# CITY OF MANCHESTER, NEW HAMPSHIRE

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

For the Year Ended June 30, 2015

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MELANSONHEATH
ACCOUNTANTS • AUDITORS

102 Perimeter Road
Nashua, NH 03063
(603)882-1111
melansonheath.com

Additional Offices:
Andover, MA
Greenfield, MA
Manchester, NH
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, 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, 2015, 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 22, 2016.

### 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 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 22, 2016

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# 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 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 Circular A-133 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, 2015. The City'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 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 appli-

cable 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 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, 2015.

### 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 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'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.

## Purpose of this Report

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, 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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 22, 2016, 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

March 22, 2016

CITY OF MANCHESTER, NEW HAMPSHIRE

Schedule of Expenditures of Federal Awards

June 30, 2015

| Federal Grantor/ Pass-Through Grantor/ Program Title | Federal CFDA Number | Federal Expenditures |
|---|---|---|
| U.S. Department of Housing and Urban Development | | |
| Direct Programs: | | |
| Community Development Block Grants/Entitlement Grants | 14.218 | $ 1,384,044 |
| Passed through NH Community Development : | | |
| Emergency Shelter Grant Program | 14.231 | 102,387 |
| HOME Investment Partnerships Program | 14.239 | 400,599 |
| Lead Hazard Reduction Demonstration Grant Program | 14.905 | 574,534 |
| Total U.S. Department of Housing and Urban Development | | 2,461,564 |
| U.S. Department of Justice | | |
| Direct Programs: | | |
| Project Safe Neighborhoods | 16.609 | 19,719 |
| ARRA-Public Safety Partnership and Community Policing Grants | 16.710 | 295,041 |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 227,057 |
| Equitable Sharing Program | 16.922 | 133,304 |
| Passed through NH Department of Justice: | | |
| ARRA-Violence Against Women Formula Grants | 16.588 | 97,426 |
| Enforcing Underage Drinking Laws Program | 16.727 | 18,500 |
| Total U.S. Department of Justice | | 791,047 |
| U.S. Department of Transportation | | |
| Passed through NH Department of Transportation: | | |
| Airport Improvement Program | 20.106 | 1,818,541 |
| Highway Planning and Construction | 20.205 | 296 |
| Recreational Trails Program | 20.219 | 170,385 |
| State and Community Highway Safety | 20.600 | 26,995 |
| Alcohol Impaired Driving Countermeasures | 20.601 | 25,291 |
| Total U.S. Department of Transportation | | 2,041,508 |
| U.S. Environmental Protection Agency (EPA) | | |
| Direct Programs: | | |
| Healthy Communities Grant Program | 66.110 | 670 |
| Brownfields Training, Research, and Technical Assistance Grants | 66.818 | 81,763 |
| Passed through NH Department of Environmental Services | | |
| Capitalization Grants for Clean Water and State Revolving Funds | 66.458 | 9,706,911 |
| Total U.S. Environmental Protection Agency (EPA) | | 9,789,344 |
| U.S. Department of Health and Human Services | | |
| Direct Programs: | | |
| Consolidated Health Centers | 93.224 | 718,596 |
| Passed Through New Hampshire Department of Health and Human Services: | | |
| Medical Reserve Corps Small Grant Program | 93.008 | 1,566 |
| Project Grants and Cooperative Agreements for Tuberculosis Control Programs | 93.116 | 34,678 |
| Childhood Lead Poisoning Prevention Projects - State and Local Childhood | 93.197 | 31,969 |
| Childhood Immunization Grants | 93.268 | 89,619 |
| Centers for Disease Control & Prevention-Investigation and Technical Assistance | 93.283 | 449,733 |
| Mobilization for Health: National Prevention Partnership Awards | 93.311 | 112,037 |
| Refugee and Entrant Assistance - Discretionary Grants | 93.576 | 1,239 |
| Block Grants for Prevention and Treatment of Substance Abuse | 93.959 | 12,873 |
| Preventative Health Services-Sexually Transmitted Diseases Control Grants | 93.977 | 72,837 |
| Preventative Health and Health Services Block Grant | 93.991 | 51,049 |
| Maternal and Child Health Services Block Grant | 93.994 | 6,138 |
| Total U.S. Department of Health and Human Services | | 1,582,334 |

(continued)

(continued)

| Federal Grantor/ Pass-Through Grantor/ Program Title | Federal CFDA Number | Federal Expenditures |
|---|---|---|
| U.S. Department of Homeland Security | | |
| Passed Through New Hampshire Department of Safety: | | |
| Emergency Management Performance Grants | 97.042 | 21,792 |
| Homeland Security Grant Program | 97.067 | 595,347 |
| State Homeland Security Program (SHSP) | 97.073 | 2,973 |
| Total U.S. Department of Homeland Security | | 620,112 |
| Total All Programs | | $ 17,285,909 |

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, 2015

### *Note 1. Basis of Presentation*

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the City of Manchester, New Hampshire, under programs of the federal government for the year ended June 30, 2015. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 City.

### *Note 2. Summary of Significant Accounting Policies*

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Certain pass-through entity identifying numbers were not available.

### *Note 3. Subrecipients*

Of the federal expenditures presented in the schedule, the City provided federal awards to subrecipients as follows:

| CFDA Number | Program Name | Amount Provided to Subrecipients |
|---|---|---|
| 14.218 | Community Development Block Grants | $ 668,557 |
| 14.231 | Emergency Shelter Grant Program | $ 100,365 |
| 14.239 | Home Investment Partnerships Program | $ 166,331 |
| 14.905 | Lead Hazard Reduction Demonstration Grant Program | $ 5,983 |
| 16.738 | Edward Byrne Memorial Justice Assistance Grant Program | $ 76,001 |
| 93.224 | Homeless Healthcare | $ 715,596 |

**CITY OF MANCHESTER, NEW HAMPSHIRE**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2015

## SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

| | |
|---|---|
| Type of auditors' report issued: | Unmodified |
| Internal control over financial reporting: | |
| • Material weakness(es) identified? | ___ yes _✓_ no |
| • Significant deficiency(ies) identified? | ___ yes _✓_ none reported |
| Noncompliance material to financial statements noted? | ___ yes _✓_ no |

Federal Awards

| | |
|---|---|
| Internal control over major programs: | |
| • Material weakness(es) identified? | ___ yes _✓_ no |
| • Significant deficiency(ies) identified? | ___ yes _✓_ none reported |
| Type of auditors' report issued on compliance for major programs: | |
| Lead Hazard Reduction Grant Program | Unmodified |
| Capitalization Grants for Clean Water - SRF | Unmodified |
| Consolidated Health Centers | Unmodified |
| Homeland Security Grant Program | 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:

| CFDA Number(s) | Name of Federal Program or Cluster |
|---|---|
| 14.905 | Lead Hazard Reduction Grant Program |
| 66.458 | Capitalization Grants for Clean Water - SRF |
| 93.224 | Consolidated Health Centers |
| 97.067 | Homeland Security Grant Program |

| | |
|---|---|
| Dollar threshold used to distinguish between type A and type B programs: | $518,577 |
| 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.