



City of Laconia, New Hampshire

Independent Auditors' Reports Pursuant
to Governmental Auditing Standards
and Uniform Guidance

For the Year Ended June 30, 2019

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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

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, 2019, 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 21, 2020.

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

January 21, 2020

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

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 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, 2019. 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 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; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 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, 2019.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2019-001. Our opinion on each major federal program is not modified with respect to these matters.

The City's response to the noncompliance findings identified in our audit is described in the accompanying corrective action plan. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the City of Laconia, New Hampshire 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, 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 the Uniform Guidance. 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 Laconia, New Hampshire as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated January 21, 2020, 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

April 27, 2020

CITY OF LACONIA NEW HAMPSHIRE
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2019

Federal Agency

Cluster	Federal CFDA <u>Number</u>	Pass Through Identifying <u>Number</u>	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Child Nutrition Cluster			
Passed Through New Hampshire Department of Education			
School Breakfast Program	10.553	Unknown	\$ 169,136
National School Lunch Program - Cash Assistance	10.555	Unknown	505,278
National School Lunch Program - Non-Cash Assistance	10.555	Unknown	<u>56,754</u>
Total Child Nutrition Cluster			731,168
Passed Through New Hampshire Department of Education			
Child and Adult Care Food Program	10.558	Unknown	113,142
Fresh Fruit and Vegetable Program	10.582	Unknown	<u>58,605</u>
Total U.S. Department of Agriculture			902,915
Passed Through the New Hampshire Community Development Finance Authority			
Community Development Block Grants/Entitlement Grants	14.228	Unknown	321,656
Community Development Block Grants/Entitlement Grants	14.228	Unknown	<u>143,271</u>
Total U.S. Department of Housing and Urban Development			464,927
Passed Through New Hampshire Department of Transportation			
Airport Improvement Program	20.106	Unknown	<u>144,367</u>
Total U.S. Department of Transportation			144,367
<u>U.S. Department of Education</u>			
Special Education Cluster			
Passed Through New Hampshire Department of Education and Secondary Education			
Special Education Grants to States	84.027	92529	572,334
Special Education Grants to States	84.027	82593	11,119
Special Education Grants to States	84.027	82540	36,750
Special Education Grants to States	84.027	72004	19,703
Special Education Preschool Grants	84.173	92529	<u>19,912</u>
Total Special Education Cluster			659,818

(continued)

(continued)

Federal Agency

Cluster	Federal CFDA Number	Pass Through Identifying Number	Federal Expenditures
Pass-through Agency			
Program Title			
Direct Federal Program			
Safe and Drug-Free Schools and Communities National Programs	84.184	N/A	71,681
Passed Through New Hampshire Department of Education			
Adult Education - Basic Grants to States	84.002	97004	83,052
Adult Education - Basic Grants to States	84.002	97105	12,912
Title I Grants to Local Educational Agencies	84.010	90048	1,090,467
Title I Grants to Local Educational Agencies	84.010	80073	53,427
Title I Grants to Local Educational Agencies	84.010	80304	26,906
Title I Grants to Local Educational Agencies	84.010	81621	19,430
Career and Technical Education - Basic Grants to States	84.048	93125	153,851
Career and Technical Education - Basic Grants to States	84.048	85011	2,955
Career and Technical Education - Basic Grants to States	84.048	85002	1,698
Safe and Drug-Free Schools and Communities National Programs	84.184	90086	86,610
Education for Homeless Children and Youth	84.196	90275	27,708
Education for Homeless Children and Youth	84.196	80706	6,247
Twenty-First Century Community Learning Centers	84.287	90022	433,751
Rural Education	84.358	86456	31,216
English Language Acquisition State Grants	84.365	80801	5,117
English Language Acquisition State Grants	84.365	80800	38
Supporting Effective Instruction State Grant	84.367	90160	164,945
Supporting Effective Instruction State Grant	84.367	88898	13,317
Supporting Effective Instruction State Grant	84.367	84865	9,378
Supporting Effective Instruction State Grant	84.367	74865	1,844
Student Support and Academic Enrichment	84.424	89111	5,177
Total U.S. Department of Education			2,961,545
<u>U.S. Department of Health and Human Services</u>			
Passed Through the New Hampshire Department of Health and Human Services			
Child Mental Health Service Initiative	93.104	94652	101,847
Child Mental Health Service Initiative	93.104	72662	6,157
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	82587	149,367
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	70085	9,639
Total U.S. Department of Health and Human Services			267,010
Total Federal Expenditures			\$ 4,740,764

