

**CITY OF MANCHESTER, NEW HAMPSHIRE**

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

For the Year Ended June 30, 2018

## 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 Alderman 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, 2018, 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 20, 2019.

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.

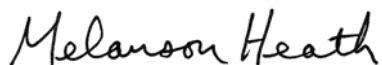
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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.

A handwritten signature in cursive script that reads "Melanson Heath".

March 20, 2019

**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 Alderman 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 each of City's major federal programs for the year ended June 30, 2018. The City's major federal programs are 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 \$19,942,982 and \$2,064,656 respectively in federal awards which are not included in the City's Schedule of Expenditures of Federal Awards for the year ended June 30, 2018. Our audit, described below, did not include the operations of the School District or Transit Authority because separate single audits in accordance with Uniform Guidance were 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 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 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 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, 2018.

## **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 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

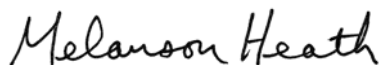
type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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, 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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 20, 2019, 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 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.

A handwritten signature in black ink that reads "Melanson Heath". The signature is written in a cursive, flowing style.

March 20, 2019

**CITY OF MANCHESTER, NEW HAMPSHIRE**

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2018

<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	\$ 1,573,578	\$ 828,873
Emergency Solutions Grant Program	14.231	N/A	122,782	109,415
Home Investment Partnerships Program	14.239	N/A	1,446,850	1,399,194
Lead Hazard Reduction Demonstration Grant Program	14.905	N/A	1,032,209	-
Total U.S. Department of Housing and Urban Development			4,175,419	2,337,482
<u>U.S. Department of Justice</u>				
Direct Federal Program				
Services for Trafficking Victims	16.320	N/A	174,995	-
Grants to Encourage Arrest Polices and Enforcement of Protection Orders Program	16.590	N/A	153,722	-
Public Safety Partnership and Community Policing Grants	16.710	N/A	269,233	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	97,010	36,833
Equitable Sharing Program	16.922	N/A	146,822	-
Passed Through New Hampshire Department of Justice				
Violence Against Women Formula Grants	16.588	2017W062	93,352	-
Violence Against Women Formula Grants	16.588	2018W067	30,000	-
Total U.S. Department of Justice			965,134	36,833
<u>U.S. Department of Transportation</u>				
Federal Aviation Administration				
Passed Through New Hampshire Department of Transportation				
Airport Improvement Program	20.106	3-33-0011-102-2015	21,237	-
Airport Improvement Program	20.106	3-33-0011-107-2016	465,213	-
Airport Improvement Program	20.106	3-33-0011-108-2017	410,618	-
Airport Improvement Program	20.106	3-33-0011-109-2017	3,087,893	-
Airport Improvement Program	20.106	3-33-0011-113-2018	552,017	-
Airport Improvement Program	20.106	Unknown	577,397	-
Total Federal Aviation Administration			5,114,375	-
Highway Planning and Construction Cluster				
Passed Through New Hampshire Department of Transportation				
Highway Planning and Construction	20.205	X-A000(240)	1,504	-
Highway Planning and Construction	20.205	X-A001(086)	328,129	-
Highway Planning and Construction	20.205	X-A004(604)	68,747	-
Recreational Trails Program	20.219	X-A004(399)	43,755	-
Total Highway Planning and Construction Cluster			442,135	-
Highway Safety Cluster				
Passed Through New Hampshire Department of Transportation				
State and Community Highway Safety	20.600	314-17A-001	2,150	-
State and Community Highway Safety	20.600	315-17A-020	18,119	-
State and Community Highway Safety	20.600	315-18A-028	34,837	-
State and Community Highway Safety	20.600	318-18A-025	11,718	-
National Priority Safety Programs	20.616	308-17A-015	21,824	-
National Priority Safety Programs	20.616	308-17A-016	9,489	-
National Priority Safety Programs	20.616	308-18A-021	55,762	-
National Priority Safety Programs	20.616	308-18A-023	5,045	-
National Priority Safety Programs	20.616	314-18A-007	2,994	-
National Priority Safety Programs	20.616	318-17A-013	2,771	-
Total Highway Safety Cluster			164,709	-
Total U.S. Department of Transportation			5,721,219	-

