

**CITY OF KEENE, NEW HAMPSHIRE**

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

For the Year Ended June 30, 2018

## 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	3
Schedule of Expenditures of Federal Awards	6
Notes to Schedule of Expenditures of Federal Awards	7
Schedule of Findings and Questioned Costs	8

**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 Mayor and City Council  
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, as of and for the year ended June 30, 2018, 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 9, 2019.

**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 9, 2019

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 Mayor and City Council  
City of Keene, New Hampshire

**Report on Compliance for Each Major Federal Program**

We have audited the City of Keene, 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 City's major federal programs for the year ended June 30, 2018. 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 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, 2018.

### **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, non-compliance 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.

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 as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated January 9, 2019, 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 9, 2019

**CITY OF KEENE, NEW HAMPSHIRE**  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2018

<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	\$ 442,688	\$ 430,000
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	16-038-FSPF	11,000	10,000
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	16-038-CDED	7,186	-
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	17-038-CDPF	<u>257,219</u>	<u>242,510</u>
Total U.S. Department of Housing and Urban Development			718,093	682,510
<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	<u>3,605</u>	-
Total U.S. Department of Interior			3,605	-
<u>U.S. Department of Justice</u>				
Direct Federal Program				
Bulletproof Vest Partnership Program	16.607	N/A	3,349	-
Bulletproof Vest Partnership Program	16.607	N/A	143	-
Equitable Sharing Program	16.922	N/A	6,862	-
Passed Through Cheshire County, New Hampshire				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2016-DJ-BX-0680	1,506	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2017-DJ-BX-0101	<u>5,433</u>	-
Total U.S. Department of Justice			17,293	-
<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 (776,777)	17,791	-
Highway Planning and Construction	20.205	X-A004 (498)	1,688	-
Highway Planning and Construction	20.205	X-A004 (408)	19,552	-
Highway Planning and Construction	20.205	STP-0111 (007)	<u>(990)</u>	-
Total Highway Planning and Construction Cluster			38,041	-
Highway Safety Cluster				
Passed Through the New Hampshire Highway Agency				
State and Community Highway Safety	20.600	18X9204020NH16	5,892	-
State and Community Highway Safety	20.600	18X9204020NH17	10,374	-
State and Community Highway Safety	20.600	18X9204020NH16	6,836	-
National Priority Safety Programs	20.616	18X920405DNH14	5,416	-
National Priority Safety Programs	20.616	18X920405DNH16	6,610	-
National Priority Safety Programs	20.616	69A3751830000405HNHO	633	-
National Priority Safety Programs	20.616	18X920405CNH15	<u>6,944</u>	-
Total Highway Safety Cluster			42,705	-
Passed Through New Hampshire Department of Transportation				
Airport Improvement Program	20.106	SBG-08-16-2017	557,481	-
Airport Improvement Program	20.106	SBG-08-17-2018	<u>77,836</u>	-
Total U.S. Department of Transportation			716,063	-
<u>Environmental Protection Agency</u>				
Direct Federal Program				
Climate Showcase Communities Grant Program	66.041	N/A	450,285	-
Passed Through New Hampshire Department of Environmental Services				
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS330001-15	84,829	-
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS330001-16	<u>2,183,516</u>	-
Total Environmental Protection Agency			2,718,630	-
<u>U.S. Department of Homeland Security</u>				
Direct Federal Program				
Assistance to Firefighters Grant	97.044	N/A	23,365	-
Passed Through the City of Beverly, Massachusetts				
National Urban Search and Rescue Response System	97.025	EMW-2013-CA-USR-0014	16,018	-
Passed Through New Hampshire Office of Emergency Management and Homeland Security				
Homeland Security Grant Program	97.067	EMW-2015-SS-00040-S01	4,463	-
Homeland Security Grant Program	97.067	EMW-2016-SS-00053-S01	3,337	-
Homeland Security Grant Program	97.067	EMW-2017-SS-0023-S01	<u>21,652</u>	-
Total U.S. Department of Homeland Security			68,835	-
Total Federal Expenditures			<u>\$ 4,242,519</u>	<u>\$ 682,510</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, 2018

#### ***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, 2018. 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***

- 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.
- Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.
- 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, 2018

**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:

Capitalization Grants for Clean Water State Revolving Funds Unmodified

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
66.458	Capitalization Grants for Clean Water State Revolving Funds

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.