

**TOWN OF EXETER, NEW HAMPSHIRE**

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

For the Year Ended December 31, 2018

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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 Select Board  
Town of Exeter, 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 Town of Exeter, New Hampshire (the Town), as of and for the year ended December 31, 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 August 20, 2019.

**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*.

### **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 Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Melanson Heath*

August 20, 2019

**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 Select Board  
Town of Exeter, New Hampshire

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

We have audited the Town of Exeter, 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 the Town's major federal programs for the year ended December 31, 2018. The Town'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 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 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 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 of Exeter, 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 December 31, 2018.

### **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 Town'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 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, 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 Town of Exeter, New Hampshire, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements. We issued our report thereon dated August 20, 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*

August 20, 2019

**TOWN OF EXETER, NEW HAMPSHIRE**  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2018

<u>Federal Agency</u>				
Cluster		Federal	Pass Through	
Pass-through Agency		CFDA	Identifying	Federal
Program Title		Number	Number	Expenditures
				Passed Through to Subrecipient
<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	16-180-CDED	\$ 6,342 \$ 6,342
	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	16-180-CDHS	58,620 58,620
	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	17-180-CDHS	<u>10,344</u> <u>10,344</u>
Total U.S. Department of Housing and Urban Development				75,306 75,306
<u>U.S. Department of Justice</u>				
Passed Through the New Hampshire Department of Justice Bulletproof Vest Partnership Program				
		16.607	15-0404-0-1-754	<u>1,587</u> -
Total U.S. Department of Justice				1,587 -
<u>U.S. Department of Transportation</u>				
Passed Through the New Hampshire Department of Transportation Highway Research and Development Program				
		20.200	40436	30,451 -
Highway Planning and Construction Cluster				
Passed Through the New Hampshire Department of Transportation Highway Planning and Construction				
		20.205	41372	<u>55,854</u> -
Total Highway Planning and Construction Cluster				55,854 -
Highway Safety Cluster				
Passed Through the New Hampshire Department of Transportation				
	State and Community Highway Safety	20.600	315-18A-033	5,914 -
	State and Community Highway Safety	20.600	315-18A-005	1,150 -
	National Priority Safety Programs	20.616	308-18A-025	1,547 -
	National Priority Safety Programs	20.616	318-18A-017	<u>2,569</u> -
Total Highway Safety Cluster				<u>11,180</u> -
Total U.S. Department of Transportation				97,485 -
<u>Environmental Protection Agency</u>				
Drinking Water State Revolving Fund Cluster				
Passed Through the New Hampshire Department of Environmental Services				
	Capitalization Grants for Clean Water State Revolving Funds	66.458	CS-330130-15	<u>4,166,667</u> -
Total Drinking Water State Revolving Fund Cluster				<u>4,166,667</u> -
Total Environmental Protection Agency				4,166,667 -
<u>U.S. Department of Homeland Security</u>				
Passed Through the New Hampshire Department of Safety				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)				
		97.036	DR-4371, 63181	68,771 -
	Homeland Security Grant Program	97.067	DHS-18-GPD-067-00-01	<u>1,790</u> -
Total U.S. Department of Homeland Security				<u>70,561</u> -
Total Federal Expenditures				<u>\$ 4,411,606</u> <u>\$ 75,306</u>

The accompanying notes are an integral part of this schedule.



## TOWN OF EXETER, NEW HAMPSHIRE

### Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2018

#### ***Note 1. Basis of Presentation***

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Town under programs of the federal government for the year ended December 31, 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 Town, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town.

#### ***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 Town has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.
- For the year ended December 31, 2018, expenditures awarded from the Federal Emergency Management Agency (FEMA), must be presented on the schedule of expenditures of federal awards (SEFA) when: (1) FEMA has approved the Town's project worksheet (PW) and (2) the Town has incurred the eligible expenditures. The amount reported for the Disaster Grants – Public Assistance (Presidentially Declared Disasters), CFDA 97.036, represents expenditures incurred in prior years that were awarded by the Federal Emergency Management Agency (FEMA) during 2018. The Town recorded the eligible expenditures of \$68,771 on this year's SEFA.

**TOWN OF EXETER, NEW HAMPSHIRE**

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 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:

CFDA Number(s)

Name of Federal Program or Cluster

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**

<b><u>Finding #</u></b>	<b><u>Program</u></b>	<b><u>Finding/Noncompliance</u></b>	<b><u>Current Year Status</u></b>
2017-001	All Federal Programs	<u>Document Policies and Procedures Over Federal Awards</u>	Resolved