

CITY OF CLAREMONT, NEW HAMPSHIRE

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

For the Year Ended December 31, 2009

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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 City Manager and City Council
City of Claremont, 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 Claremont, New Hampshire, as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 23, 2010. 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 *control deficiency* 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

Additional Offices:

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

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of the section and would not necessarily identify all deficiencies in internal control that might be 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 non-compliance 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 of Claremont, in a separate letter dated August 23, 2010.

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

August 23, 2010



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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the City Manager and City Council
City of Claremont, New Hampshire

Compliance

We have audited the compliance of the City of Claremont, New Hampshire, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. 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 grant agreements 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 are applicable to each of its major federal programs for the year ended December 31, 2009.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grant agreements 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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 *control deficiency* in a City's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 of Claremont as of and for the year ended December 31, 2009, and have issued our report thereon dated August 23, 2010. 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, 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
August 23, 2010

CITY OF CLAREMONT, NEW HAMPSHIRE

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2009

<u>Program Title</u>	<u>State Number</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed through NH Community Development Finance Authority (CDFA)			
Sullivan County Oral Health Collaborative	07-222-CDPF	14.228	\$ 464,038
Woven Label, LLC	07-222-CDED	14.228	245,707
Claremont Soup Kitchen	08-222-CDPF	14.228	219,292
Emergency Sawtooth Grant	09-222-EGPE	14.228	<u>488,088</u>
Total Department of Housing and Urban Development			<u>1,417,125</u>
<u>U.S. Department of Justice</u>			
Passed through NH Department of Justice			
Bulletproof Vest Partnership Program	*	16.607	<u>4,981</u>
Total Department of Justice			<u>4,981</u>
<u>U.S. Department of Transportation</u>			
Passed through NH Department of Transportation			
Parallel Taxiway Grant	NH-SBG-02-01-2008	20.106	301,696
Aeronautical Study & LPV Survey	NH-SBG-02-02-2009	20.106	19,777
PS-Pedestrian/bicycle Safety	319-09A-007	20.600	2,333
Claremont Corridor Enforcement	315-09A-110	20.600	3,061
Radar Replacement	315-09A-125	20.600	705
DWI Hunter Patrols	308-09A-094	20.601	1,503
Claremont DWI Patrols	308-09A-173	20.601	3,441
Sugar River Pedestrian Bridge	X-A 000 (089)	20.705	<u>6,395</u>
Total Department of Transportation			<u>338,911</u>
<u>Environmental Protection Agency</u>			
Passed through NH Department of Environmental Services			
SRF Loan Program	CS-330111-14	66.458	<u>6,186</u>
Drinking Water SRF Loan Program	0461010-01 & 0461010-02	66.468	<u>2,699</u>
Total Environmental Protection Agency			<u>8,885</u>
<u>U.S. Department of Homeland Security</u>			
Passed through NH Department of Safety			
Stone House Forge Project Hazard Mitigation Grant Program	*	97.039	2,413
Stacked Stove Thrasher Road Hazard Mitigation Grant Program	*	97.039	19,428
Slip Line - Thrasher/Route 120 Mitigation Grant Program	*	97.039	9,000
Reimbursement From Storms, Council Approval to Spend	*	97.039	<u>198,867</u>
Emergency Operation Plan Grant	EMW-2008-FO-01344	97.042	<u>42,855</u>
Total Department of Homeland Security			<u>272,563</u>
Total Federal Expenditures			<u>\$ 2,042,465</u>

This schedule was prepared on a modified accrual basis of accounting.

See Independent Auditors' Report on Schedule of Expenditures of Federal Awards.

* - State number was unavailable for this program.

CITY OF CLAREMONT, NEW HAMPSHIRE
 Schedule of Findings and Questioned Costs
 For the Year Ended December 31, 2009

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 deficiencies identified that are not considered to be material weakness(es)? ___ 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 deficiencies identified that are not considered to be material weakness(es)? ___ 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>
14.228	CDBG Small Cities
20.106	Airport Improvement

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.