

CITY OF MANCHESTER, NEW HAMPSHIRE

FEDERAL FINANCIAL AND COMPLIANCE REPORT
For the Year Ended June 30, 2012

CITY OF MANCHESTER, NEW HAMPSHIRE

FEDERAL FINANCIAL AND COMPLIANCE REPORT

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**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133 AND ON THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS**

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

Compliance: We have audited the City of Manchester, New Hampshire's (the "City") 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 City of Manchester, New Hampshire's major federal programs for the year ended June 30, 2012. The City of Manchester, New Hampshire's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Manchester, New Hampshire's management. Our responsibility is to express an opinion on the City of Manchester, New Hampshire's compliance based on our audit.

The City of Manchester, New Hampshire's basic financial statements include the operations of the Manchester Transit Authority and the Manchester School District Component units of the City, which received \$25,166,902 in federal awards which is not included in the schedule during the year ended June 30, 2012. Our audit described below, did not include the operations of the Manchester Transit Authority and the Manchester School District as these component units engaged other auditors to perform audits in accordance with OMB Circular A-133.

In addition, the City's basic financial statements include the operations of the City of Manchester Employees' Contributory Retirement System, a component unit of the City. Our audit described below, did not include this component unit because it was not required to be audited in accordance with OMB Circular A-133.

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 City of Manchester, New Hampshire'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. Our audit does not provide a legal determination of the City of Manchester, New Hampshire's compliance with those requirements.

In our opinion, the City of Manchester, New Hampshire complied, in all material respects, with the 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, 2012.

Internal Control Over Compliance: Management of the City of Manchester, New Hampshire is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Manchester, New Hampshire's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 City of Manchester, New Hampshire'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.

Our consideration of the 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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards: 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, 2012, and have issued our report thereon dated March 27, 2013, which contained an unqualified opinion on those financial statements. Our report was modified to include a reference to other auditors. Our audit and the audit of other auditors were conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's 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 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 financial

statements or to the 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 financial statements as a whole.

This report is intended solely for the information and use of the Board of Mayor and Aldermen, the management of the City of Manchester, New Hampshire and federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey LLP

New Haven, Connecticut
March 27, 2013

CITY OF MANCHESTER, NEW HAMPSHIRE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2012

Federal Grantor Pass-Through Grantor Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
Department of Health and Human Services:		
Direct Programs:		
Consolidated Health Centers	93.224	\$ 582,551
Passed Through the State of New Hampshire Department of Health and Human Services:		
Immunization Cluster:		
Childhood Immunization Grants	93.268	102,349
Total Immunization Cluster		<u>102,349</u>
Medical Reserve Corps Small Grant Program	93.008	2,224
Public Health Emergency Preparedness	93.069	7,648
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	33,895
Acquired Immunodeficiency Syndrome (AIDS) Activity	93.118	122
Childhood Lead Poisoning Prevention Projects - State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197	43,225
Centers for Disease Control & Prevention-Investigation and Technical Assistance	93.283	430,783
Refugee and Entrant Assistance - Discretionary Grants	93.576	14,443
ARRA-Grants to Health Center Programs	93.703	40,858
Preventative Health Services-Sexually Transmitted Diseases Control Grants	93.977	574
Preventative Health & Health Services Block Grant	93.991	43,162
		<u>719,283</u>
Total Department of Health and Human Services		<u>1,301,834</u>
Department of Justice:		
Direct Programs:		
Juvenile Justice and Delinquency Prevention	16.540	72,072
The Community - Defined Solutions to Violence Against Women Grant Program	16.590	62,839
ARRA-Public Safety Partnership & Community Policing Grants	16.710	987,184
Equitable Sharing Program	16.922	593,396
JAG Program Cluster:		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	312,967
ARRA-Edward Byrne Memorial Justice Assistance Grant Program/ Grants to Unite Local Governments	16.804	206,489
Total JAG Program Cluster		<u>519,456</u>
		<u>2,234,947</u>
Passed Through State of New Hampshire Office of the Attorney General:		
Sexual Assault Services Formula Program	16.017	190,475
ARRA-Violence Against Women Formula Grants	16.588	101,763
Enforcing Underage Drinking Laws Program	16.727	24,981
		<u>317,219</u>
Total Department of Justice		<u>2,552,166</u>

See Notes to Schedule.

