

CITY OF ROCHESTER, NEW HAMPSHIRE

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

For the Year Ended June 30, 2016

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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 Manger
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, 2016, 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 30, 2017.

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, non-compliance 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 30, 2017

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 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 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, 2016. 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.

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 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, 2016.

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 Rochester, New Hampshire as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated January 30, 2017, 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.

Melanson Heath

January 30, 2017

CITY OF ROCHESTER, NEW HAMPSHIRE
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

<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 Agriculture</u>				
Child Nutrition Cluster				
Passed Through New Hampshire Department of Education				
School Breakfast Program	10.553	UNKNOWN	\$ 209,971	\$ -
National School Lunch Program - Cash Assistance	10.555	UNKNOWN	859,457	-
National School Lunch Program - Non-Cash Assistance	10.555	UNKNOWN	127,567	-
Special Milk Program for Children	10.556	UNKNOWN	981	-
Total Child Nutrition Cluster			1,197,976	-
Passed Through New Hampshire Department of Education				
Fresh Fruit and Vegetable Program	10.582	UNKNOWN	78,627	-
Total U.S. Department of Agriculture			1,276,603	-
<u>U.S. Department of Commerce</u>				
Passed Through New Hampshire Department of Resources and Economic Development				
Investments for Public Works and Economic Development Facilities	11.300	01-01-14253	342,296	-
Total U.S. Department of Commerce			342,296	-
<u>U.S. Department of Housing and Urban Development</u>				
CDBG - Entitlement Grants Cluster				
Passed Through the New Hampshire Community Development Finance Authority				
Community Development Block Grants/Entitlement Grants	14.218	BC14MC330004	138,504	74,220
Community Development Block Grants/Entitlement Grants	14.218	BC15MC330004	189,756	76,539
Total CDBG - Entitlement Grants Cluster			328,260	150,759
Passed Through the New Hampshire Community Development Finance Authority				
Public Housing Capital Fund	14.872	NH36P00850113	54,203	-
Total U.S. Department of Housing and Urban Development			382,463	150,759
<u>U.S. Department of Justice</u>				
Direct Federal Program				
Missing Children's Assistance	16.543	2012-MC-FX-K-034	2,349	-
Passed Through New Hampshire Department of Justice				
Bulletproof Vest Partnership Program	16.607	2014-BU-BX-1407-2527	493	-
Bulletproof Vest Partnership Program	16.607	2015-BU-BX-1407-2527	2,328	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2013-DJ-BX-0276	167	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2014-DJ-BX-0164	384	-
Total U.S. Department of Justice			5,721	-
<u>U.S. Department of Transportation</u>				
Highway Planning and Construction Cluster				
Passed Through New Hampshire Department of Transportation				
Highway Planning and Construction	20.205	X-A002(377), 22712	7,509	-
Highway Planning and Construction	20.205	X-A002(320), 14350	31,164	-
Total Highway Planning and Construction Cluster			38,673	-
Highway Safety Cluster				
Passed Through New Hampshire Department of Transportation				
State and Community Highway Safety	20.600	315-15A-067	501	-
State and Community Highway Safety	20.600	315-15A-117	2,766	-
State and Community Highway Safety	20.600	315-16A-025	2,750	-
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	308-15A-041	2,060	-
National Priority Safety Programs	20.616	308-16A-021	2,006	-
Total Highway Safety Cluster			10,083	-
Total U.S. Department of Transportation			48,756	-

(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. Environmental Protection Agency</u>				
Drinking Water State Revolving Fund Cluster				
Passed Through New Hampshire Department of				
Environmental Services				
Capitalization Grants for Drinking Water State Revolving Funds	66.468	FS99115014	271,966	-
Capitalization Grants for Drinking Water State Revolving Funds	66.468	FS99115015	181,661	-
Total Drinking Water State Revolving Fund Cluster			453,627	
Total Environmental Protection Agency			453,627	-
<u>U.S. Department of Education</u>				
Special Education Cluster				
Passed Through New Hampshire Department of Education				
Special Education Grants to States	84.027	62509	1,110,259	-
Special Education Preschool Grants	84.173	62509	75,738	-
Special Education Preschool Grants	84.173	65652	2,805	-
Total Special Education Cluster			1,188,802	-
Passed Through New Hampshire Department of Education				
Adult Education - Basic Grants to States	84.002	57303	1,108	-
Adult Education - Basic Grants to States	84.002	67324	28,926	-
Title I Grants to Local Educational Agencies	84.010	50123	215,143	-
Title I Grants to Local Educational Agencies	84.010	50216	11,891	-
Title I Grants to Local Educational Agencies	84.010	50291	6,229	-
Title I Grants to Local Educational Agencies	84.010	60216	88,607	-
Title I Grants to Local Educational Agencies	84.010	60291	14,737	-
Title I Grants to Local Educational Agencies	84.010	51518	5,355	-
Title I Grants to Local Educational Agencies	84.010	60123	940,976	-
Career and Technical Education - Basic Grants to States	84.048	55032	8,827	-
Career and Technical Education - Basic Grants to States	84.048	55044	14,480	-
Career and Technical Education - Basic Grants to States	84.048	65032	116,299	-
Career and Technical Education - Basic Grants to States	84.048	65047	11,207	-
Education for Homeless Children and Youth	84.196	50702	7,531	-
Education for Homeless Children and Youth	84.196	60702	32,850	-
Supporting Effective Instruction State Grant	84.367	44922	7,892	-
Supporting Effective Instruction State Grant	84.367	54922	50,005	-
Supporting Effective Instruction State Grant	84.367	55399	25,077	-
Supporting Effective Instruction State Grant	84.367	64922	175,944	-
Total U.S. Department of Education			2,951,886	-
<u>U.S. Department of Health and Human Services</u>				
Passed Through the New Hampshire Department of Health and				
Human Services				
Substance Abuse and Mental Health Services	93.243	52609	171,974	-
Substance Abuse and Mental Health Services	93.243	62584	297,657	-
Substance Abuse and Mental Health Services	93.243	52652	2,272	-
Drug-Free Communities Support Program Grants	93.276	7H79-SP02-1225-07	23,809	-
Drug-Free Communities Support Program Grants	93.276	5H79-SP02-1225-08	68,812	-
Total U.S. Department of Health and Human Services			564,524	-
<u>U.S. Department of Homeland Security</u>				
Passed Through New Hampshire Department of Safety				
Emergency Management Performance Grants	97.042	2013-EP-00057-S01	13,764	-
Homeland Security Grant Program	97.067	DHS-13-GPD-067-000-01	6,902	-
Total U.S. Department of Homeland Security			20,666	-
Total Federal Expenditures			\$ 6,046,542	\$ 150,759

The accompanying notes are an integral part of this schedule.

CITY OF ROCHESTER, NEW HAMPSHIRE

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2016

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the City of Rochester, New Hampshire under programs of the federal government for the year ended June 30, 2016. 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 amounts reported for the National School Lunch Program – Non-Cash Assistance (Commodities) represent the fair value of commodities provided by the State of New Hampshire.
- The City has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

CITY OF ROCHESTER, NEW HAMPSHIRE

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

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:

Special Education – IDEA Cluster Unmodified
Substance Abuse and Mental Health Services 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:

CFDA Number(s)

Name of Federal Program or Cluster

84.027/84.173
93.243

Special Education Cluster
Substance Abuse and Mental Health Services

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

There were no findings in the prior year.