

CITY OF MANCHESTER, NEW HAMPSHIRE

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

For the Year Ended June 30, 2017

TABLE OF CONTENTS

	<u>PAGE</u>
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
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	3
Schedule of Expenditures of Federal Awards	6
Notes to Schedule of Expenditures of Federal Awards	8
Schedule of Findings and Questioned Costs	9

Additional Offices:

Nashua, NH
Andover, MA
Greenfield, MA
Ellsworth, ME

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, 2017, 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 19, 2018.

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 19, 2018

Additional Offices:

Nashua, NH
Andover, MA
Greenfield, MA
Ellsworth, ME

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 the City's major federal program for the year ended June 30, 2017. The City's major federal program is 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 \$19,772,668 and \$2,344,037 respectively in federal awards which is not included in the City's Schedule of Expenditures of Federal Awards for the year ended June 30, 2017. 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 the City's major federal program 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 the 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 the major federal program for the year ended June 30, 2017.

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 2017-001. Our opinion the major federal program is not modified with respect to this matter.

The City's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questions costs and corrective action plan. The City'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 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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 19, 2018, 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 19, 2018

CITY OF MANCHESTER, NEW HAMPSHIRE

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2017

<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	\$ 2,754,572	\$ 809,445
Emergency Solutions Grant Program	14.231	N/A	164,668	160,713
Home Investment Partnerships Program	14.239	N/A	227,782	65,822
Lead Hazard Reduction Demonstration Grant Program	14.905	N/A	<u>1,051,638</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development			4,198,660	1,035,980
<u>U.S. Department of Justice</u>				
Direct Federal Program				
Services for Trafficking Victims	16.320	N/A	39,966	-
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	N/A	96,629	-
Public Safety Partnership and Community Policing Grants	16.710	N/A	207,127	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	12,382	12,085
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	18,348	15,388
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	77,550	8,088
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	88,700	-
Equitable Sharing Program	16.922	N/A	436,299	-
Passed Through New Hampshire Department of Justice				
Violence Against Women Formula Grants				
Violence Against Women Formula Grants	16.588	2016W062	44,199	-
Violence Against Women Formula Grants	16.588	2017W062	52,856	-
Violence Against Women Formula Grants	16.588	2017W067	<u>30,000</u>	<u>-</u>
Total Violence Against Women Formula Grants			<u>127,055</u>	<u>-</u>
Total U.S. Department of Justice			1,104,056	35,561
<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)	40,744	-
Recreational Trails Program	20.219	X-A004(399)	<u>33,529</u>	<u>-</u>
Total Highway Planning and Construction Cluster			74,273	-
Highway Safety Cluster				
Passed Through New Hampshire Department of Transportation				
State and Community Highway Safety				
State and Community Highway Safety	20.600	314-17A-001	1,657	-
State and Community Highway Safety	20.600	315-17A-020	36,204	-
State and Community Highway Safety	20.600	315-17A-025	15,225	-
State and Community Highway Safety	20.600	315-16A-013	21,721	-
State and Community Highway Safety	20.600	314-16A-010	<u>2,210</u>	<u>-</u>
Total State and Community Highway Safety			77,017	-
Passed Through New Hampshire Department of Transportation				
Alcohol Impaired Driving Countermeasures Incentive Grants I				
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	308-16A-022	<u>15,377</u>	<u>-</u>
Total Alcohol Impaired Driving Countermeasures Incentive Grants I			15,377	-
Passed Through New Hampshire Department of Transportation				
National Priority Safety Programs				
National Priority Safety Programs	20.616	308-17A-015	29,155	-
National Priority Safety Programs	20.616	318-17A-013	14,914	-
National Priority Safety Programs	20.616	308-17A-016	<u>4,422</u>	<u>-</u>
Total National Priority Safety Programs			<u>48,491</u>	<u>-</u>
Total Highway Safety Cluster			140,885	-
Passed Through New Hampshire Department of Transportation				
Airport Improvement Program	20.106	3-33-0011	<u>6,024,462</u>	<u>-</u>
Total U.S. Department of Transportation			6,239,620	-