(Continued)

CITY OF MANCHESTER, NEW HAMPSHIRE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued
For the Year Ended June 30, 2012

Federal Grantor Pass-Through Grantor Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
Department of Homeland Security:		
Direct Programs:		
Hazard Mitigation Grant	97.039	107,892
Assistance to Firefighters Grant	97.044	1,509
Emergency Operations Center	97.052	72,390
		<u>181,791</u>
Passed Through State of New Hampshire Department of Safety:		
Emergency Management Performance Grants	97.042	78,608
Homeland Security Grant Program	97.067	1,447
Buffer Zone Protection Program	97.078	34,559
State Homeland Security Program (SHSP)	97.073	150,054
		<u>264,668</u>
Total Department of Homeland Security		<u>446,459</u>
Department of Transportation:		
Direct Programs:		
Airport Improvement Program	20.106	6,041,536
Passed Through State of New Hampshire Department of Transportation:		
Highway Planning and Construction Cluster:		
Highway Planning & Construction	20.205	1,305,840
Recreational Trails Program	20.219	41,497
Total Highway Planning and Construction Cluster		<u>1,347,337</u>
State and Community Highway Safety	20.600	37,210
Alcohol Impaired Driving Countermeasures	20.601	29,942
		<u>1,414,489</u>
Total Department of Transportation		<u>7,456,025</u>
Department of Housing and Urban Development:		
Direct Programs:		
Community Development Block Grant Cluster:		
Community Development Block Grants/Entitlement Grants	14.218	1,905,768
State-Administered Community Development Block Grant Cluster:		
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	1,261,672
HOME Investment Partnerships Program	14.239	525,854
Emergency Shelter Grant Program	14.231	98,385
ARRA-Homeless Prevention & Rapid Re-Housing	14.257	151,543
Lead Hazard Reduction Demonstration Grant Program	14.905	772,247
Total Department of Housing and Urban Development		<u>4,715,469</u>

See Notes to Schedule.

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CITY OF MANCHESTER, NEW HAMPSHIRE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued
 For the Year Ended June 30, 2012

Federal Grantor Pass-Through Grantor Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
Department of Economic Development Agency:		
Direct Programs:		
Economic Development Technical Assistance	11.303	<u>11,920</u>
Environmental Protection Agency:		
Direct Programs:		
Healthy Communities Grant Program	66.110	13,853
Congressionally Mandated Projects	66.202	54,250
Capitalization Grants for Clean Water State Revolving Funds	66.458	64,876
Nonpoint Source Implementation Grants	66.460	69,029
ARRA-Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802	81,000
Brownfields Training, Research, and Technical Assistance Grants	66.818	<u>181,485</u>
Total Environmental Protection Agency		<u><u>464,493</u></u>
Department of Energy:		
Direct Programs:		
ARRA-Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	<u>345,762</u>
Total Expenditures of Federal Awards		<u><u>\$ 17,294,128</u></u>

See Notes to Schedule.

CITY OF MANCHESTER, NEW HAMPSHIRE

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2012**

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Manchester, New Hampshire and is presented on the modified accrual basis of accounting for grants which are accounted for in the governmental fund types and on the accrual basis of accounting for grants which are accounted for in the proprietary fund types. 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.

Note 2. Subrecipients

Of the expenditures presented in the Schedule of Expenditures of Federal Awards, the City provided the following federal awards to subrecipients:

<u>Name of Program/Project</u>	<u>CFDA Number</u>	<u>Amount Provided to Subrecipient</u>
Community Development Block Grants/Entitlement Grants	14.218	\$ 752,216
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	\$ 666,801
Consolidated Health Centers	93.224	\$ 582,551
Home Investment Partnerships Program	14.239	\$ 459,261
ARRA - Homeless Prevention & Rapid Re-Housing	14.257	\$ 151,543
Emergency Shelter Grant Program	14.231	\$ 98,385
Edward Byrne Memorial Justice Assistance Grant	16.738	\$ 72,748
ARRA - Grants to Health Center Programs	93.703	\$ 40,858

CITY OF MANCHESTER, NEW HAMPSHIRE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued
For the Year Ended June 30, 2012

II. FINANCIAL STATEMENT FINDINGS

No matters were reported.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

**CITY OF MANCHESTER, NEW HAMPSHIRE
SUMMARY OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended June 30, 2012**

Finding IC11-1.

The City of Manchester, New Hampshire corrected the prior year finding.



**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 Mayor and Aldermen
City of Manchester, New Hampshire

We have audited the financial statements of the governmental activities, the business-type activities, the 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, 2012, which collectively comprise the City of Manchester, New Hampshire's basic financial statements, and have issued our report thereon dated March 27, 2013. Our report includes a reference to other auditors. We conducted our audit 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. Other auditors audited the financial statements of the following component units: Manchester Transit Authority, Manchester School District and the City of Manchester Employees' Contributory Retirement System.

This report does not include the results of other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those other auditors.

Internal Control Over Financial Reporting: Management of the City of Manchester, New Hampshire is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Manchester, New Hampshire's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Manchester, New Hampshire's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Manchester, New Hampshire's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

Compliance and Other Matters: As part of obtaining reasonable assurance about whether the City of Manchester, New Hampshire's 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 management of the City of Manchester, New Hampshire in a separate letter dated March 27, 2013.

This report is intended solely for the information of the management and the Board of Mayor and Aldermen of the City of Manchester, New Hampshire and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey LLP

New Haven, Connecticut
March 27, 2013