CITY OF KEENE, NEW HAMPSHIRE

INDEPENDENT AUDITORS' REPORTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS,* TITLE 2 U.S. CODE OF FEDERAL REGULATIONS (CFR), PART 200, *UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS* (UNIFORM GUIDANCE)

FOR THE YEAR ENDED JUNE 30, 2024

CITY OF KEENE, NEW HAMPSHIRE

CONTENTS

CBIZ CPAs P.C.

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Independent Auditors' 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

To the Honorable Mayor and City Council
City of Keene, New Hampshire

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Keene, New Hampshire's (the "City") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2024. The City's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the City complied, in all material respects, with the 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, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States *("Government Auditing Standards");* 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"). Our responsibilities under those standards and the Uniform Guidance are further described in the auditors' responsibilities for the audit of compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material, noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the auditors' responsibilities for the audit of compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2024-002 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated June 30, 2025, 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 Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

CBIZ CPAs P.C.

Merrimack, NH
February 13, 2026, except for our report on the Schedule of Expenditures of Federal Awards, for which the date is June 30, 2025.

CITY OF KEENE, NEW HAMPSHIRE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2024

Federal Agency Cluster Pass-through Agency Program Title	Federal Assistance Listing Number	Pass Through Identifying Number	Federal Expenditures	Passed Through to Subrecipient
U.S. Department of Housing and Urban Development				
Passed Through the New Hampshire Community Development Finance Authority				
Community Development Block Grants - Small Cities	14.228	23-038-CDHS	$ 14,096	$ --
Community Development Block Grants - Small Cities	14.228	21-038-CDPF-CV	5,299	--
Total U.S. Department of Housing and Urban Development			19,395	--
U.S. Department of Interior				
Passed Through the New Hampshire Department of Historical Resources				
Historic Preservation Fund Grants-In-Aid	15.904	03-035-035-354010-14450000-072-500575	12,375	--
Historic Preservation Fund Grants-In-Aid	15.904	CLG-P21AS00231-03	10,000	--
Historic Preservation Fund Grants-In-Aid	15.904	03-035-035-354010-14450000-072-500575	4,000	--
Passed Through the New Hampshire Department of Natural and Cultural Resources				
Outdoor Recreation Acquisition, Development & Planning	15.916	LWCF GR31	500,000	--
Total U.S. Department of Interior			526,375	--
U.S. Department of Justice				
Direct Federal Program				
Bulletproof Vest Partnership Program	16.607	N/A	900	--
Congressionally Recommended Awards	16.753	N/A	415,000	--
Passed Through Cheshire County				
Edward Byrne Memorial Justice Assistance Grant	16.738	O-BJA-2023-171790	4,942	--
Edward Byrne Memorial Justice Assistance Grant	16.738	15-PBJA-22-GG-02758-JAGX	1,499	--
Total U.S. Department of Justice			422,341	--
U.S. Department of Transportation				
Passed Through the New Hampshire Department of Transportation				
Highway Safety Cluster				
State & Community Highway Safety	20.600	69A37521300004020NH0, 69A37522300004020NH0, 69A37523300004020NH0, 69A3752230SUP4020NH0	8,546	--
Total Highway Safety Cluster			8,546	--
Airport Improvement Programs	20.106	SBG-08-25-2023	59,000	--
Airport Improvement Programs	20.106	SBG-08-24-2021	46,499	--
Airport Improvement Programs	20.106	SBG 08-28-2023	4,000	--
Highway Planning and Construction	20.205	STP-0111(007) - State 10309B	4,534,752	--
Highway Planning and Construction	20.205	X-A004(464) - State 40666	131,233	--
Highway Planning and Construction	20.205	X-A005(174), #46737	110,434	--
Highway Planning and Construction	20.205	A-A004(887) - State #42515	13,111	--
Bipartisan Infrasructure Investment	20.939	693JJ32440029	118,400	--
Total U.S. Department of Transportation			5,025,975	--
U.S. Department of the Treasury				
Direct Federal Program				
Equitable Sharing Program	21.016	N/A	6,851	--
Passed Through the New Hampshire Housing				
Homeowners Assistance Fund	21.026	Unknown	224,185	--
Passed Through the New Hampshire Governor's Office for Emergency Relief and Recovery				
COVID-19 - Coronavirus State and Local Fiscal Recovery Fund	21.027	Unknown	642,997	--
Passed Through New Hampshire Drinking Water Revolving Fund				
COVID-19 - Coronavirus State and Local Fiscal Recovery Fund	21.027	Unknown	85,647	--
Passed Through New Hampshire Office of Emergency Management and Homeland Security				
COVID-19 - Coronavirus State and Local Fiscal Recovery Fund	21.027	Unknown	31,750	--
Passed Through New Hampshire Environmental Services				
COVID-19 - Coronavirus State and Local Fiscal Recovery Fund	21.027	SLFRP0145; SPL-ARPA-035	9,092	--
Total U.S. Department of Treasury			1,000,522	--

See accompanying notes to this schedule.

