

MANCHESTER SCHOOL DISTRICT
SINGLE AUDIT ACT SCHEDULES
AND RELATED AUDITOR'S REPORTS
FISCAL YEAR ENDED JUNE 30, 2004

MANCHESTER SCHOOL DISTRICT

SINGLE AUDIT ACT SCHEDULES AND RELATED AUDITOR'S REPORTS

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PLODZIK & SANDERSON

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*REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS*

To the Members of the Board of School Committee
Manchester School District
Manchester, New Hampshire

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Manchester School District as of and for the year ended June 30, 2004, which collectively comprise the Manchester School District's basic financial statements and have issued our report thereon dated October 18, 2004. 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 Manchester School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Manchester School District in a separate letter dated October 18, 2004.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Manchester School District'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*.

This report is intended solely for the information and use of management, the Board of School Committee, 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.

Gregory A. Cally, CPA

October 18, 2004

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

To the Members of the Board of School Committee
Manchester School District
Manchester, New Hampshire

Compliance

We have audited the compliance of the Manchester School District 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 June 30, 2004. The Manchester School District's major federal programs are identified in the summary of auditor's 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 Manchester School District's management. Our responsibility is to express an opinion on the Manchester School District'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 Manchester School District'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 on the Manchester School District's compliance with those requirements.

In our opinion, the Manchester School District 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 June 30, 2004. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 04-01.

Internal Control Over Compliance

The management of the Manchester School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Manchester School District's internal control over compliance with 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 and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Manchester School District

*Report on Compliance with Requirements Applicable to Each Major Program and Internal Control
Over Compliance in Accordance with OMB Circular A-133*

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Manchester School District, as of and for the year ended June 30, 2004, and have issued our report thereon dated October 18, 2004. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Manchester School District'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, the Board of School Committee, 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.

Gregory A. Collyer, CPA

October 18, 2004

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SCHEDULE I
MANCHESTER SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2004

**Auditor
Reference
Number**

**U.S. Department of Agriculture passed through the State of New Hampshire
Departments of Agriculture and Education: Child Nutrition Cluster**

03-01

Criteria: Federal and State regulations require that students meet certain maximum family income guidelines in order to be eligible for free and reduced priced meals. An official of the School District must review the information reported on applications and make a determination as to whether a student is eligible for free or reduced priced meals.

Condition: We examined forty approved applications and noted three instances where information was not complete, in that no social security number of an adult household member was provided.

Effect: The District is not in compliance with eligibility requirements.

Recommendation: We recommend that officials take more care in approving the free and reduced price applications to ensure that all required information is reported thereon.

Status: Corrective action has been taken.

SCHEDULE II
MANCHESTER SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2004

SECTION I - SUMMARY OF AUDITOR'S RESULTS

A. *Financial Statements*

1. The auditor's report expresses an unqualified opinion on the financial statements.
2. There were no material weaknesses identified relating to the internal control over financial reporting.
3. There were no reportable conditions identified which were not considered material weaknesses relating to the internal control over financial reporting.
4. There were no instances of noncompliance material to the financial statements identified.

B. *Federal Awards*

1. There were no material weaknesses identified relating to the internal control over major programs.
2. There were no reportable conditions identified which were not considered material weaknesses relating to the internal control over major programs.
3. The auditor's report on compliance for major programs expresses an unqualified opinion.
4. Audit findings required to be reported in accordance with Circular A-133 are reported in Section III of this schedule.
5. The programs tested as major programs are the Child Nutrition Cluster, Special Education Cluster, and CFDA No. 84.338: Reading Excellence.
6. The threshold for distinguishing between Types A and B programs was \$300,000.
7. The Manchester School District was determined to be a low-risk auditee.

SECTION II - FINANCIAL STATEMENT FINDINGS

NONE

SCHEDULE II (Continued)
MANCHESTER SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2004

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

04-01 U.S. Department of Education passed through the State of New Hampshire Department of Education: Special Education Cluster and CFDA No. 84.338: Reading Excellence

Criteria: Cash management requirements dictate that when federal funds are advanced, procedures must be followed that minimize the time elapsing between the transfer of funds from the State of New Hampshire (pass-through agency) and disbursement. The State of New Hampshire requires that requests for funds be filed quarterly and allows requests to include reimbursement of funds already disbursed and estimates of the next quarter's anticipated disbursements.

