

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, 2010

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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

To the Honorable Mayor and City Council  
City of Laconia, New Hampshire

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Laconia, New Hampshire, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 6, 2011. We conducted our audit in accordance with 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

*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 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.

*Additional Offices:*

Andover, MA • Greenfield, MA • Ellsworth, ME • Manchester, NH

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of the section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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*.

This report is intended solely for the information and use of management, Mayor and City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Melanson, Heath + Company P.C.*

Nashua, New Hampshire  
January 6, 2011



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REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Honorable Mayor and City Council  
City of Laconia, New Hampshire

**Compliance**

We have audited the City of Laconia, 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 its major federal programs for the year ended June 30, 2010. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the 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, 2010.

### **Internal Control Over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

### **Schedule of Expenditures of Federal Awards**

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 as of and for the year ended June 30, 2010, and have issued our report thereon dated March 30, 2011. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City's 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 has been subjected to the auditing procedures applied in the audit of the

basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, Mayor and City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Melanson, Heath + Company P.C.*

Nashua, New Hampshire  
March 30, 2011

CITY OF LACONIA, NEW HAMPSHIRE  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2010

Federal Grantor/ Pass-Through Grantor/ <u>Program Name</u>	<u>State Grant No.</u>	<u>Federal CFDA No.</u>	<u>2010 Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>			
Passed through New Hampshire Dept of Education			
USDA - Food Donations	*	10.550	\$ 47,334
School Breakfast Program	*	10.553	162,497
National School Lunch	*	10.555	520,865
School Lunch ARRA Equipment Grant	*	10.579	22,369
Total Department of Agriculture			753,065
Direct Grants			
Equipment ARRA Grant - Fire Truck	*	10.760	100,000
Total Department of Agriculture			853,065
<u>U.S. Department of Education</u>			
Passed through New Hampshire Dept. of Education			
Adult Education Programs	07011	84.002	78,115
Adult Education Programs - Diploma/Academy	07310	84.002	44,049
Adult Education Programs - Adult Learner	07411	84.002	26,112
Title I	00071	84.010	829,287
Title I - SINI	00204	84.010	16,934
Title I - SINI	00205	84.010	18,130
Title I	90080	84.010	26,793
Special Education - IDEA	02561	84.027	523,375
Special Education - Focused Monitoring	02633	84.027	3,200
Vocational Education	95022	84.048	6,897
Vocational Education Program Improvement	05022	84.048	194,466
SPED Early Childhood Allocation	02752	84.173	19,720
Title IV - Safe & Drug Free Schools	96580	84.186	2,845
Title IV - Safe & Drug Free Schools	06591	84.186	13,960
21st Century	05327	84.287	398,780
21st Century Development/Support After School	06287	84.287	26,232
22nd Century Development/Support After School	96287	84.287	41,694
Title IID - Technology	04500	84.318	8,157
Title IID - Technology PD Elect. Portfolios	94500	84.318	1,027
Rural Education	06287	84.358	59,744
Title III - ESOL	00805	84.365	17,537
Title III - Immigrant	00813	84.365	1,593
Improving Teacher Quality	94718	84.367	12,435
Improving Teacher Quality	94865	84.367	12,122
Improving Teacher Quality	04846	84.367	159,253
Title IID - Technology - ARRA	*	84.386	107,503
Title I - ARRA	37	84.389	424,713
Special Education - IDEA ARRA	77	84.391	278,603
State Fiscal Stabilization Fund		84.394	1,791,498
Total Department of Education			5,144,774
<u>U.S. Department of Justice</u>			
Passed through State of Hew Hampshire - Attorney General Office			
Byrne Formula Grant	*	16.579	45,287
Bullet Proof Vest	*	16.607	586
Enforcing Underage Drinking	2009CD30	16.727	6,800
Total Department of Justice			52,673

(continued)

(continued)

U.S. Department of Transportation

Passed through State of New Hampshire - Dept. of Transportation			
Airport Improvement Grant	SBG-1	20.106	2,500
Airport Improvement Grant	SBG-2	20.106	631,614
Airport Improvement Grant	SBG-3	20.106	627,866
ARRA - WOW Trails	*	20.205	586,613
Safety Seat Belt - Join the Clique	*	20.600	1,521
Enforcement Patrols	308-09B-151	20.601	1,971
Alcohol Traffic Safety and Drunk Driving Prevention	308-09B-090	20.601	2,384
Police - State of NH DWI Patrol	*	20.601	3,800
State of NH DWI Hunter Patrols	308-09B-090	20.601	1,687
Hazardous Materials Emergency Grant	IFS 010-023-4235-090	20.703	252
Hazardous Materials Emergency Grant	010-023-4452-072	20.703	1,877
Total Department of Transportation			<u>1,862,085</u>

U.S. Department of Environmental Protection Agency

Passed Through New Hampshire Department of Environmental Protection Agency			
Anthony Park Drive ARRA	*	66.458	<u>207,256</u>
Total U.S. Department of Environmental Protection Agency			207,256

U.S. Department of Homeland Security

Passed through State of New Hampshire - Department of Safety			
FEMA Disaster 1787	*	97.036	517,078
FEMA Disaster 1812	*	97.036	4,601
Homeland Security - Public Safety Communications	*	97.042	14,291
Hazard Planning Grant	*	97.042	3
HSEM Grant-Secure Access	*	97.044	7,500
Assistance to Firefighters Grant (2009)	*	97.044	9,971
Emergency Management Grant Hazard Planning Grant 2008	*	97.067	72,450
Total Department of Homeland Security			<u>625,894</u>
Total Federal Assistance			<u>\$ 8,745,747</u>

See Independent Auditors' Report on Compliance with OMB A-133.

This schedule has been prepared on the modified accrual basis of accounting.

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

City of Laconia, New Hampshire  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2010

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

Financial Statements

Type of auditors' report issued Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_ yes  no
- Significant deficiency(ies) identified?  
reported \_\_\_ 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?  
reported \_\_\_ yes  none reported

Type of auditors' report issued on compliance for major programs: Unqualified

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>
10.550/10.553/10.555	National School Lunch Cluster
20.106	Airport Improvement Grant
20.205	WOW Trail ARRA
84.010/84.389	Title I
84.027/84.173/84.391	Special Education - IDEA Cluster
84.287	21 <sup>st</sup> Century
84.394	State Fiscal Stabilization Fund
97.036	FEMA Disaster 1787

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>
09-1	Title I 84-010	<u>Identify All Eligible Private School Children Recommendation</u>  <u>Current Year Status:</u> This issue has been resolved.
09-2	School Lunch Cluster (10.550, 10.553, 10.555)	<u>Improve Controls Over Receipt Reporting (Material Weakness)</u>  <u>Current Year Status:</u> This issue has been resolved.