

CITY OF MANCHESTER, NEW HAMPSHIRE

FEDERAL FINANCIAL AND COMPLIANCE REPORT
For the Year Ended June 30, 2010

CITY OF MANCHESTER, NEW HAMPSHIRE

FEDERAL FINANCIAL AND COMPLIANCE REPORT

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

To the 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, 2010. 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 School District and the Manchester Transit Authority, component units of the City, which expended \$39,877,345 and \$2,424,647, respectively, in federal awards, which is not included in the attached schedule of federal awards for the year ended June 30, 2010. Our audit described below did not include the operations of the Manchester School District and the Manchester Transit Authority, because those component units engaged other auditors to perform an audit 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. 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 on 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, 2010.

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 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, 2010, and have issued our report thereon dated February 4, 2011. We did not audit the financial statements of the Manchester School District and the Manchester Transit Authority, discretely presented component units of the City, which financial statements reflect 99% of the revenues and approximately 93% of the assets of the discretely presented component units of the City. We also did not audit the City of Manchester Employees' Contributory Retirement System, a blended component unit of the City, which financial statements reflect approximately 92% of the assets and 95% of the additions of the Pension Trust Fund. Our audit was performed for the purpose of forming our opinions on the basic financial statements that collectively comprise the City of Manchester, New Hampshire'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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken 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 and state 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 & Pullen, LLP

New Haven, Connecticut
February 4, 2011

CITY OF MANCHESTER, NEW HAMPSHIRE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2010

Federal Grantor Pass-Through Grantor Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
Department of Health and Human Services:		
Consolidated Health Centers	93.224	\$ 411,044
Passed Through the State of New Hampshire Department of Health and Human Services:		
Immunization Cluster:		
Childhood Immunization Grants	93.268	88,469
ARRA-Immunization	93.712	15,732
Total Immunization Cluster		<u>104,201</u>
Medical Reserve Corps Small Grant Program	93.008	4,323
Public Health Emergency Preparedness	93.069	127,919
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	29,969
Acquired Immunodeficiency Syndrome (AIDS) Activity	93.118	53,872
Childhood Lead Poisoning Prevention Projects - State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197	32,481
Centers for Disease Control & Prevention-Investigation and Technical Assistance	93.283	453,233
Refugee and Entrant Assistance - Discretionary Grants	93.576	18,756
ARRA-Grants to Health Center Programs	93.703	144,307
Preventative Health Services-Sexually Transmitted Diseases Control Grants	93.977	83,846
Preventative Health & Health Services Block Grant	93.991	52,153
Total Department of Health and Human Services		<u>1,516,104</u>
Department of Justice:		
The Community - Defined Solutions to Violence Against Women Grant Program	16.590	206,227
AARA Public Safety Partnership & Community Policing Grants	16.710	371,378
Edward Byrne Memorial Justice Assistance Grant Program	16.738	191,864
ARRA-Edward Byrne Memorial Justice Assistance Grant Program/ Grants to Unite Local Governments	16.804	662,633
Passed Through State of New Hampshire Office of the Attorney General:		
Sexual Assault Services Formula Program	16.017	27,211
ARRA-Violence Against Women Formula Grant	16.588	6,366
Violence Against Women Formula Grants	16.588	81,165
Project Safe Neighborhoods	16.609	2,281
Enforcing Underage Drinking Laws Program	16.727	27,261
Total Department of Justice		<u>1,576,386</u>
Department of Homeland Security:		
Passed Through State of New Hampshire Department of Safety:		
Emergency Management Performance Grants	97.042	181,785
ARRA-Assistance to Firefighters Grant	97.115	33,626
State Homeland Security Program (SHSP)	97.073	98,455
Total Department of Homeland Security		<u>313,866</u>
Department of Transportation:		
ARRA-Airport Improvement Program	20.106	6,323,125

See Notes to Schedule.

(Continued)

CITY OF MANCHESTER, NEW HAMPSHIRE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued
 For the Year Ended June 30, 2010

Federal Grantor Pass-Through Grantor Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
Department of Transportation:		
Passed Through State of New Hampshire Department of Transportation:		
Highway Planning and Construction Cluster:		
Highway Planning & Construction	20.205	1,618,755
Recreational Trails Program	20.219	10,804
Total Highway Planning and Construction Cluster		1,629,559
State and Community Highway Safety	20.600	45,599
Total Department of Transportation		7,998,283
Department of Housing and Urban Development:		
Community Development Block Grant Cluster:		
Community Development Block Grants/Entitlement Grants	14.218	2,607,700
ARRA Community Development Block Grant ARRA Entitlement Grants	14.253	351,536
Total Community Development Block Grant Cluster		2,959,236
HOME Investment Partnerships Program	14.239	788,205
Emergency Shelter Grant Program	14.231	87,502
ARRA-Neighborhood Stabilization Recovery	14.256	2,769,363
ARRA-Homeless Prevention & Rapid Re-Housing	14.257	231,410
Lead Hazard Reduction Demonstration Grant Program	14.905	529,828
		4,406,308
Total Department of Housing and Urban Development		7,365,544
Corporation for National and Community Service:		
Volunteers in Service to America	94.013	91,172
Environmental Protection Agency:		
Congressionally Mandated Projects	66.202	842,985
Department of Commerce:		
ARRA-Economic Development Support for Planning Organizations	11.302	75,000
Department of Energy:		
ARRA-Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	441,768
Total Expenditures of Federal Awards		\$ 20,221,108

See Notes to Schedule.

CITY OF MANCHESTER, NEW HAMPSHIRE

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2010**

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Manchester 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. Loans

Loans Outstanding

The City had the following loan balances outstanding as of June 30, 2010:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Balance</u>
HUD 108 Loan	14.248	\$6,239,000

**CITY OF MANCHESTER, NEW HAMPSHIRE
SUMMARY OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended June 30, 2010**

There were no findings relative to federal awards in the prior year.



**INDEPENDENT AUDITOR'S 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 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 unit 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, 2010, and have issued our report thereon dated February 4, 2011. We did not audit the financial statements of the Manchester School District and the Manchester Transit Authority, discretely presented component units of the City, which financial statements reflect 99% of the revenues and approximately 93% of the assets of the discretely presented component units of the City. We also did not audit the City of Manchester Employees' Contributory Retirement System, a blended component unit of the City, which financial statements reflect approximately 89% of the assets and 100% of the additions of the Pension Trust Fund. 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. The financial statements of the Manchester Transit Authority and the City of Manchester Employees Contributory Retirement system were not audited in accordance with the standards applicable to financial audits contained in "Government Auditing Standards".

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 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 first paragraph of this section 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 above.

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 February 4, 2011.

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 & Pullen, LLP

New Haven, Connecticut
February 4, 2011