

**CITY OF MANCHESTER, NEW HAMPSHIRE**

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

For the Year Ended June 30, 2016

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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 Honorable Board of Mayor and Aldermen and  
Citizens of the City of Manchester, New Hampshire

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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Manchester, New Hampshire, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 20, 2017.

Our report includes a reference to other auditors who audited the financial statements of the School District, Transit Authority, and Employee's Contributory Retirement System, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control Over Financial Reporting**

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

### **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 20, 2017

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 Honorable Board of Mayor and Aldermen and  
Citizens of the City of Manchester, New Hampshire

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

We have audited the City of Manchester, New Hampshire's 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 City's major federal programs for the year ended June 30, 2016. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The City's basic financial statements include the operation of the School District and Transit Authority (discretely presented component units) which expended \$20,012,010 and \$1,814,075 respectively in federal awards which is not included in the City's Schedule of Expenditures of Federal Awards for the year ended June 30, 2016. Our audit, described below, did not include the operations of the School District or Transit Authority because a separate single audit in accordance with Uniform Guidance was performed.

**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.

## **Auditors' Responsibility**

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

## **Opinion on Each Major Federal Program**

In our opinion, the City of Manchester, New Hampshire, 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 City 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 City'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 City'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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Manchester, New Hampshire as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 20, 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. Our report included a reference to other auditors. 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 20, 2017

CITY OF MANCHESTER, NEW HAMPSHIRE  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2016

<u>Federal Agency</u>				
Cluster	Federal	Pass Through		Passed
Pass-through Agency	CFDA	Identifying	Federal	Through to
Program Title	<u>Number</u>	<u>Number</u>	<u>Expenditures</u>	<u>Subrecipient</u>
<u>U.S. Department of Housing and Urban Development</u>				
Direct Federal Program				
Community Development Block Grants/Entitlement Grants	14.218	N/A	\$ 1,840,021	\$ 689,800
Emergency Solutions Grant Program	14.231	N/A	126,682	126,682
Home Investment Partnerships Program	14.239	N/A	2,033,420	1,992,915
Lead Hazard Reduction Demonstration Grant Program	14.905	N/A	<u>554,926</u>	<u>148,040</u>
Total U.S. Department of Housing and Urban Development			4,555,049	2,957,437
<u>U.S. Department of Justice</u>				
Direct Federal Program				
Project Safe Neighborhoods	16.609	N/A	30,281	-
Public Safety Partnership and Community Policing Grants	16.710	N/A	318,534	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	161,571	50,239
Equitable Sharing Program	16.922	N/A	130,301	-
Passed Through New Hampshire Department of Justice				
Violence Against Women Formula Grants				
Violence Against Women Formula Grants	16.588	2015W062	49,720	-
Violence Against Women Formula Grants	16.588	2016W062	<u>48,801</u>	<u>-</u>
Total Violence Against Women Formula Grants			<u>98,521</u>	<u>-</u>
Total U.S. Department of Justice			739,208	50,239
<u>U.S. Department of Transportation</u>				
Highway Planning and Construction Cluster				
Passed Through New Hampshire Department of Transportation				
Highway Planning and Construction	20.205	X-A000(907)	<u>489,101</u>	<u>-</u>
Total Highway Planning and Construction Cluster			489,101	-
Highway Safety Cluster				
Passed Through New Hampshire Department of Transportation				
State and Community Highway Safety				
State and Community Highway Safety	20.600	315-15A-105	2,369	-
State and Community Highway Safety	20.600	315-15A-024	1,376	-
State and Community Highway Safety	20.600	315-15A-106	2,334	-
State and Community Highway Safety	20.600	315-15A-107	1,157	-
State and Community Highway Safety	20.600	315-15A-198	3,646	-
State and Community Highway Safety	20.600	304-15A-024	1	-
State and Community Highway Safety	20.600	315-16A-013	24,864	-
State and Community Highway Safety	20.600	314-16A-010	<u>906</u>	<u>-</u>
Total State and Community Highway Safety			36,653	-
Passed Through New Hampshire Department of Transportation				
Alcohol Impaired Driving Countermeasures Incentive Grants I				
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	308-15A-031	1,983	-
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	308-16A-022	36,622	-
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	308-16A-032	<u>4</u>	<u>-</u>
Total Alcohol Impaired Driving Countermeasures Incentive Grants I			<u>38,609</u>	<u>-</u>
Total Highway Safety Cluster			75,262	-
Passed Through New Hampshire Department of Transportation				
Airport Improvement Program	20.106	3-33-0011	<u>7,843,316</u>	<u>-</u>
Total U.S. Department of Transportation			8,407,679	-