Condition: Project No. 46211 received funding in the second quarter of which \$7,995 was not all disbursed until February 7, 2004. Similarly, Project No. 42662 had \$1,630 left at the end of the third quarter which was not all disbursed until May 15, 2004.

Effect: Although the amounts involved were not material, the District was not in full compliance with cash management requirements.

Recommendation: We recommend that the District take greater care when estimating quarterly cash needs to ensure that funds are not requested in advance of when needed.

Client's Response: The District is conservative and diligent in estimating quarterly cash flow requirements. We believe the deficiencies noted above are rare. We will more closely monitor our spending against forecast over the next year.

*SCHEDULE III
MANCHESTER SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2004*

<u>FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE</u>	<u>CFDA Number</u>	<u>Grantor's/ Pass Through Grantor's Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE			
<i>CHILD NUTRITION CLUSTER</i>			
<u>Passed Through the State of New Hampshire Department of Agriculture</u>			
<u>Food Distribution (Food Donation Program) Surplus Distribution</u>	10.550	N/A	\$ 208,736
<u>Passed Through the State of New Hampshire Department of Education</u>			
School Breakfast Program	10.553	N/A	213,172
National School Lunch Program (School Lunch Program)	10.555	N/A	1,702,548
Special Milk Program for Children	10.556	N/A	<u>1,335</u>
<i>CLUSTER TOTAL</i>			<u>2,125,791</u>
U.S. DEPARTMENT OF LABOR			
<u>Passed Through the State of New Hampshire Department of Education</u>			
<u>WIA Youth Activities</u> Workforce Opportunity Grant	17.259	43987	<u>5,000</u>
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through the State of New Hampshire Department of Education</u>			
<u>Adult Education - State Grant Program</u>			
Manchester Adult Basic Education Program	84.002	37010	5,591
ABE-Diploma	84.002	37307	(2,148)
ABE-Civics	84.002	37502	(391)
Manchester Adult Basic Education Program	84.002	47011	90,021
ABE-Diploma	84.002	47307	12,928
ABE-Civics	84.002	47503	<u>8,642</u>
<i>PROGRAM TOTAL</i>			<u>114,643</u>

SCHEDULE III (Continued)
MANCHESTER SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2004

<u>FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE</u>	<u>CFDA Number</u>	<u>Grantor's/ Pass Through Grantor's Number</u>	<u>Expenditures</u>
Title I Grants to Local Educational Agencies			
<u>(Title I Basic, Concentration and Targeted Grants)</u>			
Title I	84.010	30054	259,958
Title I S/W Projects	84.010	30208	18,257
Project Hope-Varney	84.010	30214	9,296
Project Hope-Beech	84.010	30215	9,870
CSR-D-Henry V	84.010	30603	59
CSR-D-Bakersville	84.010	30628	437
Homeless Funds	84.010	30702	2,648
McKinney Mini	84.010	30704	500
Title I Summer Reallocated	84.010	30974	13,839
Title I	84.010	40103	3,386,305
School Improvements	84.010	40209	71,533
Even Start Program	84.010	40501	134,664
CSR-D-Henry V	84.010	40623	42,234
CSR-D-Bakersville	84.010	40637	32,244
McKinney Homeless Funds for Youth	84.010	40701	23,514
English Language Learner	84.010	40889	3,434
Title I Summer Reallocated	84.010	40983	8,012
<i>PROGRAM TOTAL</i>			<u>4,016,804</u>
 <i>SPECIAL EDUCATION CLUSTER</i> 			
<u>Special Education - Grants to States</u>			
IDEA	84.027	32540	206,413
SPED-Silver Grant	84.027	32659	5,386
IDEA	84.027	42563	2,683,704
SPED-Silver Grant	84.027	42662	29,827
<i>PROGRAM TOTAL</i>			<u>2,925,330</u>
 <u>Special Education - Preschool Grants</u>			
Preschool	84.173	32743	10,320
Preschool	84.173	42754	154,373
Cider Grant	84.173	42812	1,354
<i>PROGRAM TOTAL</i>			<u>166,047</u>
 <i>CLUSTER TOTAL</i> 			
			<u>3,091,377</u>
 <u>Vocational Education - Basic Grants to States</u>			
Vocational Education	84.048	35059	33,623
Vocational Education	84.048	45033	575,228
<i>PROGRAM TOTAL</i>			<u>608,851</u>

