

City of Rochester, New Hampshire

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

For the Year Ended June 30, 2014

## 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 THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133	3
Schedule of Expenditures of Federal Awards	6
Schedule of Findings and Questioned Costs	7

**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 Mayor, City Council, and Manager  
City of Rochester, 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, each major fund, and the aggregate remaining fund information of the City of Rochester, 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's basic financial statements, and have issued our report thereon dated January 22, 2015.

**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*

January 22, 2015

**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  
THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY  
OMB CIRCULAR A-133

Independent Auditors' Report

To the Honorable Mayor, City Council, and Manager  
City of Rochester, New Hampshire

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

We have audited the City'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, 2014. 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 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 of Rochester, 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, 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.

### **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, each major fund, and the aggregate remaining fund information of the City of Rochester, 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's basic financial statements. We issued our report thereon dated January 22, 2015, 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*

January 22, 2015

CITY OF ROCHESTER, NEW HAMPSHIRE  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2014

Federal Grantor/ Pass-Through Grantor/ Program Title	State Grant Number	Federal Catalogue Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Passed Through New Hampshire Department of Education:			
School Breakfast Program	*	10.553	\$ 198,902
National School Lunch Program	*	10.555	831,377
Special Milk Program for Children	*	10.556	753
Fresh Fruit and Vegetable Program	*	10.582	78,071
Total U.S. Department of Agriculture			<u>1,109,103</u>
<u>U.S. Department of Commerce National Oceanic and Atmospheric</u>			
Passed Through National Estuarine Research Reserve (NERR) Science Collaborative			
Green Infrastructure Program	NA09NOS4190153	11.419	<u>7,628</u>
Total U.S. Department of Commerce National Oceanic and Atmospheric			<u>7,628</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed through NH Community Development Finance Authority (CDFA)			
CDBG/Entitlement Grants	BC-12-MC-33-0004	14.218	137,765
CDBG/Entitlement Grants	BC-13-MC-33-0004	14.218	116,822
Rochester Housing Authority Public Housing Capital Fund	NH36P00850113	14.872	<u>42,089</u>
Total U.S. Department of Housing and Urban Development			<u>296,676</u>
<u>U.S. Department of the Interior</u>			
Passed through NH Department of Environmental Services			
Gonic and Sawill Dams Project	F11AC0036	15.631	<u>3,619</u>
Total U.S. Department of the Interior			<u>3,619</u>
<u>U.S. Department of Justice</u>			
Passed through NH Department of Justice			
	2011-JF-FX-004 &		
DHHS Teen Night	2012-JF-FX-0035	16.540	3,871
ICAC Grants	2012-MC-FX-K-034	16.543	2,064
Bulletproof Vest Partnership Program	2012-BU-BX-1206-3374	16.607	2,579
Bulletproof Vest Partnership Program	BS10052433	16.607	698
Edward Byrne Memorial Justice Assistance Grant Program	2011-DJ-BX-2523	16.738	1,836
JAG Equipment	2012-DJ-BX-0971	16.738	7,733
JAG Equipment	2013-DJ-BX-0276	16.738	<u>10,683</u>
Total U.S. Department of Justice			<u>29,464</u>
<u>U.S. Department of Transportation</u>			
Passed through NH Department of Transportation			
Highway Planning and Construction	X-A002(377), 22712	20.205	13,829
Highway Planning and Construction	X-A002(320) 14350	20.205	236,000
Bus and Bus Facility 5339 Program	*	20.507	12,000
State and Community Highway Safety	314-13A-002	20.600	2,683
Operation SAFE Commute	315-13A-051	20.600	2,076
State and Community Highway Safety	315-13A-094	20.600	3,602
Alcohol Impaired Driving Countermeasures Incentive Grants I	308-13A-028	20.601	2,598
Alcohol Impaired Driving Countermeasures Incentive Grants I	315-13A-095	20.601	<u>2,996</u>
Total U.S. Department of Transportation			<u>275,784</u>

(continued)



(continued)

U.S. Environmental Protection Agency (EPA)

Passed through NH Department of Environmental Services			
DES Congressionally Mandated Projects	EM-971653-01	66.202	950
Capitalization Grants for Clean Water State Revolving Funds	CS-330122-12	66.458	71
Capitalization Grants for Clean Water State Revolving Funds - ARRA	CS-333122-10/10B	66.458	15,860
Capitalization Grants for Drinking Water State Revolving Funds	2001010-09	66.468	176,239
Total U.S. Environmental Protection Agency (EPA)			<u>193,120</u>

U.S. Department of Education

Passed through NH Department of Education			
Adult Education - Basic Grants to States	37307	84.002	740
Adult Education - Basic Grants to States	47325	84.002	27,066
Title I Grants to Local Educational Agencies	30123	84.010	178,147
Title I Grants to Local Educational Agencies	30291	84.010	129
Title I Grants to Local Educational Agencies	31518	84.010	2,970
Title I Grants to Local Educational Agencies	40123	84.010	1,031,350
Title I Grants to Local Educational Agencies	40702	84.010	16,755
Title I Grants to Local Educational Agencies	40216	84.010	71,183
Title I Grants to Local Educational Agencies	40291	84.010	23,730
Title I Grants to Local Educational Agencies	41505	84.010	4,324
Special Education Grants - IDEA	32511	84.027	168,420
Special Education Grants - IDEA	42639	84.027	879,379
Career and Technical Education - Basic Grants to States	35032	84.048	1,124
Career and Technical Education - Basic Grants to States	45032	84.048	117,860
Special Education - Preschool Grants	32511	84.173	1,058
Special Education - Preschool Grants	42639	84.173	37,822
Education for Homeless Children and Youth	30702	84.196	31,294
Mathematics and Science Partnerships	35192	84.366	258,917
Improving Teacher Quality	24922	84.367A	19,738
Improving Teacher Quality	34922	84.367A	54,199
Improving Teacher Quality	35403	84.367A	6,557
Improving Teacher Quality	44922	84.367A	173,944
Total U.S. Department of Education			<u>3,106,706</u>

U.S. Department of Health and Human Service

Passed through NH Department of Health and Human Services			
Substance Abuse and Mental Health Services	42648	93.243	5,885
Total U.S. Department of Health and Human Service			<u>5,885</u>

U.S. Department of Homeland Security

Passed Through New Hampshire Department of Safety			
Emergency Management Performance Grants	2013-EP-00057-S01	97.042	1,000
Assistance to Firefighters Grant	EMW-2012-FO-02361	97.044	45
Homeland Security Grant Program	EMW-2012-SS-00084	97.067	839
Total U.S. Department of Homeland Security			<u>1,884</u>
Total All Programs			<u>\$ 5,029,869</u>

This schedule was prepared on the modified accrual basis of accounting.

See Independent Auditors' Report.

\* State identifying numbers were not available for the pass-through grants listed above.

CITY OF ROCHESTER, NEW HAMPSHIRE

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2014

**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:

Special Education - Idea Cluster	Unmodified
Improving Teacher Quality	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:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027/84.173 84.367A	Special Education – IDEA Cluster Improving Teacher Quality

Dollar threshold used to distinguish between type A and type B programs: \$300,000

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**

There were no findings in the prior year.