

CITY OF ROCHESTER, NEW HAMPSHIRE

Independent Auditors' Reports Pursuant
to Governmental Auditing Standards,
Uniform Guidance, and The Single
Audit Act Amendments of 1996

For the Year Ended June 30, 2017

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 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE AND OMB CIRCULAR A-133	3
Schedule of Expenditures of Federal Awards	6
Notes to Schedule of Expenditures of Federal Awards	9
Schedule of Findings and Questioned Costs	10

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, 2017, 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 24, 2018.

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 24, 2018

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 AND OMB CIRCULAR A-133

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, 2017. 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; 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) and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* for programs with award dates prior to December 26, 2014. Those standards, the Uniform Guidance 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 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, 2017.

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 and 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 mate-

rial 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 and OMB Circular A-133. 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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated January 24, 2018, 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 24, 2018

CITY OF ROCHESTER, NEW HAMPSHIRE
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

<u>Federal Agency</u>				
Cluster	Federal	Pass Through		Passed
Pass-through Agency	CFDA	Identifying	Federal	Through to
Program Title	<u>Number</u>	<u>Number</u>	<u>Expenditures</u>	<u>Subrecipient</u>
<u>U.S. Department of Agriculture</u>				
Child Nutrition Cluster				
Passed Through New Hampshire Department of Education				
School Breakfast Program	10.553	UNKNOWN	\$ 202,074	\$ -
National School Lunch Program - Cash Assistance	10.555	UNKNOWN	791,258	-
National School Lunch Program - Non-Cash Assistance	10.555	UNKNOWN	123,171	-
Special Milk Program for Children	10.556	UNKNOWN	1,123	-
School Nutrition Equipment Assistance Grant	10.579	UNKNOWN	6,170	-
Total Child Nutrition Cluster			1,123,796	-
Passed Through New Hampshire Department of Education				
Fresh Fruit and Vegetable Program	10.582	UNKNOWN	69,607	-
Total U.S. Department of Agriculture			1,193,403	-
<u>U.S. Economic Development Administration</u>				
Direct Federal Program				
Investments for Public Works and Economic Development Facilities	11.300	01-01-14253	1,077,834	-
Total U.S. Economic Development Administration			1,077,834	-
<u>U.S. Department of Commerce</u>				
Passed Through New Hampshire Department of Resources and Economic Development				
National Oceanic and Atmospheric Administration	11.419	NA14NOS4190067	33,250	-
Total U.S. Department of Commerce			33,250	-
<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	BC13MC330004	8,549	8,549
Community Development Block Grants/Entitlement Grants	14.218	BC14MC330004	51,021	46,241
Community Development Block Grants/Entitlement Grants	14.218	BC16MC330004	217,274	169,349
Total CDBG - Entitlement Grants Cluster			276,844	224,139
Passed Through the New Hampshire Community Development Finance Authority				
Public Housing Capital Fund	14.872	ACC NY 496	60,055	-
Total U.S. Department of Housing and Urban Development			336,899	224,139
<u>U.S. National Park Service</u>				
Passed Through the New Hampshire Division of Historic Resources				
Historic Preservation Fund Grants-In-Aid	15.904	P16AS00039	25,400	-
Total U.S. National Park Service			25,400	-
<u>U.S. Department of Justice</u>				
Direct Federal Program				
Missing Children's Assistance	16.543	2012-MC-FX-K-034	1,180	-
Equitable Sharing Program	16.922	UNKNOWN	1,592	-
Passed Through New Hampshire Department of Justice				
Crime Victim Assistance	16.575	2015-VA-GX-0007	24,075	-
Bulletproof Vest Partnership Program	16.607	2015-BU-BX-1407-2527	3,104	-
Bulletproof Vest Partnership Program	16.710	2016-UM-WX-0168	9,954	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-DJ-BX-0271	18,557	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2016-DJ-BX-0040	22,617	-
Total U.S. Department of Justice			81,079	-