(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	107,881	-
Passed Through New Hampshire Department of Environmental Services				
Nonpoint Source Implementation Grants				
Nonpoint Source Implementation Grants	66.460	998132412	127,600	-
Nonpoint Source Implementation Grants	66.460	998132414	11,400	-
Total Nonpoint Source Implementation Grants			139,000	-
Total Environmental Protection Agency			246,881	-
<u>U.S. Department of Energy</u>				
Passed Through the New Hampshire Office of Energy and Planning				
State Energy Program	81.041	EE0006204	10,000	-
Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	DE-SC0003089	55,470	-
Total U.S. Department of Energy			65,470	-
<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	336,526	336,526
Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224	N/A	1,204,521	1,201,521
Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224	N/A	214,495	214,495
Mobilization For Health: National Partnership Awards	93.311	N/A	401,649	-
Passed Through the New Hampshire Department of Health and Human Services				
Medical Reserve Corps Small Grant Program	93.008	5MRCSG101005-04-11	300	-
Medical Reserve Corps Small Grant Program	93.008	IMRCSG101005-01	14	-
Hospital Preparedness Program and Public Health Emergency Preparedness Aligned Cooperative Agreements	93.074	U90TP00535	485,998	-
Immunization Cooperative Agreements	93.268	H23IP000757	90,264	-
Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance (Partial Funding by PPHF)	93.733	H23IP000986	17,414	-
Child Lead Poisoning Prevention Surveillance (Partial Funding By PPHF)	93.753	UE1EH001271	15,083	-
Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758	B01OT009037	64,125	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	TIO10035-14	100,182	100,182
Preventive Health Services Sexually Transmitted Diseases Control Grants	93.977	U62PS003655, H25PS004339	84,697	-
Total U.S. Department of Health and Human Services			3,015,268	1,852,724
<u>U.S. Department of Homeland Security</u>				
Passed Through New Hampshire Department of Safety				
Homeland Security Grant Program				
Homeland Security Grant Program	97.067	EMW-2015-SS00040	19,689	-
Homeland Security Grant Program	97.067	EMW-2014-00070	64,854	-
Homeland Security Grant Program	97.067	EMW-2016-SS00053-S01	1,818	-
Total Homeland Security Grant Program			86,361	-
Total U.S. Department of Homeland Security			86,361	-
Total Federal Expenditures			\$ 14,956,316	\$ 2,924,265

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, 2017

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, 2017. 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.
- 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, 2017

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:

Airport Improvement Program 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:

CFDA Number(s) Name of Federal Program or Cluster

20.106 Airport Improvement Program

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

2017-001 Document Policies and Procedures Over Federal Awards

Federal Program(s) Information

Cluster/Program: All Federal Programs

Type of Finding

Compliance – Other Matters

Criteria or Specific Requirement

OMB's *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (UG) established significant new requirements related to Federal awards. The new requirements stipulate that federal award recipients must document their policies and procedures over certain aspects of financial and program management. Specifically, written policies are required for the following:

- Cash Management
- Determination of allowable costs
- Employee travel
- Procurement
- Subrecipient monitoring and management.

Condition and Context

The City has not formalized written policies and procedures related to Federal awards as required under Uniform Guidance.

Cause

Weaknesses in the formal documentation of internal controls.

Effect

There are no questioned costs as a result of this finding as there are no costs directly associated with this compliance requirement.

Recommendation

We recommend the City ensure that written policies and procedures are compiled and adopted as soon as practicable to ensure compliance with the Uniform Guidance.

Views of Responsible Official and Planned Corrective Action

Management's views and corrective action plan is included at the end of this report after the summary schedule of prior audit findings and status.

SECTION IV - SCHEDULE OF PRIOR YEAR FINDINGS

There were no findings in the prior year.



William E. Sanders
Finance Officer

Sharon Y. Wickens
Deputy Finance Officer

CITY OF MANCHESTER

Finance Department

2017 Single Audit Report: Corrective Action Plan

Year ended June 30, 2017

Audit Finding Reference: 2017-001 Document Policies and Procedures Over Federal Awards

Federal Program(s) Information: Cluster/Program: All Federal Programs

Criteria or Specific Requirement: OMB's *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (UG) established significant new requirements related to Federal awards. The new requirements stipulate that federal award recipients must document their policies and procedures over certain aspects of financial and program management. Specifically, written policies are required for the following:

- Cash Management
- Determination of allowable costs
- Employee travel
- Procurement
- Subrecipient monitoring and management.

Condition and Context: The City has not formalized written policies and procedures related to Federal awards as required under Uniform Guidance.

Recommendation: That the City ensure that written policies and procedures are compiled and adopted as soon as practicable to ensure compliance with the Uniform Guidance.

Planned Corrective Action: The City will work to formalize written policies and procedures related to Federal awards as required under Uniform Guidance.

City of Manchester, NH – Contact:

Sharon Wickens
Deputy Finance Officer
603-624-6460

Anticipated Completion Date: June 30, 2018