

CITY OF LACONIA, 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

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Additional Offices:

Andover, MA
Greenfield, MA
Manchester, NH
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 and City Council
City of Laconia, 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 Laconia, New Hampshire (the City), 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 4, 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 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 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 4, 2016

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 and City Council
City of Laconia, New Hampshire

Report on Compliance for Each Major Federal Program

We have audited the City of Laconia, 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'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 stand-

ards 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 Laconia, 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 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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Laconia, 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 4, 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 4, 2016

City of Laconia, New Hampshire
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

<u>Federal Agency</u>			
<u>Cluster</u>			
<u>Federal Office</u>		Federal	
Pass through Agency		CFDA	Federal
Program Title		<u>Number</u>	<u>Expenditures</u>
<u>U.S. Department of Agriculture</u>			
<u>School Lunch Cluster</u>			
<u>Office of Food and Nutrition Service</u>			
Passed Through N.H.. Department of Education			
School Breakfast Program - Cash Assistance	10.553	\$	175,335
National School Lunch Program - Cash Assistance	10.555		616,349
National School Lunch Program - Non-Cash Assistance	10.555		<u>62,020</u>
Total School Lunch Cluster			<u>853,704</u>
Fresh Fruit and Vegetable Program	10.582		<u>50,535</u>
Total U.S. Department of Agriculture			904,239
<u>U.S. Department of Housing and Urban Development</u>			
<u>Office of Community Planning and Development</u>			
Passed through N.H. Community Development Finance Authority			
Community Development Block Grant - State's Program	14.228		<u>443,926</u>
Total Housing Urban Development			443,926
<u>U.S. Department of Justice</u>			
<u>Bureau of Justice Assistance</u>			
Passed through N. H. Attorney General's Office			
Bulletproof Vest Partnership Program	16.607		1,326
Edward Byrne Memorial Justice Assistance Grant Program	16.738		35,012
<u>Office of Juvenile Justice and Delinquency Prevention</u>			
Passed through N. H. Attorney General's Office			
Enforce Underage Drinking Laws Program	16.727		2,170
<u>Criminal Division</u>			
Asset Forfeiture Program	16.922		<u>6,076</u>
Total Department of Justice			44,584
<u>U.S. Department of Transportation</u>			
<u>Federal Aviation Administration</u>			
Passed Through N.H. Department of Transportation			
Airport Improvement Program	20.106		713,555
<u>Federal Highway Administration</u>			
Passed Through N.H. Department of Transportation			
Highway Planning and Construction	20.205		800,000
<u>National Highway Traffic Safety Administration</u>			
Passed Through N.H. Department of Transportation			
State and Community Highway Safety	20.600		12,759
Alcohol Impaired Driving Countermeasures Incentive Grant	20.601		<u>5,728</u>
Total Department of Transportation			1,532,042

(continued)

(continued)

<u>Federal Agency</u>			
<u>Cluster</u>			
<u>Federal Office</u>			
Pass through Agency		Federal	Federal
Program Title		CFDA	Expenditures
		Number	
<u>U.S. Department of Education</u>			
<u>Office of Vocational and Adult Education</u>			
Passed Through N.H. Department of Education			
Adult Education		84.002	175,847
Career and Technical Education		84.048	173,745
<u>Office of Elementary and Secondary Education</u>			
Passed Through N.H. Department of Education			
Title I		84.010	1,235,745
Safe and Drug Free Schools and Communities		84.184	87,048
Title IV B - 21st Century Community Learning Centers		84.287	455,114
Title VI RLIS-DINI		84.358	38,397
Title III - English Language Acquisition		84.365	7,755
Title II A - Improving Teacher Quality		84.367	174,253
<u>Special Education Cluster</u>			
<u>Office of Special Education and Rehabilitative Services</u>			
Passed Through N.H. Department of Education			
Special Education - IDEA		84.027	559,127
Project Aware - YMHFA		84.027A	35,000
Special Education - Early Childhood		84.173	18,432
Total Special Education Cluster			<u>612,559</u>
Total U.S. Department of Education			<u>2,960,463</u>
<u>U.S. Department of Health and Human Services</u>			
<u>Office of Substance Abuse and Mental Health Services Administration</u>			
Passed Through N.H. Department of Education			
Substance Abuse and Mental Health Services		93.243	<u>390,372</u>
Total Department of Health and Human Services			<u>390,372</u>
<u>U.S. Department of Homeland Security</u>			
Passed Through N.H. Department of Justice			
Staffing for Adequate Fire and Emergency Response		97.083	<u>262,526</u>
Total U.S. Department of Homeland Security			<u>262,526</u>
Total Federal Expenditures			<u>\$ 6,538,152</u>

The accompanying notes are an integral part of this schedule.

CITY OF LACONIA, 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 Laconia, 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*, 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*. 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. 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 (Commodities) represent the fair value of commodities provided by the Commonwealth. Pass-through entity identifying numbers were not available.

Note 3. Subrecipients

Of the federal expenditures presented in the schedule, the City provided federal awards to subrecipients as follows:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Amount Provided to Subrecipients</u>
14.228	Community Development Block Grant	\$ 443,926

CITY OF LACONIA, NEW HAMPSHIRE
 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 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:

School Lunch Cluster	Unmodified
Airport Improvement Program	Unmodified
Highway Planning and Construction	Unmodified
Title I	Unmodified
Title VI – IDEA Special Education Cluster	Unmodified
Title IV Part B – 21 st Century Learning Centers	Unmodified
Title II Part A – Improving Teacher Quality	Unmodified
Substance Abuse and Mental Health Services	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	School Lunch Cluster
20.106	Airport Improvement Program
20.205	Highway Planning and Construction
84.010	Title I
84.027/84.027A/84.173	Title VI – IDEA Special Education Cluster

84.287
84.367
93.243

Title IV Part B – 21st Century Learning Centers
Title II Part A – Improving Teacher Quality
Substance Abuse and Mental Health Services

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

<u>Finding #</u>	<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Current Year Resolution</u>
2014-001	School Lunch Cluster 10.553/10.555	<u>Improve Time and Effort Reporting (Noncompliance and Significant Deficiency)</u>	This finding was resolved in the current year.
	Special Education Cluster 84.027/84.173		
	Title I 84.010		