CITY OF KEENE, NEW HAMPSHIRE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2024

Federal Agency Cluster Pass-through Agency Program Title	Federal Assistance Listing Number	Pass Through Identifying Number	Federal Expenditures	Passed Through to Subrecipient
Environmental Protection Agency				
Passed Through the New Hampshire Department of Environmental Services				
Congressionally Mandated Projects- Sewer Force Main Pipe Evaluation	66.202	CG-00A01358-1	$ 77,639	$ --
Passed Through the New Hampshire Department of Environmental Services				
Capitalization Grants for Drinking Water State Revolving Funds	66.468	SWP-357	18,410	--
Capitalization Grants for Drinking Water State Revolving Funds	66.468	4L99115L-22	14,200	--
Total Environmental Protection Agency			110,249	--
U.S. Department of Homeland Security				
Direct Federal Program				
Assistance to Firefighters Grant	97.044	N/A	150,750	--
Assistance to Firefighters Grant	97.044	N/A	135,597	--
Passed Through the New Hampshire Department of Safety Division of Fire Standards and Training				
Depatment of Safety FSTEMS - HLS Training Grants	97.044	02-23-23-231010-540900000-072; 072-500574	1,537	--
Passed Through the New Hampshire Department of Safety				
Homeland Security Grant Program	97.067	EMW-2021-SS-00049-S01	5,294	--
Passed Through the New Hampshire Office of Homeland Security & Emergency Management				
Homeland Security Grant Program	97.067	SHSP EMW-2023-SS-00048	107,451	--
Homeland Security Grant Program	97.067	EMW-2023-SS-00048- Equipment Grant	37,957	--
Homeland Security Grant Program	97.067	EMW-2022-SS-00036	31,304	--
Homeland Security Grant Program	97.067	Unknown	14,049	--
Homeland Security Grant Program	97.067	EMW-2021-SS-00049-S01	11,552	--
Homeland Security Grant Program	97.067	EMW-2022-SS-00036	2,743	--
Homeland Security Grant Program	97.067	SHSP-EMW-2021-SS-00049-S01	1,440	--
Total U.S. Department of Homeland Security			499,674	--
Total Federal Expenditures			$ 7,604,531	$ --

See accompanying notes to this schedule.

CITY OF KEENE, NEW HAMPSHIRE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2024

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the City of Keene, New Hampshire (the "City") under programs of the federal government for the year ended June 30, 2024. The information in the 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 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.

NOTE 3 – DE MINIMIS COST RATE

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, 2024

SECTION I — SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP:	*Unmodified*	
Internal control over financial reporting:		
Material weakness(es) identified?	____ Yes	✓ No
Significant deficiency(ies) identified?	✓ Yes	____ None reported
Non-compliance material to financial statements noted?	____ Yes	✓ No

FEDERAL AWARDS

Internal control over major federal programs:		
Material weakness(es) identified?	____ Yes	✓ No
Significant deficiency(ies) identified?	✓ Yes	____ None reported
Type of auditors' report issued on compliance for major federal 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:

NAME OF FEDERAL PROGRAM OR CLUSTER	*ASSISTANCE LISTING NUMBER(S)*
Highway Planning and Construction	20.205
Coronavirus State and Local Fiscal Recovery Funds (ARPA)	21.027

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

2024-001 Project Accounting and Reporting (Significant Deficiency)

Criteria
The accounting for capital projects requires project level accounting to facilitate financial transparency of each individual authorized project. Proper controls procedures require management to have the ability at any point and time to see the status of individual projects and remaining balances by type of funding sources.

Condition and Context
The total ending balances of individual capital projects are not fully reconciled to the fund balances reported in the general, water and sewer capital project funds.

Cause
It appears that the setup chosen for the MUNIS project accounting module is complicating the reporting of the projects. Specifically, the configuration is not adequately aligning revenues and expenditures of individual capital projects.

