

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, 2013

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
Schedule of Findings and Questioned Costs	8



MELANSON HEATH & COMPANY, PC

CERTIFIED PUBLIC ACCOUNTANTS
MANAGEMENT ADVISORS

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, as of and for the year ended June 30, 2013, 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 28, 2014.

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, 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 + Company P.C.

Manchester, New Hampshire
January 28, 2014



MELANSON HEATH & COMPANY, PC

CERTIFIED PUBLIC ACCOUNTANTS
MANAGEMENT ADVISORS

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'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, 2013. 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 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, 2013.

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.

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated January 28, 2014, 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 + Company P.C.

Manchester, New Hampshire
January 28, 2014

CITY OF LACONIA, NEW HAMPSHIRE
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Federal Grantor/ Pass-Through Grantor/ Program Name	State Grant No.	Federal CFDA No.	2013 Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Passed through New Hampshire Dept. of Education			
USDA - Food Donations	*	10.550	\$ 49,275
School Breakfast Program	*	10.553	164,034
National School Lunch	*	10.555	511,026
Child and Adult Care Food Program	*	10.558	17,144
Fresh Fruit and Vegetable Program	*	10.582	<u>45,121</u>
Total U.S. Department of Agriculture			786,600
<u>U.S. Department of Education</u>			
Passed through New Hampshire Dept. of Education			
Adult Education Programs	37009	84.002	87,949
Adult Education Programs - Diploma/Academy	37316	84.002	60,024
Adult Education Programs - Adult Learner	37400	84.002	29,300
Title I	30073	84.010	966,455
Title I	20073	84.010	41,442
Title I - SINI - WHS	30351	84.010	9,570
Special Education - IDEA	32610	84.027	602,188
Special Education - IDEA	32610	84.027	19,635
Vocational Education	25022	84.048	6,155
Vocational Education Program Improvement	35022	84.048	156,646
Title IV - Safe & Drug Free Schools	26456	84.186	6,312
21st Century	35327	84.287C	452,707
21st Century - Development/Support HQ Staff	26287	84.287C	39,836
Title VI RLIS - DINI	26254	84.358	11,603
Title VI RLIS - DINI	36456	84.358	41,045
Title III - ESOL	20813	84.365A	499
Title III - ESOL	30813	84.365A	11,004
Title IIA - HQT	24865	84.367A	2,581
Title IIA - HQT	34865	84.367A	<u>169,014</u>
Total U.S. Department of Education			2,713,965
<u>U.S. Department of Housing and Urban Development</u>			
Passed through State of Hew Hampshire Department of Housing and Urban Development			
Community Development Block Grant	*	14.228	<u>512,399</u>
Total U.S. Department of Housing and Urban Development			512,399
<u>U.S. Department of Justice</u>			
Passed through State of Hew Hampshire - Attorney General Office			
Bullet Proof Vest	*	16.607	755
Police Justice Dept. - Underage Drinking	2006CD30	16.727	<u>11,563</u>
Total U.S. Department of Justice			12,318

(continued)

(continued)

Federal Grantor/ Pass-Through Grantor/ <u>Program Name</u>	<u>State Grant No.</u>	<u>Federal CFDA No.</u>	<u>2013 Federal Expenditures</u>
<u>U.S. Department of Transportation</u>			
Passed through State of New Hampshire - Dept. of Transportation			
Airport Improvement Grant	AIP 16	20.106	4,728
Airport Improvement Grant	SBG-3	20.106	25,194
Airport Improvement Grant	SBG-5	20.106	27,199
Airport Improvement Grant	SBG-6	20.106	83,813
Operation Safe Commute Patrols	*	20.600	4,622
Police - State of NH DWI Patrol	*	20.601	<u>5,524</u>
Total U.S. Department of Transportation			151,080
<u>U.S. Department of Homeland Security</u>			
Passed through State of New Hampshire - Department of Safety			
Fire 2009 AFG 34,740	*	97.044	10,986
Fire Alarm/Sprinkler Grant - FEMA	EMW-2011-FO-07930	97.044	83,821
SAFER Grant - FEMA	GF1200810SAF002	97.083	<u>19,157</u>
Total U.S. Department of Homeland Security			<u>113,964</u>
Total Federal Assistance			<u>\$ 4,290,326</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, 2013

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
Community Development Block Grant	Unmodified
Vocational Education	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>
10.550/10.553/10.555/10.558/10.582 14.228 84.048	National School Lunch Cluster Community Development Block Grant Vocational Education

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.