(continued)

(continued)

<u>Federal Agency</u>		Federal	Pass Through	Federal	Passed
Cluster		CFDA	Identifying	Expenditures	Through to
Pass-through Agency		Number	Number		Subrecipient
Program Title					
<u>Environmental Protection Agency</u>					
Direct Federal Program					
Brownfields Assessment and Cleanup Cooperative Agreements		66.818	N/A	82,444	-
Passed Through New Hampshire Department of Environmental Services					
Capitalization Grants for Clean Water State Revolving Funds		66.458	192-39	2,438,885	-
Passed Through New Hampshire Department of Environmental Services					
Capitalization Grants for Drinking Water State Revolving Funds					
Capitalization Grants for Drinking Water State Revolving Funds		66.468	1471010-08	87,165	-
Capitalization Grants for Drinking Water State Revolving Funds		66.468	1471010-07	2,373,676	-
Total Capitalization Grants for Drinking Water State Revolving Funds				<u>2,460,841</u>	<u>-</u>
Total Environmental Protection Agency				4,982,170	-
<u>U.S. Department of Energy</u>					
Passed Through the New Hampshire Office of Energy and Planning					
Energy Efficiency and Conservation Block Grant Program (EECBG)		81.128	DE-SC0003089	575	-
Total U.S. Department of Energy				575	-
<u>U.S. Department of Health and Human Services</u>					
Direct Federal Program					
Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)		93.224	N/A	860,970	860,970
Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)		93.224	N/A	246,548	246,548
Passed Through the New Hampshire Department of Health and Human Services					
Medical Reserve Corps Small Grant Program		93.008	IMRCSG101005-01	873	-
Medical Reserve Corps Small Grant Program		93.008	5MRCSG101005-04-11	261	-
Hospital Preparedness Program and Public Health Emergency					
Preparedness Aligned Cooperative Agreements		93.074	U90TP00535	258,347	-
Immunization Cooperative Agreements		93.268	H23IP000757	89,722	-
Mobilization For Health: National Prevention Partnership Awards		93.311	PAWOS000022-01-00	325,911	-
Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)					
HIV Prevention Activities Health Department Based		93.940	U62PS003655	63,055	-
Block Grants for Prevention and Treatment of Substance Abuse		93.959	TIO10035-14	208,504	67,586
Preventive Health Services Sexually Transmitted Diseases					
Control Grants		93.977	H25PS004339	9,917	-
Maternal and Child Health Services Block Grant to the States		93.994	B04MC28113	4,314	4,314
Total U.S. Department of Health and Human Services				2,088,617	1,179,418
<u>U.S. Department of Homeland Security</u>					
Passed Through New Hampshire Department of Safety					
Disaster Grants - Public Assistance (Presidentially Declared Disasters)		97.036	FEMA-4209-DR-NH	10,900	-
Emergency Management Performance Grants		97.042	EMW-2014-00070	29,475	-
Passed Through New Hampshire Department of Safety					
Homeland Security Grant Program					
Homeland Security Grant Program		97.067	EMW-2013-SS-0041	(71)	-
Homeland Security Grant Program		97.067	EMW-2014-00070	35,437	-
Total Homeland Security Grant Program				<u>35,366</u>	<u>-</u>
Total U.S. Department of Homeland Security				75,741	-
Total Federal Expenditures				<u>\$ 20,849,039</u>	<u>\$ 4,187,094</u>

The accompanying notes are an integral part of this schedule.

CITY OF MANCHESTER, NEW HAMPSHIRE

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 City of Manchester, New Hampshire, 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 City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

***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.
- Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.
- The City has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**CITY OF MANCHESTER, NEW HAMPSHIRE**

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 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:

Community Development Block Grants/Entitlement Grants	Unmodified
Home Investment Partnerships Program	Unmodified
Airport Improvement Program	Unmodified
Highway Planning and Construction	Unmodified
Capitalization Grants for Drinking Water State Revolving Funds	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>
14.218	Community Development Block Grants/Entitlement Grants
14.239	Home Investment Partnerships Program
20.106	Airport Improvement Program
20.205	Highway Planning and Construction
66.468	Capitalization Grants for Drinking Water State Revolving Funds

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.