

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, 2012

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MELANSON HEATH & COMPANY, PC

CERTIFIED PUBLIC ACCOUNTANTS  
MANAGEMENT ADVISORS

149 Hanover Street  
Manchester, NH 03101  
Tel (603) 669-6130 • Fax (603) 624-6757  
[www.melansonheath.com](http://www.melansonheath.com)

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 the City of Laconia, New Hampshire, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 21, 2013. 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 • Nashua, 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*.

We noted certain matters that we reported to management of the City in a separate letter dated February 21, 2013.

This report is intended solely for the information and use of management, Mayor, 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.*

February 21, 2013



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Manchester, NH 03101  
Tel (603) 669-6130 • Fax (603) 624-6757  
[www.melansonheath.com](http://www.melansonheath.com)

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 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, 2012. 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.

*Additional Offices:*

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

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, 2012.

### **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, 2012, and have issued our report thereon dated February 21, 2013. 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, 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.*

March 8, 2013

CITY OF LACONIA, NEW HAMPSHIRE  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2012

| Federal Grantor/<br>Pass-Through Grantor/<br>Program Name          | State<br>Grant No. | Federal<br>CFDA No. | 2012<br>Federal<br>Expenditures |
|--------------------------------------------------------------------|--------------------|---------------------|---------------------------------|
| <u>U.S. Department of Agriculture</u>                              |                    |                     |                                 |
| Passed through New Hampshire Dept. of Education                    |                    |                     |                                 |
| USDA - Food Donations                                              | *                  | 10.550              | \$ 44,966                       |
| School Breakfast Program                                           | *                  | 10.553              | 173,008                         |
| National School Lunch                                              | *                  | 10.555              | <u>520,763</u>                  |
| Total U.S. Department of Agriculture                               |                    |                     | 738,737                         |
| <u>U.S. Department of Education</u>                                |                    |                     |                                 |
| Passed through New Hampshire Dept. of Education                    |                    |                     |                                 |
| Adult Education Programs                                           | 27011              | 84.002              | 82,377                          |
| Adult Education Programs - Diploma/Academy                         | 27311              | 84.002              | 64,840                          |
| Adult Education Programs - Adult Learner                           | 27410              | 84.002              | 29,316                          |
| Title I                                                            | 20073              | 84.010              | 828,702                         |
| Title I                                                            | 10071              | 84.010              | 48,167                          |
| Special Education - IDEA                                           | 22762              | 84.027              | 618,091                         |
| Special Education - IDEA                                           | 12561              | 84.027              | 533                             |
| Vocational Education                                               | 15022              | 84.048A             | 5,470                           |
| Vocational Education Program Improvement                           | 25022              | 84.048A             | 152,908                         |
| Title IV - Safe & Drug Free Schools                                | 6591               | 84.186              | 3,211                           |
| 21st Century                                                       | 25327              | 84.287C             | 422,708                         |
| 21st Century - Development/Support HQ Staff                        | 26287              | 84.287C             | 429                             |
| 21st Century - Development/Support HQ Staff                        | 16287              | 84.287C             | 55,376                          |
| Title IID - Technology                                             | 24500              | 84.318X             | 5,987                           |
| Title VI RLIS - DINI                                               | 26254              | 84.358              | 40,847                          |
| Title III - ESOL                                                   | 20813              | 84.365A             | 12,835                          |
| Title III - ESOL - Learning Literacy                               | 10813              | 84.365A             | 426                             |
| Title III - Immigrant                                              | 813                | 84.365A             | 107                             |
| Title IIA - HQT                                                    | 14865              | 84.367A             | 17,876                          |
| Title IIA - HQT                                                    | 24865              | 84.367A             | 175,177                         |
| Title IIA - HQT                                                    | 28825              | 84.367A             | 60,000                          |
| Title I - ARRA                                                     | 10077              | 84.389              | 2,938                           |
| Title I - ARRA - Reallocation                                      | 21805              | 84.389              | 65,000                          |
| Special Education - IDEA - ARRA                                    | 2772               | 84.391              | 79,154                          |
| Education Jobs Grant                                               | 18204              | 84.410              | <u>241,613</u>                  |
| Total U.S. Department of Education                                 |                    |                     | 3,014,088                       |
| <u>U.S. Department of Justice</u>                                  |                    |                     |                                 |
| Passed through State of Hew Hampshire -<br>Attorney General Office |                    |                     |                                 |
| Police Justice Dept. - Underage Drinking                           | 2006CD30           | 16.727              | <u>6,643</u>                    |
| Total U.S. Department of Justice                                   |                    |                     | 6,643<br>(continued)            |

(continued)

| Federal Grantor/<br>Pass-Through Grantor/<br>Program Name                | State<br>Grant No. | Federal<br>CFDA No. | 2012<br>Federal<br>Expenditures |
|--------------------------------------------------------------------------|--------------------|---------------------|---------------------------------|
| <u>U.S. Department of Transportation</u>                                 |                    |                     |                                 |
| Passed through State of New Hampshire -<br>Dept. of Transportation       |                    |                     |                                 |
| Airport Improvement Grant                                                | AIP 16             | 20.106              | 89,822                          |
| Airport Improvement Grant                                                | SBG-4              | 20.106              | 35,131                          |
| Airport Improvement Grant                                                | SBG-6              | 20.106              | 1,250                           |
| Airport Improvement Grant                                                | SBG-7              | 20.106              | 1,249                           |
| Safety Seat Belt - Join the Clique                                       | *                  | 20.600              | 2,839                           |
| Operation Safe Commute Patrols                                           | *                  | 20.600              | 1,863                           |
| Police - State of NH DWI Patrol                                          | *                  | 20.601              | 2,477                           |
| State of NH DWI Hunter Patrols                                           | *                  | 20.601              | 9,127                           |
| Hazardous Materials Emergency Grant                                      | *                  | 20.703              | 6,417                           |
| Total U.S. Department of Transportation                                  |                    |                     | <u>150,175</u>                  |
| <u>U.S. Department of Environmental Protection Agency</u>                |                    |                     |                                 |
| Passed through New Hampshire Dept. of<br>Environmental Protection Agency |                    |                     |                                 |
| ARRA - Waste Reduction                                                   | *                  | 81.129              | 40,500                          |
| ARRA Lighting Upgrades Parking Garage                                    | *                  | 81.129              | 6,000                           |
| Total U.S. Department of Environmental<br>Protection Agency              |                    |                     | <u>46,500</u>                   |
| <u>U.S. Department of Homeland Security</u>                              |                    |                     |                                 |
| Passed through State of New Hampshire -<br>Department of Safety          |                    |                     |                                 |
| FEMA Disaster - Hurricane Irene                                          | *                  | 97.042              | 11,323                          |
| Fire 2009 AFG 34,740                                                     | *                  | 97.044              | 394                             |
| Total U.S. Department of Homeland Security                               |                    |                     | <u>11,717</u>                   |
| Total Federal Assistance                                                 |                    |                     | <u>\$ 3,967,860</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, 2012

**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?  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:

|                           |             |
|---------------------------|-------------|
| 21 <sup>st</sup> Century  | Unqualified |
| IDEA                      | Unqualified |
| Improving Teacher Quality | Unqualified |
| Education Jobs Grant      | 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> |
|-----------------------|-------------------------------------------|
| 84.287C               | 21 <sup>st</sup> Century                  |
| 84.027/84.391         | IDEA                                      |
| 84.367A               | Improving Teacher Quality                 |
| 84.410                | Education Jobs Grant                      |

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.