

**TOWN OF PORTSMOUTH, RHODE ISLAND**

SINGLE AUDIT REPORT

YEAR ENDED JUNE 30, 2018

**TOWN OF PORTSMOUTH, RHODE ISLAND**

June 30, 2018

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Independent Auditors' 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 Honorable Members  
of the Town Council  
Town of Portsmouth  
Portsmouth, Rhode Island

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 Town of Portsmouth, Rhode Island (Town), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated December 26, 2018.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town'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 Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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 Town'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*.

*Continued*

**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.

*Hague, Sabady & Co. PC*

December 26, 2018  
Fall River, Massachusetts

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## Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

To the Honorable Members  
of the Town Council  
Town of Portsmouth  
Portsmouth, Rhode Island

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

We have audited the Town of Portsmouth, Rhode Island's (Town) 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 Town's major federal programs for the year ended June 30, 2018. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Town'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 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 Town'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 Town's compliance.

#### ***Opinion on Each Major Federal Program***

In our opinion, the Town 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.

*Continued*

### **Report on Internal Control over Compliance**

Management of the Town 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 Authority'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 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 Town'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.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance**

We have audited the financial statements of the Town of Portsmouth, Rhode Island (Town), as of and for the year ended June 30, 2018, and have issued our report thereon dated December 26, 2018 which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Uniform Guidance and is not a required part of the 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 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 financial statements or to the 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 financial statements as a whole.

*Hague, Sahady & Co. PC*

December 26, 2018  
Fall River, Massachusetts

**TOWN OF PORTSMOUTH, RHODE ISLAND**

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2018

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA</u>	<u>Grant Identification/ Pass-Through Grantor's Number</u>	<u>Program or Award</u>	<u>Expenditures</u>	<u>Distributed to Subrecipients</u>
<b>US Department of Agriculture:</b>					
<i>Passed through the State of Rhode Island Department of Education:</i>					
Child Nutrition Cluster					
School Breakfast Program	10.553	N/A	\$ 19,238	\$ 19,238	\$ -
School Lunch Program	10.555	N/A	191,131	<u>191,131</u>	<u>-</u>
Total Child Nutrition Cluster				210,369	-
<b>Total US Department of Agriculture</b>				<u>210,369</u>	<u>-</u>
<b>U.S. Department of Agriculture Forest Service</b>					
Portsmouth Tree Planting Program	10.664	N/A	3,000	3,000	-
<b>Total U.S. Department of Agriculture Forest Service</b>				<u>3,000</u>	<u>-</u>
<b>U.S. Department of Justice:</b>					
<i>Passed through State of Rhode Island Public Safety Grant</i>					
Bulletproof Vest Grant	16.607	Unknown	8,450	8,450	-
Public Safety Partnership and Community Policing Grant	16.710	2016UMWX0246	250,000	50,803	-
Edward Byrne Memorial Justice Assistance Grant	16.738	Unknown	8,820	<u>8,820</u>	<u>-</u>
<b>Total U.S. Department of Justice</b>				<u>68,073</u>	<u>-</u>

See notes to schedule of expenditures of federal awards

**TOWN OF PORTSMOUTH, RHODE ISLAND**

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA	Grant Identification/ Pass-Through Grantor's Number	Program or Award	Expenditures	Distributed to Subrecipient
<b>U.S. Department of Transportation:</b>					
Direct:					
National Highway Traffic Safety Administration (NHTSA) Cluster					
Seat Belt Law Enforcement	20.600	CIOT	15,000	1,504	-
Speed Enforcement Patrols	20.600	PT	12,000	3,017	-
Impaired Driving Law Enforcement	20.616	Alcohol	15,000	2,815	-
Total NHTSA Cluster				<u>7,336</u>	<u>-</u>
<b>Total U.S. Department of Transportation</b>				<u>7,336</u>	<u>-</u>
<b>US Department of Education:</b>					
<i>Passed through the State of Rhode Island Department of Education:</i>					
Title I, Part A Grant	84.010	2725-11702-801	525,209	239,502	-
Special Education Cluster (IDEA)					
IDEA Part B	84.027	2725-13202-801	844,712	659,429	-
SPED Part B-Early Childhood	84.173	2725-13502-801	20,456	20,305	-
Total Special Education Cluster (IDEA)				<u>679,734</u>	<u>-</u>
Impact Aid	84.041	N/A	256,634	256,634	-
Career and Technical Education	84.048	N/A	35,969	35,969	-
Title IIA to Local Education Agencies	84.367	2725-16402-801	110,728	110,494	-
<b>Total U.S. Department of Education</b>				<u>1,322,333</u>	<u>-</u>
<b>U.S. Department of Homeland Security:</b>					
<i>Passed through the State of Rhode Island Emergency Management Agency</i>					
Emergency Management Performance Grant	97.042	EMB-2016-EP-0007-S01	6,030	2,500	-
Assistance to Firefighters Grant	97.044	EMW-2015-FO-01067	71,896	34,015	-
<b>Total U.S. Department of Homeland Security</b>				<u>36,515</u>	<u>-</u>
<b>Total Expenditures of Federal Awards</b>				<u>\$ 1,647,626</u>	<u>\$ -</u>

