

CITY OF KEENE, NEW HAMPSHIRE

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

For the Year Ended June 30, 2019

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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 and City Council Members
City of Keene, 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 Keene, New Hampshire (the City), 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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Melanson Heath

January 21, 2020

Additional Offices:

Nashua, NH
Andover, MA
Greenfield, MA
Ellsworth, ME

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 Members
City of Keene, New Hampshire

Report on Compliance for Each Major Federal Program

We have audited the City of Keene, New Hampshire's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of 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 of Keene, 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, 2019.

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, 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 Keene, New Hampshire (the City) 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

January 21, 2020

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

<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 Housing and Urban Development</u>				
Passed Through the New Hampshire Community Development Finance Authority				
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	16-038-CDPF	\$ 2,654	\$ -
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	16-038-CDED	7,054	-
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	17-038-CDPF	242,781	229,490
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	18-038-CDED	<u>8,610</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development			261,099	229,490
<u>U.S. Department of Interior</u>				
Passed Through the New Hampshire Division of Historic Resources				
Historic Preservation Fund Grants-In-Aid	15.904	CLG-P17AS00072-04	652	-
Historic Preservation Fund Grants-In-Aid	15.904	CLG-P18AS00073-05	<u>1,140</u>	<u>-</u>
Total U.S. Department of Interior			1,792	-
<u>U.S. Department of Justice</u>				
Direct Federal Program				
Bulletproof Vest Partnership Program	16.607	N/A	3,153	-
Bulletproof Vest Partnership Program	16.607	N/A	22	-
Passed Through Cheshire County, New Hampshire				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2017-DJ-BX-0101	1,809	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2018-H2873-NH-DJ	<u>3,984</u>	<u>-</u>
Total U.S. Department of Justice			8,968	-
<u>U.S. Department of Transportation</u>				
Highway Planning and Construction Cluster				
Passed Through the New Hampshire Department of Transportation				
Highway Planning and Construction	20.205	X-A003 (777) - State 28738	17,396	-
Highway Planning and Construction	20.205	X-A004 (408) - State 40439	10,283	-
Highway Planning and Construction	20.205	STP-0111 (007) - State 10309B	<u>251,946</u>	<u>-</u>
Total Highway Planning and Construction Cluster			279,625	-
Highway Safety Cluster				
Passed Through the New Hampshire Highway Safety Agency				
State and Community Highway Safety	20.600	18X9204020NH17	3,272	-
State and Community Highway Safety	20.600	69A37519300004020NH0	1,902	-
National Priority Safety Programs	20.616	18X920405DNH17	812	-
National Priority Safety Programs	20.616	18X920405DNH16	1,063	-
National Priority Safety Programs	20.616	69A3751930000405HNH0	<u>5,139</u>	<u>-</u>
Total Highway Safety Cluster			12,188	-
Passed Through the New Hampshire Department of Transportation				
Airport Improvement Program	20.106	SBG-08-16-2017	<u>2,779,929</u>	<u>-</u>
Total U.S. Department of Transportation			3,071,742	-
<u>U.S. Department of Treasury</u>				
Direct Federal Program				
Equitable Sharing	21.016	N/A	<u>3,445</u>	<u>-</u>
Total U.S. Department of Treasury			3,445	-

(continued)

(continued)

<u>Federal Agency</u>	<u>Federal CFDA Number</u>	<u>Pass Through Identifying Number</u>	<u>Federal Expenditures</u>	<u>Passed Through to Subrecipient</u>
Cluster				
Pass-through Agency				
Program Title				
<u>Institute of Museum and Library Services</u>				
Direct Federal Program				
National Leadership Grants	45.312	LG-95-18-0191-18A	<u>40,062</u>	<u>-</u>
Total Institute of Museum and Library Services			40,062	-
<u>U.S. Department of Homeland Security</u>				
Passed Through the City of Beverly, Massachusetts				
National Urban Search and Rescue Response System	97.025	EMW-2013-CA-USR-0014	27,828	-
Passed Through the New Hampshire Office of Emergency Management and Homeland Security				
Homeland Security Grant Program	97.067	EMW-2017-SS-0023-S01	990	-
Homeland Security Grant Program	97.067	EMW-2018-SS-00055-S01	1,040	-
Homeland Security Grant Program	97.067	EMW-2016-SS-00053-S01	1,394	-
Homeland Security Grant Program	97.067	EMW-2016-SS-00053-S01	<u>760</u>	<u>-</u>
Total U.S. Department of Homeland Security			<u>32,012</u>	<u>-</u>
Total Federal Expenditures			<u>\$ 3,419,120</u>	<u>\$ 229,490</u>

The accompanying notes are an integral part of this schedule.

CITY OF KEENE, 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 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 City has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

CITY OF KEENE, 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 weaknesses identified? yes no
- Significant deficiencies identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major federal programs:

- Material weaknesses identified? yes no
- Significant deficiencies 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:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program

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.