

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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CERTIFIED PUBLIC ACCOUNTANTS

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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, Sabady & 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> |
|--|-------------------------|--|-----------------------------|---------------------|---|
| US Department of Agriculture: | | | | | |
| <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 | - |
| Total US Department of Agriculture | | | | <u>210,369</u> | <u>-</u> |
| U.S. Department of Agriculture Forest Service | | | | | |
| Portsmouth Tree Planting Program | 10.664 | N/A | 3,000 | 3,000 | - |
| Total U.S. Department of Agriculture Forest Service | | | | <u>3,000</u> | <u>-</u> |
| U.S. Department of Justice: | | | | | |
| <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> |
| Total U.S. Department of Justice | | | | <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 |
|---|-----------------|---|---------------------|---------------------|--------------------------------|
| U.S. Department of Transportation: | | | | | |
| 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> | - |
| Total U.S. Department of Transportation | | | | <u>7,336</u> | - |
| US Department of Education: | | | | | |
| <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> | - |
| 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 | - |
| Total U.S. Department of Education | | | | <u>1,322,333</u> | - |
| U.S. Department of Homeland Security: | | | | | |
| <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 | - |
| Total U.S. Department of Homeland Security | | | | <u>36,515</u> | - |
| Total Expenditures of Federal Awards | | | | <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