

# **City of Manchester, New Hampshire**

Federal Single Audit Report  
Fiscal Year Ended June 30, 2014

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**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 OMB Circular A-133**

**Independent Auditor's Report**

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

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

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's major federal programs for the year ended June 30, 2014. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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 \$21,114,561 in federal awards which is not included in the schedule during the year ended June 30, 2014. Our audit described below did not include the operations of the Manchester Transit Authority or the Manchester School District as these component units engaged other auditors to perform procedures in accordance with OMB Circular A-133.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's 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 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'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 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, 2014.

## **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.

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 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, 2014, and the related notes to the financial statements, which collectively comprise the City of Manchester, New Hampshire's basic financial statements. We issued our report thereon dated March 12, 2015, which contained unmodified opinions on those financial statements. Our report included a reference to other auditors and an emphasis paragraph for the adoption of a new accounting standard. 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 expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



New Haven, Connecticut  
March 12, 2015

City of Manchester, New Hampshire

Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2014

Federal Grantor Pass-Through Grantor Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<b>Department of Health and Human Services</b>		
Direct Programs:		
Consolidated Health Centers	93.224	\$ 686,865
Passed Through the State of New Hampshire Department of Health and Human Services:		
Immunization Cluster:		
Childhood Immunization Grants	93.268	97,424
<b>Total Immunization Cluster</b>		<u>97,424</u>
Medical Reserve Corps Small Grant Program	93.008	660
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	34,932
Childhood Lead Poisoning Prevention Projects - State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197	25,608
Centers for Disease Control & Prevention-Investigation and Technical Assistance	93.283	465,235
Refugee and Entrant Assistance - Discretionary Grants	93.576	15,074
Block Grants for Prevention and Treatment of Substance Abuse	93.959	47,931
Preventative Health Services - Sexually Transmitted Diseases Control Grants	93.977	72,744
Preventative Health & Human Services Block Grant	93.991	55,180
		<u>814,788</u>
<b>Total Department of Health and Human Services</b>		<u>1,501,653</u>
<b>Department of Justice</b>		
Direct Programs:		
Project Safe Neighborhoods	16.609	1,907
ARRA - Public Safety Partnership & Community Policing Grants	16.710	488,729
Equitable Sharing Program	16.922	242,507
JAG Program Cluster:		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	359,093
<b>Total JAG Program Cluster</b>		<u>359,093</u>
		<u>1,092,236</u>
Passed Through State of New Hampshire Office of the Attorney General:		
ARRA-Violence Against Women Formula Grants	16.588	93,693
Enforcing Underage Drinking Laws Program	16.727	(1,076)
		<u>92,617</u>
<b>Total Department of Justice</b>		<u>1,184,853</u>

(Continued)

City of Manchester, New Hampshire

Schedule of Expenditures of Federal Awards (Continued)  
For the Year Ended June 30, 2014

Federal Grantor Pass-Through Grantor Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<b>Department of Homeland Security</b>		
Direct Programs:		
Emergency Operations Center	97.052	\$ 21,216
		<u>21,216</u>
Passed Through State of New Hampshire Department of Safety:		
Emergency Management Performance Grants	97.042	4,891
Assistance to Firefighters Grant	97.044	96,400
Homeland Security Grant Program	97.067	117,527
State Homeland Security Program (SHSP)	97.073	172,132
		<u>390,950</u>
<b>Total Department of Homeland Security</b>		<u>412,166</u>
<b>Department of Transportation</b>		
Direct Programs:		
Airport Improvement Program	20.106	4,919,658
Airport Improvement Program	97.117	161,317
		<u>5,080,975</u>
Passed Through State of New Hampshire Department of Transportation:		
Highway Planning and Construction Cluster:		
Highway Planning & Construction	20.205	9,080
<b>Total Highway Planning and Construction Cluster</b>		<u>9,080</u>
Recreational Trails Program	20.219	13,499
State and Community Highway Safety	20.600	25,538
Alcohol Impaired Driving Countermeasures	20.601	8,521
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	11,967
		<u>68,605</u>
<b>Total Department of Transportation</b>		<u>5,149,580</u>
<b>Department of Housing and Urban Development</b>		
Direct Programs:		
Community Development Block Grant Cluster:		
Community Development Block Grants/Entitlement Grants	14.218	1,958,264
State-Administered Community Development Block Grant Cluster:		
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	2,233,779
HOME Investment Partnerships Program	14.239	368,139
Emergency Shelter Grant Program	14.231	172,790
Lead Hazard Reduction Demonstration Grant Program	14.905	1,489,903
<b>Total Department of Housing and Urban Development</b>		<u>6,222,875</u>