SCHEDULE III (Continued)
MANCHESTER SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2004

<u>FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE</u>	<u>CFDA Number</u>	<u>Grantor's/ Pass Through Grantor's Number</u>	<u>Expenditures</u>
<u>Safe and Drug-Free Schools and Communities - State Grants</u>			
Safe and Drug Free Schools	84.186	36554	3,862
Safe and Drug Free Schools	84.186	46554	<u>183,970</u>
<i>PROGRAM TOTAL</i>			<u>187,832</u>
<u>Fund for the Improvement of Education</u>			
Character Education	84.215	28075	942
Character Education	84.215	38075	27,463
Character Education	84.215	48068	<u>7,128</u>
<i>PROGRAM TOTAL</i>			<u>35,533</u>
<u>Charter Schools</u>			
Charter Feasibility Study	84.282A	44201	<u>16,674</u>
<u>Innovative Education Program Strategies</u>			
Title V	84.298	36087	(271)
Title V	84.298	46087	190,857
Migrant Education Grant	84.298	46163	<u>4,731</u>
<i>PROGRAM TOTAL</i>			<u>195,317</u>
<u>Technology Innovation Challenge Grants</u>			
Challenge VPD Year 5	84.303	30044	<u>10,179</u>
<u>Technology Literacy Challenge Fund Grants (Technology State Formula Grants)</u>			
Title II D Technology	84.318	34410	31,634
Technology Fund	84.318	34412	23,779
Title II D Technology	84.318	44507	<u>111,914</u>
<i>PROGRAM TOTAL</i>			<u>167,327</u>

SCHEDULE III (Continued)
MANCHESTER SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2004

<u>FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE</u>	<u>CFDA Number</u>	<u>Grantor's/ Pass Through Grantor's Number</u>	<u>Expenditures</u>
<u>Reading Excellence</u>			
REA Wilson	84.338	26213	(231)
REA Beech	84.338	36211	8,635
REA Bakersville	84.338	36212	10,545
REA Wilson	84.338	36213	6,606
Summer Program REA Beech	84.338	36218	29,093
Summer Program REA Wilson	84.338	36219	29,972
REA Beech	84.338	46211	115,783
REA Bakersville	84.338	46212	91,359
REA Wilson	84.338	46213	<u>98,348</u>
			<u>390,110</u>
<u>English Language Acquisition Grants</u>			
Title III	84.365A	30890	15,534
Title III	84.365A	40891	<u>100,701</u>
<i>PROGRAM TOTAL</i>			<u>116,235</u>
<u>Improving Teacher Quality-State Grants</u>			
Title IIA	84.367	34873	210,003
Title IIA	84.367	44873	1,389,292
Induction with Mentoring Professional Development Center	84.367	44951	<u>5,711</u>
<i>PROGRAM TOTAL</i>			<u>1,605,006</u>
<u>Grants for State Assessments and Related Activities</u>			
Distinguished Educator	84.369	43955	<u>6,452</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through the State of New Hampshire			
<u>Department of Education</u>			
<u>Temporary Assistance For Needy Families</u>			
HHS Basic Skills	93.558	37058	9,158
Adult Basic Education	93.558	47051	<u>87,602</u>
<i>PROGRAM TOTAL</i>			<u>96,760</u>

SCHEDULE III (Continued)
MANCHESTER SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2004

<u>FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE</u>	<u>CFDA Number</u>	<u>Grantor's/ Pass Through Grantor's Number</u>	<u>Expenditures</u>
DIRECT FUNDING			
U.S. DEPARTMENT OF LABOR			
Employment Services and Job Training - <u>Pilot and Demonstration Programs</u> Manchester School to Career	17.249	7017-8-00-88-60	<u>14,780</u>
<i>GRAND TOTAL</i>			<u>\$ 12,804,671</u>

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

MANCHESTER SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2004

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting whereby transactions are presented in the same way as they are included in the financial statements in accordance with accounting principles generally accepted in the United States of America.

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities on the date received.