banking institutions. From 1941 through 1965 investment was limited to just the savings bank accounts. Throughout this period from 1899 through 1965 the principal

amount of the account remained at \$1,000 with all earnings going to the income account that is used to pay for maintenance activity. The amount of income earned approximated the amount charged for maintenance. At the end of 1965 it was calculated that the account consisted of the \$1,000 principal balance and \$420 of income available for maintenance. At the beginning of 1966 the entire amount of all perpetual care funds were transferred to principal and the Trustees started to invest the funds in a mix of investments. State and Federal law restrict the types of investments allowed to investments with a relatively low risk. For the compilation presented here the balance in the income account was left as income. From 1966 forward amount earned as investment growth has been added to the principal amount and the amount earned as interest added to the expendable income account. Through 1992 the Trust Funds had been reported on a calendar year basis Starting with the 18 months ended June 30, 1994 Trust Funds have been reported on the City's fiscal year. As of June 30, 2004 the balances in the Aretas Blood perpetual care account was calculated to consist of \$4,343 of principal and \$1,279 of income for a total balance of \$5,622.

VALLEY STREET PERPETUAL CARE TRUST FUND

From its inception until 1940 perpetual care trust funds were invested mostly in City of Manchester debt and the fund earned a rate of slightly over four-percent during that time. From 1941 through 1965 the entire balance of the trust funds was kept in savings accounts of local banks and the average rate earned dropped to just over three-percent. From 1966 to the present the Trustees of Trust Funds have diversified the trust fund investments to a variety of debt and equity investments and a noticeable rise in the average rate earned to 7.28% through the seventies, 12.52% through the eighties and 13.59% throughout the nineties. For the last five years the average rate of invested funds has dropped to around 4.72%.

At the same time the number of lots under perpetual care has risen from 93 in 1900 to 459 during 2004. The average annual amount spent per lot by decade can be seen in the following table. From 1900-1909 when the annual expenditure per lot was \$6.60 until 2000-2004 when it increased to \$41.33 implies an annual expenditure increase of approximately 2%.

YEARS	TOTAL EXPENDITURES	AVE. PERPETUAL CARE LOTS	EXPENDITURES PER LOT
1900 – 1909	\$ 10,153	153.9	\$ 6.60
1910 – 1919	11,909	276.2	4.31
1920 – 1929	23,591	357.9	6.59
1930 – 1939	39,184	408.2	9.60
1940 – 1949	30,494	442.0	6.90
1950 – 1959	18,269	453.7	4.03
1960 – 1969	22,823	456.0	5.01
1970 – 1979	49,433	457.7	10.80
1980 – 1989	47,570	458.7	10.37
1990 – 1999	175,831	459.0	38.31
2000 – 2004*	94,855	459.0	41.33

* Only five years of data

RECOMMENDATIONS

There are a few issues with balances that need to be addressed.

Accounts prior to 1899 need to be researched to determine the exact balance that should be allocated to each account. There is also an approximate \$5,500 of unexplained balance. This represents principal and interest that IA could not attribute to individual accounts at 1899.

During the course of this compilation IA noted that between the year-end 1965 report and the beginning balance of the 1966 report all of the income account was posted to the principal account. For the Valley Street Perpetual Fund \$20,470 was transferred from Income to Principal.

IA has noted several instances where the fund balance changed from one yearly report to the next with no apparent explanation.

YEAR	BEGINNING VARIANCE	VARIANCE AT JUNE 30, 2004
1930	\$ (179.50)	\$ (845.28)
1932	60.00	296.11
1958	255.00	1,288.17
1963	1,728.07	8,476.42
1964	\$ 2,147.58	\$ 10,541.45

A decision should be made on the disposition of these variances.

Moving forward revenues should be based on the balance of the individual accounts as a percentage of the total fund balance. Expenditures should be allocated as direct expenses when the expense is easily definable to a particular lot or for allocable expenses based on the square footage of the plot. When determining square footage expenditures need to be allocated fairly to both trust fund plots and non-trust fund plots and common areas.

CALCULATED BALANCES BY LOT AT JUNE 30, 2004

**VALLEY STREET CEMETERY
PERPETUAL CARE TRUST FUNDS**