

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, 2015

## 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
Notes to Schedule of Expenditures of Federal Awards	9
Schedule of Findings and Questioned Costs	10

**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, the business-type 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, 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 January 27, 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 of Rochester, New Hampshire'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.



January 27, 2016

**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 of Rochester, 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 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 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, 2015.

### **Report on Internal Control Over Compliance**

Management of the City of Rochester, New Hampshire 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 of Rochester, New Hampshire'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 of Rochester, New Hampshire'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 Rochester, 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 January 27, 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 ROCHESTER, NEW HAMPSHIRE  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2015

Federal Grantor/ Pass-Through Grantor/ Program Title	State Grant Number	Federal Catalogue Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Passed through NH Department of Education:			
School Breakfast Program	*	10.553	\$ 211,908
National School Lunch Program - Cash Assistance	*	10.555	838,534
National School Lunch Program - Non-Cash Assistance	*	10.555	121,162
Special Milk Program for Children	*	10.556	792
Fresh Fruit and Vegetable Program	*	10.582	71,604
Total U.S. Department of Agriculture			<u>1,244,000</u>
<u>U.S. Department of Commerce Economic Development Administration</u>			
Passed through NH Department of Resources and Economic Development:			
Economic Development Administration - Salmon Falls Road	01-01-14253	11.300	<u>57,906</u>
Total U.S. Department of Commerce Economic Development Administration			<u>57,906</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>8,336</u>
Total U.S. Department of Commerce National Oceanic and Atmospheric			<u>8,336</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed through NH Community Development Finance Authority (CDFA):			
CDBG/Entitlement Grants	BC-13-MC-33-0004	14.218	107,683
CDBG/Entitlement Grants	BC-14-MC-33-0004	14.218	31,172
Rochester Housing Authority Public Housing Capital Fund	NH36P00850113	14.872	<u>53,249</u>
Total U.S. Department of Housing and Urban Development			<u>192,104</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>11,286</u>
Total U.S. Department of the Interior			<u>11,286</u>
<u>U.S. Department of Justice</u>			
Passed through NH Department of Justice:			
DHHS Teen Night	2011-JF-FX-004 & 2012-JF-FX-0035	16.540	5,746
ICAC Grants	2012-MC-FX-K-034	16.543	2,246
Bulletproof Vest Partnership Program	2012-BU-BX-1206-3374	16.607	2,851
Edward Byrne Memorial Justice Assistance Grant Program	2011-DJ-BX-2523	16.738	1,001
JAG Equipment	2013-DJ-BX-0276	16.738	10,978
JAG Equipment	2014-DJ-BX-0164	16.738	<u>22,600</u>
Total U.S. Department of Justice			<u>45,422</u>

(continued)

CITY OF ROCHESTER, NEW HAMPSHIRE  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2015

(continued)