(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. 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	481,333	-
Highway Planning and Construction	20.205	X-A000(320) 14350	15,435	-
Total Highway Planning and Construction Cluster			496,768	-
Highway Safety Cluster				
Passed Through New Hampshire Department of Transportation				
State and Community Highway Safety	20.600	315--16A-025	1,374	-
State and Community Highway Safety	20.600	314-17-013	1,910	-
State and Community Highway Safety	20.600	315-17A-102	5,852	-
State and Community Highway Safety	20.600	315-16A-030	750	-
National Priority Safety Programs	20.616	308-16A-021	497	-
National Priority Safety Programs	20.616	308-16A-05	5,600	-
National Priority Safety Programs	20.616	308-17A-080	3,006	-
National Priority Safety Programs	20.616	310-17A-029	7,500	-
Total Highway Safety Cluster			26,489	-
Total U.S. Department of Transportation			523,257	-
<u>U.S. Environmental Protection Agency</u>				
Drinking Water State Revolving Fund Cluster				
Passed Through New Hampshire Department of Environmental Services				
Watershed Assistance Grant	66.605	98132413	20,100	-
Total Environmental Protection Agency			20,100	-
<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	6,054	-
Special Education Grants to States	84.027	72572	1,163,254	-
Special Education Grants to States	84.027	72641	26,123	-
Special Education Preschool Grants	84.173	62509	5,511	-
Special Education Preschool Grants	84.173	72572	46,173	-
Total Special Education Cluster			1,247,115	-
Passed Through New Hampshire Department of Education				
Adult Education - Basic Grants to States	84.002	77303	7,768	-
Adult Education - Basic Grants to States	84.002	67324	-	-
Title I Grants to Local Educational Agencies	84.010	50123	-	-
Title I Grants to Local Educational Agencies	84.010	50216	-	-
Title I Grants to Local Educational Agencies	84.010	70216	71,603	-
Title I Grants to Local Educational Agencies	84.010	60216	23,457	-
Title I Grants to Local Educational Agencies	84.010	70123	838,520	-
Title I Grants to Local Educational Agencies	84.010	61635	12,500	-
Title I Grants to Local Educational Agencies	84.010	61609	222,930	-
Title I Grants to Local Educational Agencies	84.010	61518	16,159	-
Title I Grants to Local Educational Agencies	84.010	60123	206,246	-
Career and Technical Education - Basic Grants to States	84.048	75046	3,208	-
Career and Technical Education - Basic Grants to States	84.048	75032	72,183	-
Career and Technical Education - Basic Grants to States	84.048	65032	13,021	-
Career and Technical Education - Basic Grants to States	84.048	65047	-	-
Education for Homeless Children and Youth	84.196	70702	37,016	-
Education for Homeless Children and Youth	84.196	60702	9,110	-
Supporting Effective Instruction State Grant	84.367	74922	157,565	-
Supporting Effective Instruction State Grant	84.367	54922	15	-
Supporting Effective Instruction State Grant	84.367	65399	32,941	-
Supporting Effective Instruction State Grant	84.367	64922	46,933	-
Total U.S. Department of Education			3,018,290	-

(continued)

(continued)

<u>Federal Agency</u>		Federal	Pass Through	Federal	Passed
Cluster		CFDA	Identifying	Expenditures	Through to
Pass-through Agency		Number	Number		Subrecipient
Program Title					
<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		-
Substance Abuse and Mental Health Services		93.243	62584	166,258	-
Substance Abuse and Mental Health Services		93.243	72534	323,116	-
Drug-Free Communities Support Program Grants		93.276	5H79-SP02-1225-08	20,628	-
Drug-Free Communities Support Program Grants		93.276	5H79-SP02-1225-09	76,884	-
Total U.S. Department of Health and Human Services				586,886	-
<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	71	-
Emergency Management Performance Grants		97.042	EMW-2015-EP-00067	50,838	-
Homeland Security Grant Program		97.067	EMW-2015-SS-00040-S01	18,689	-
Homeland Security Grant Program		97.067	EMW-2015-SS-00040-S01	20,432	-
Homeland Security Grant Program		97.067	EMW-2016-SS-00053-S01	6,000	-
Total U.S. Department of Homeland Security				96,030	-
Total Federal Expenditures				\$ 6,992,428	\$ 224,139

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, 2017

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, 2017. 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, 2017

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:

Investment for Public Works and Economic Development Facilities Unmodified
Highway Planning and Construction Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) or 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>
11.300	Investment for Public Works and Economic Development Facilities
20.205	Highway Planning and Construction

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.