See notes to schedule of expenditures of federal awards



# TOWN OF PORTSMOUTH, RHODE ISLAND

## Notes to the Schedule of Expenditures of Federal Awards

June 30, 2018

### **1. Definition of Reporting Entity**

The accompanying Schedule of Expenditures of Federal Awards presents activity of all Federal financial assistance programs of the Town of Portsmouth, Rhode Island (Town). Federal financial assistance received includes funds received directly from Federal agencies as well as Federal financial assistance passed through other governmental agencies and received by the Town.

### **2. Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Town and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *Uniform Guidance*.

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the Town and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), Subpart F, Section 510(b).

### **3. Major Programs**

The Town's independent auditors have used a risk-based approach to determine which federal programs are "major programs" in accordance with 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), Subpart F, Section 518. This risk-based approach includes consideration of current and prior audit experience, oversight by Federal Agencies and pass-through entities, the inherent risk of the Federal program, as well as other considerations. The process in paragraphs (b) through (i) of Section 518 govern auditor major program determination.

The Town has no responsibility to determine major programs. The independent auditor's responsibilities are summarized within 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), Subpart F, Sections 508 to 512.

### **4. 10 % De Minimis Indirect Cost Rate**

The Town elected not to use the 10% De Minimis indirect cost rate as covered in 2 CFR Part 200 Sections 414 "Indirect (F&A) Costs."

**TOWN OF PORTSMOUTH, RHODE ISLAND**

Notes to the Schedule of Expenditures of Federal Awards

June 30, 2018

**5. Program Cluster**

In accordance with Uniform Guidance, certain programs have been clustered in determining major programs. The following represent the clustered programs:

Child Nutrition Cluster

National School Breakfast Program	10.553
National School Lunch Program	10.555

Special Education Cluster

IDEA Part B	84.027
SPED Part B-Early Education	84.173

National Highway Traffic Safety Administration Cluster

Seat Belt Law Enforcement	20.600
Speed Enforcement Patrols	20.600
Impaired Driving Law Enforcement	20.616

**TOWN OF PORTSMOUTH, RHODE ISLAND**

Summary of Audit Results

June 30, 2018

**Section I - Summary of Audit Results**

Financial Statements

We have audited the financial statements of the Town of Portsmouth, Rhode Island, as of and for the Year Ended June 30, 2018 and have issued our reports thereon dated December 26, 2018. 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 and with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

The results of our audit are as follows:

Type of Report issued on the Financial Statements	
Internal Control over Financial Reporting:	Unmodified
Material Weakness(es) Identified?	No
Significant Deficiencies Identified that are not considered to be Material Weakness(es)?	No
Noncompliance Material to the Financial Statements Noted?	No

Federal Awards

The results of our audit are as follows:

Internal Control over Major Programs:	
Material Weakness(es) Identified?	No
Significant Deficiencies Identified that are not considered to be Material Weakness(es)?	No
Type of Report on Compliance for Major Programs:	
Special Education Cluster (CFDA 84.027 and 84.173)	Unmodified
Disclosure of Audit Findings required to be reported under Uniform Guidance:	No

Identification of Major Programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Special Education Cluster:	
IDEA, Part B	84.027
Preschool Grants	84.173

Threshold for distinguishing Type A and Type B Programs (2 CFR 200 Section 518(b)(1)) was \$750,000.

The Town of Portsmouth, Rhode Island does qualify as a low risk auditee

**TOWN OF PORTSMOUTH, RHODE ISLAND**

Schedule of Findings and Questioned Costs

June 30, 2018

**Section II - Findings on Internal Control Over Financial Reporting and on Compliance and Other Matters  
Based on our Audit of the Financial Statements**

*None*

**Section III - Findings and Questioned Costs Which Are Required to be Reported Over Major Federal  
Programs**

*None*

**Section IV - Status of Prior Year Findings**

*None*