Federal Grantor/ Pass-Through Grantor/ Program Title	State Grant Number	Federal Catalogue Number	Federal Expenditures
<u>U.S. Department of Transportation</u>			
Passed through NH Department of Transportation:			
Highway Planning and Construction	X-A002(377), 22712	20.205	1,372
Highway Planning and Construction	X-A002(320) 14350	20.205	11,851
Operation SAFE Commute	315-15A-067	20.600	2,264
Operation SAFE Commute	315-13A-051	20.600	1,080
State and Community Highway Safety	315-13A-117	20.600	2,012
Alcohol Impaired Driving Countermeasures Incentive Grants I	308-15A-041	20.601	2,517
Total U.S. Department of Transportation			21,096
<u>U.S. Environmental Protection Agency (EPA)</u>			
Passed through NH Department of Environmental Services:			
DES Congressionally Mandated Projects - New Rt 125 Pump Station	EM-971653-01	66.202	328,107
Capitalization Grants for Drinking Water State Revolving Funds	FS99115011	66.468	12,964
Capitalization Grants for Drinking Water State Revolving Funds	FS99115012	66.468	22,145
Capitalization Grants for Drinking Water State Revolving Funds	FS99115012	66.468	691,431
Capitalization Grants for Drinking Water State Revolving Funds	FS99115013	66.468	306,989
Total U.S. Environmental Protection Agency (EPA)			1,361,636
<u>U.S. Department of Education</u>			
Passed through NH Department of Education:			
Adult Education - Basic Grants to States	47325	84.002	1,751
Adult Education - Basic Grants to States	57303	84.002	32,242
Title I Grants to Local Educational Agencies	40123	84.010	148,443
Title I Grants to Local Educational Agencies	40702	84.010	2,950
Title I Grants to Local Educational Agencies	40216	84.010	18,486
Title I Grants to Local Educational Agencies	40291	84.010	5,047
Title I Grants to Local Educational Agencies	41505	84.010	14,235
Title I Grants to Local Educational Agencies	50123	84.010	1,109,590
Title I Grants to Local Educational Agencies	50216	84.010	37,099
Title I Grants to Local Educational Agencies	50291	84.010	7,587
Special Education Grants - IDEA	42639	84.027	128,152
Special Education Grants - IDEA	52640	84.027	1,049,206
Career and Technical Education - Basic Grants to States	45032	84.048	3,319
Career and Technical Education - Basic Grants to States	55032	84.048	125,226
Special Education - Preschool Grants	42639	84.173	6,902
Special Education - Preschool Grants	52640	84.173	25,249
Education for Homeless Children and Youth	50702	84.196	20,678
Improving Teacher Quality	44922	84.367A	39,442
Improving Teacher Quality	45399	84.367A	78,900
Improving Teacher Quality	354922	84.367A	176,864
Total U.S. Department of Education			3,031,368

(continued)

CITY OF ROCHESTER, NEW HAMPSHIRE  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2015

(continued)

Federal Grantor/ Pass-Through Grantor/ Program Title	State Grant Number	Federal Catalogue Number	Federal Expenditures
<u>U.S. Department of Health and Human Service</u>			
Passed through NH Department of Health and Human Services:			
Substance Abuse and Mental Health Services	42648	93.243	33,326
Substance Abuse and Mental Health Services	52609	93.243	235,900
Bridging the Gaps	7H79-SP02-1225-07	93.276	<u>5,181</u>
Total U.S. Department of Health and Human Service			<u>274,407</u>
<u>U.S. Department of Homeland Security</u>			
Passed Through NH Department of Safety:			
FEMA 4209 NH Jan 2015 Blizzard	FEMA-4209-DR-NH	97.036	140,693
FEMA EMPG Grant LEOP	#2013-EP-00057-S01	97.042	1,500
EMPG Continuity of Operations Plan	#2013-EP-00057-S01	97.042	2,000
EMPG EOC Equipment	#2013-EP-00057-S01	97.042	6,995
FEMA Grant for Breathing Apparatus	EMW-2013-FO-05475	97.044	257,456
FEMA Grant for Thermal Imaging Camera	EMW-2013-FO-05475	97.044	10,000
Rochester SAU Table Top Drill	FFY-2013-HSGP	97.067	6,772
Haz Mat Tech Refresher Training	EMW-2012-SS-00084	97.067	674
Fireground Survival Training	EMW-2012-SS-00084	97.067	<u>4,012</u>
Total U.S. Department of Homeland Security			<u>430,102</u>
Total All Programs			<u>\$ 6,677,663</u>

The accompanying notes are an integral part of this schedule.

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

CITY OF ROCHESTER, 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 Rochester, 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. The amounts reported for the School Breakfast Program – Cash Assistance and the National School Lunch Program – Cash Assistance represent federal reimbursements provided during the year. The amounts reported for the National School Lunch Program – Non-Cash Assistance represent the fair value of commodities provided by the State. Certain pass-through entity identifying numbers were not available.

***Note 3. Subrecipients***

Of the federal expenditures presented in the schedule, City of Rochester, New Hampshire did not provide federal awards to subrecipients.

CITY OF ROCHESTER, NH  
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:

National School Lunch Cluster	Unmodified
DES – Congressionally Mandated Projects	Unmodified
Capitalization Grants for Drinking Water - SRF	Unmodified
Title I	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>
10.553/10.555/10.556/10.582	National School Lunch Cluster
66.202	DES – Congressionally Mandated Projects
66.468	Capitalization Grants for Drinking Water - SRF
84.010	Title I

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.