(Continued)

**City of Manchester, New Hampshire**

**Schedule of Expenditures of Federal Awards (Continued)  
For the Year Ended June 30, 2014**

Federal Grantor Pass-Through Grantor Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<b>Environmental Protection Agency</b>		
Direct Programs:		
Healthy Communities Grant Program	66.110	\$ 6,378
Capitalization Grants for Clean Water and State Revolving Funds	66.458	7,822,415
Brownfields Training, Research, and Technical Assistance Grants	66.818	<u>27,820</u>
<b>Total Environmental Protection Agency</b>		<u><u>7,856,613</u></u>
<b>Department of Energy</b>		
Direct Programs:		
Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	<u>27,622</u>
<b>Total Expenditures of Federal Awards</b>		<u><u>\$ 22,355,362</u></u>

See Notes to Schedule of Expenditures of Federal Awards

**City of Manchester, New Hampshire**

**Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2014**

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**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 (the City) under programs of the federal government for the year ended June 30, 2014. 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 fund balances, changes in net position or cash flows of the City.

**Note 2. Summary of Significant Accounting Principles**

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 funds 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-87, *Cost Principles for States, Local Governments, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable and are limited as to reimbursement.

**Note 3. Subrecipients**

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

Name of Program/Project	CFDA Number	Amount Provided to Subrecipients
Edward Byrne Memorial Justice Assistance Grant Program	16.738	51,555
CBDG Grants	14.218	1,878,231
HOME Grants	14.239	577,900
Emergency Shelter Grants	14.231	123,738

**City of Manchester, New Hampshire**

**Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2014**

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I. Summary of Auditor's Results

*Financial Statements*

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?      \_\_\_\_\_ Yes        X   No
- Significant deficiency(ies) identified?      \_\_\_\_\_ Yes        X   None reported

Noncompliance material to financial statements noted?      \_\_\_\_\_ Yes        X   No

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified?      \_\_\_\_\_ Yes        X   No
- Significant deficiency(ies) identified?      \_\_\_\_\_ Yes        X   None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?      \_\_\_\_\_ Yes        X   No

*Identification of Major Programs*

CFDA Numbers	Program Name or Cluster
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
14.231	Emergency Shelter Grant Program
66.458	Capitalization Grants for Clean Water State Revolving Funds
93.283	Centers for Disease Control & Prevention – Investigation and Technical Assistance

Dollar threshold used to distinguish between type A and type B programs      \$670,661

Auditee qualified as low-risk auditee?        X   Yes      \_\_\_\_\_ No

**City of Manchester, New Hampshire**

**Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended June 30, 2014**

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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, 2014**

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There were no prior year findings that pertained to the federal single audit.



**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 Auditor's Report**

To the Honorable Board of Mayor and Aldermen  
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 discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Manchester, New Hampshire (the City) as of and for the year ended June 30, 2014, 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 12, 2015. Our report includes a reference to other auditors who audited the financial statements of the City of Manchester Employees' Contributory Retirement System, the Manchester School District and the Manchester Transit Authority as described in our report on the City's financial statements. Our report also included an emphasis paragraph for the adoption of a new accounting standard. 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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The image shows a handwritten signature in cursive script that reads "McGladrey LLP".

New Haven, Connecticut  
March 12, 2015