Effect or Potential Effect
While this issue is not expected to have an effect on the general ledger, individual project balances may not be accurately reported by funding source, affecting the reporting, oversight and monitoring of the individual project balances.

Recommendation
We recommend the City reevaluate the setup in the MUNIS project accounting module to assure that individual projects are properly tacked and reported to City Council, unspent bond proceeds are accurately determined for the calculation of net investment in capital assets for financial reporting, and life-to-date project income statements are accurately displaying the data.

Views of Responsible Official and Planned Corrective Action
Management’s views and Corrective Action Plan are included at the end of this report.

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

2024-002 Improve Controls Over Reporting (Significant Deficiency)

Federal Agency: U.S. Department of the Treasury
Program: Coronavirus State and Local Fiscal Recovery Funds (ARPA)
AL Number: 21.027
Award Year: 2024

Type of Finding
Internal Control over Compliance – Significant Deficiency

Criteria
Management of the City is responsible for establishing and maintaining effective internal control over compliance with federal requirements that have a direct and material effect on a federal program. 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.

Condition and Context
Reports required to be submitted to grantors were not independently reviewed by a person other than the preparer.

Cause
Weaknesses in the design of internal controls.

Effect or Potential Effect
There are no questioned costs as a result of this finding as there are no costs directly associated with the finding.

Recommendation
The City should implement formal policies and procedures regarding separation of duties and the requirement of a second individual being involved in the reporting process.

Views of Responsible Official and Planned Corrective Action
Management's views and Corrective Action Plan are included at the end of this report.

SECTION IV - SCHEDULE OF PRIOR YEAR FINDINGS

Finding #	Program	Finding/Noncompliance	Current Year Status
2023-001	Financial Statement Finding	Improve Internal Controls Over Payroll (Significant Deficiency)	Resolved

CITY OF KEENE
NEW HAMPSHIRE

To: CBIZ CPAs P.C.

From: Kari Chamberlain, Finance Director/Treasurer

Cc: Elizabeth Ferland, City Manager
Finance, Organization and Personnel Committee

Re: Corrective Action – FY24 Audited Financial Statements, City of Keene

Corrective Action Plan – Finding 2024-001

Statement of Concurrence or Nonconcurrence

We agree with the finding.

Planned Corrective Action: The implementation of the Munis software platform, specifically related to project and fund accounting, has resulted in a cumbersome accounting process. This process has made it increasingly difficult to provide real-time data, project-specific data for users.

At the recommendation of our independent auditors, we have reached out to Hannah York at CliftonLarsonAllen to engage with them for consultant services related to project accounting restructuring. Our conversation with Ms. York validated that, in her experience, Tyler/Munis software is often implemented without consideration for the needs of the organization for which it is intended. I am confident in this consultant firm's ability to assist us in restructuring this process in a manner which will provide us with the ability to provide accurate and timely information.

Name of Contact Person: Kari Chamberlain
Finance Director/Treasurer
Work phone: (603) 757-1877
Email: kchamberlain@keenenh.gov

Expected Completion Date: December 31, 2025

CITY OF KEENE
NEW HAMPSHIRE

February 11, 2026

To: **CBIZ CPAs, P.C.**

From: **Kari Chamberlain, Finance Director/Treasurer** KC

Cc: **Elizabeth Ferland, City Manager**
Finance, Organization and Personnel Committee

Re: **Corrective Action – FY24 Single Audit, City of Keene**

Corrective Action Plan – Finding 2024-002 Improve Controls Over Reporting

<u>Statement of Concurrence or Nonconcurrence</u>

We agree with the finding.

Planned Corrective Action: The City will implement a formal grant verification process and assign roles and responsibilities which designates a primary staff responsible for preparing and submitting grant expenditure reports, as well as a secondary reviewer to verify submission and completeness. The designated report reviewer will review each grant expenditure report for accuracy, completeness, and compliance with grant requirements. Upon completion of the review, the reviewer will provide written confirmation via email stating that the report has been reviewed, is free of material inaccuracies, and is approved for submission. The confirmation email will be retained as part of the official grant file and will serve as evidence of review and authorization.

Primary Responsibility: Senior Staff Accountant/Fund and Grants Manager

Secondary Review: Department Representative (Department Head, Assistant Department Head, Engineer)

Name of Contact Person: Kari Chamberlain, Finance Director/Treasurer
Work phone: (603) 757-1877
Email: kchamberlain@keenenh.gov

Anticipated Completion Date: March 31, 2026