(continued)



(continued)

<u>Federal Agency</u>				
Cluster	Federal	Pass Through		Passed
Pass-through Agency	CFDA	Identifying	Federal	Through to
Program Title	Number	Number	Expenditures	Subrecipient
<u>U.S. Department of the Treasury</u>				
Direct Federal Program				
Equitable Sharing Program	21.016	N/A	23,743	-
Total U.S. Department of the Treasury			23,743	-
<u>Environmental Protection Agency</u>				
Clean Water State Revolving Fund Cluster				
Passed Through New Hampshire Department of Environmental Services				
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS330001-15	1,679,143	-
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS330001-16	370,462	-
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS330001-17	26,249	-
Total Clean Water State Revolving Fund Cluster			2,075,854	-
Drinking Water State Revolving Fund Cluster				
Passed Through New Hampshire Department of Environmental Services				
Capitalization Grants for Drinking Water State Revolving Funds	66.468	SWP-263	20,000	-
Capitalization Grants for Drinking Water State Revolving Funds	66.468	SWP-276	20,000	-
Capitalization Grants for Drinking Water State Revolving Funds	66.468	SWP-277	20,000	-
Total Drinking Water State Revolving Fund Cluster			60,000	-
Direct Federal Program				
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	N/A	15,702	-
Total Environmental Protection Agency			2,151,556	-
<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	1,146,698	1,143,698
Mobilization For Health: National Partnership Awards	93.311	N/A	87,861	-
Passed Through the New Hampshire Department of Health and Human Services				
Medical Reserve Corps Small Grant Program	93.008	IMRCSG101005-01	808	-
Hospital Preparedness Program and Public Health Emergency Preparedness Aligned Cooperative Agreements	93.074	U90TP000535	266,191	-
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	SP020796	84,573	-
Immunization Cooperative Agreements	93.268	H23IP000757	89,999	-
Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance (Partial funding by PPHF)	93.733	H23IP000986	57,277	-
Child Lead Poisoning Prevention Surveillance (Partial funding by PPHF)	93.753	05-95-90-901510-7964	15,000	-
Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758	B010T009037	95,582	-
Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758	B010T009098	24,888	-
HIV Prevention Activities Health Department Based	93.940	U62PS003655	64,133	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	T1010035-14, B04MC30627	58,368	58,368
Block Grants for Prevention and Treatment of Substance Abuse	93.959	TI010035	116,680	-
Preventive Health Services Sexually Transmitted Diseases Control Grants	93.977	U62PS003655, H25PS004339	20,807	-
Total U.S. Department of Health and Human Services			2,128,865	1,202,066
<u>U.S. Department of Homeland Security</u>				
Passed Through New Hampshire Department of Safety				
Homeland Security Grant Program	97.067	EMW-2015-SS-00040	24,811	-
Homeland Security Grant Program	97.067	EMW-2016-SS-00053-S01	3,457	-
Homeland Security Grant Program	97.067	EMW-2016-SS-00053	18,855	-
Total U.S. Department of Homeland Security			47,123	-
Total Federal Expenditures			\$ 15,213,059	\$ 3,576,381

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, 2018**

#### ***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, 2018. 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, 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, 2018**

**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:

Lead Hazard Reduction Demonstration Grant	Unmodified
Public Safety Partnership and Community Policing Grants	Unmodified
Capitalization Grants for Clean Water State Revolving Funds	Unmodified
Health Center 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:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.905	Lead Hazard Reduction Demonstration Grant
16.710	Public Safety Partnership and Community Policing Grants
66.458	Capitalization Grants for Clean Water State Revolving Funds
93.224	Health Center 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

None

## SECTION IV - SCHEDULE OF PRIOR YEAR FINDINGS

<b><u>Finding #</u></b>	<b><u>Program</u></b>	<b><u>Finding/Noncompliance</u></b>	<b><u>Current Year Status</u></b>
2017-001	All	<u>Document Policies and Procedures Over Federal Awards</u>	Resolved