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, 2019

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of the City of Laconia, New Hampshire under programs of the federal government for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) 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 the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement.
- The amounts reported for the National School Lunch Program – Non-Cash Assistance (Commodities) represent the fair value of commodities received.
- The City has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3. Subrecipients

Of the federal expenditures presented in the Schedule, the City did not provide federal awards to subrecipients.

CITY OF LACONIA, NEW HAMPSHIRE

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2019

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 federal programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes no

Identification of major federal programs:

CFDA Number(s) Name of Federal Program or Cluster

84.010 Title I Grants to Local Education Agencies

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

2019-001 Document Policies and Procedures Over Federal Awards

Federal Program(s) Information

Federal Agency: All

Cluster/Program: All

Award Name: All

CFDA Number(s): All

Award Year: All

Compliance Requirement: Document policies and procedure over certain aspects of financial and program management for federal awards.

Type of Finding

Compliance – Other Matters

Criteria or Specific Requirement

OMB's *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance/UG) established significant new requirements related to federal awards. New requirements stipulate federal award recipients must document their policies and procedures over certain aspects of financial and program management.

Specifically, written policies are required for the following:

- Cash management
- Determination of allowable costs
- Employee travel
- Procurement
- Subrecipient monitoring and management

Condition and Context

The City had not formalized written policies and procedures related to federal awards as required under Uniform Guidance during the period under audit.

Cause

Weakness in the formal documentation of internal controls.

Effect

There are no questioned costs as a result of this finding, as there are no costs directly associated with this compliance requirement.

Identification as Repeat Finding

As identified in Section IV, the Schedule of Prior Year Findings, this is a repeat of finding 2018-001. As indicated in the Corrective Action Plan for year ended June 30, 2018, the City did not expect to have formalized policies and procedures until June 30, 2020.

Recommendation

We found that subsequent to year end, the City adopted formal policies and procedures over federal awards. No further action is necessary.

Views of Responsible Official and Planned Corrective Action

Management's views are included at the end of this report after the summary schedule of prior year audit findings and status.

SECTION IV - SCHEDULE OF PRIOR YEAR FINDINGS

<u>Finding #</u>	<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Current Year Status</u>
2018-001	Federal Awards Finding	<u>Document Policies and Procedures Over Federal Awards</u>	Repeated in 2019-001



2019 Single Audit Report: Corrective Action Plan; June 30, 2019

Audit Finding Reference: 2019-001 Document Policies and Procedures

Federal Program(s) Information: All Federal Programs

Criteria or Specific Requirement: OMB's *Uniform Administrative Principles, and Audit Requirements for Federal Awards* (UG) established requirements related to Federal awards. The new requirements stipulate recipients must document their policies and procedures over certain program management. Specifically, written policies are required for:

- Cash Management
- Determination of allowable Costs
- Employee travel
- Procurement
- Subrecipient monitoring and management

Condition and Context: The City had not formalized written policies and procedures related to Federal awards as required under Uniform Guidance for the period under audit.

Current Year Status

We found that subsequent to year end, the City adopted formal policies and procedures over federal awards. No further action is necessary.

Views of Responsible Official

We concur that the policies were not in place for the period under audit. The City took the necessary steps during the year to achieve compliance. However, final adoption of Federal Grant Management Policies and Procedures Manual did not occur until after year end, on August 26, 2019.