

CITY OF BREWER, MAINE

**Reports Required by *Government Auditing
Standards* and OMB Circular A-133**

**For the Year Ended
June 30, 2013**

CITY OF BREWER, MAINE
Reports Required by *Government Auditing Standards*
and OMB Circular A-133
For the Year Ended June 30, 2013

<u>Report</u>	<u>Page</u>
Independent Auditor's 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>	1-2
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required By OMB Circular A-133	3-5
Schedule of Expenditures of Federal Awards	6-7
Notes to Schedule of Expenditures of Federal Awards	8
Schedule of Findings and Questioned Costs:	
Section I - Summary of Auditor's Results	9
Section II - Findings Required to be Reported Under <i>Government Auditing Standards</i>	10
Section III - Findings and Questioned Costs for Federal Awards	11
Section IV - Summary Schedule of Prior Year Audit Findings for Federal Awards	12

INDEPENDENT AUDITOR'S 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

City Council
City of Brewer, Maine

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Brewer, Maine, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Brewer, Maine's basic financial statements and have issued our report thereon dated December 17, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Brewer, Maine'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 of Brewer, Maine's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Brewer, Maine'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 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 over financial reporting that might be material weaknesses or significant deficiencies. Given those 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.

INDEPENDENT AUDITOR'S 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*, CONTINUED

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Brewer, Maine's financial statements are free of 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 that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City of Brewer, Maine in a separate letter dated December 17, 2013.

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.



December 17, 2013
South Portland, Maine

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

City Council
City of Brewer, Maine

Report on Compliance for Each Major Federal Program

We have audited the City of Brewer, Maine's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Brewer, Maine's major federal programs for the year ended June 30, 2013. The City of Brewer, Maine'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 City of Brewer, Maine'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 required 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 of Brewer, Maine'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 on the City of Brewer, Maine's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Brewer, Maine 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, 2013.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133, CONTINUED

Report on Internal Control Over Compliance

The management of the City of Brewer, Maine, 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, we considered the City of Brewer, Maine'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 our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 of Brewer, Maine'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 a 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 the 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 on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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 Brewer, Maine as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Brewer, Maine's basic financial statements. We issued our report thereon dated December 17, 2013, 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 the purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133, CONTINUED

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 scheduled of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Remya Hudson Ouellette

December 17, 2013
South Portland, Maine

CITY OF BREWER, MAINE
Schedule of Expenditures of Federal Awards
Year ended June 30, 2013

Federal Grantor/Pass-through Grantor/Program Title	ARRA Funds?	Federal CFDA number	Pass-through grantor number	Program or award amount	Balance at June 30, 2012	Revenue Recognized		Expenditures		Balance at June 30, 2013
						Federal	Other	Federal	Other	
U.S. Department of Education,										
Passed through Maine Department of Education:										
Title IA - Basic Disadvantaged Program		84.010	013-3107	\$ 297,249	54	315,365	-	315,419	32,264	(32,264)
Special Education Grants to States		84.027	013-3046	348,597	-	349,944	-	349,944	7,487	(7,487)
Part B Section 619 Preschool		84.173	013-6241	7,223	-	2,282	-	2,282	-	-
Title IIA - Improving Teacher Quality		84.367	013-3042	84,464	-	95,969	-	94,017	-	(48)
Total U.S. Department of Education					54	761,560	-	761,662	39,751	(39,799)
U.S. Department of Agriculture,										
Passed through Maine Department of Education:										
National School Lunch Program - Breakfast Program		10.553	013-3014	N/A	-	46,026	-	46,026	-	-
National School Lunch Program - Donated Commodities		10.555	N/A	N/A	-	34,198	-	34,198	-	-
National School Lunch Program - Subsidized Hot Lunch		10.555	013-3023	N/A	99,391	242,500	306,600	242,500	262,743	143,248
Passed through Rural Development:										
Water & Waste Grant Program (2007 sewer system improvements - loans)		10.760	N/A	2,624,000	(2,100)	4,685	-	2,585	-	-
Water & Waste Grant Program (Septage)	Yes	10.781	ME-92-22/22	865,000	-	103,019	-	103,019	-	-
Water & Waste Grant Program (WPCF Bulkhead)	Yes	10.781	ME-92-23/24	3,150,000	596	353,627	-	354,223	1,294	(1,294)
Water & Waste Grant Program (Tibbetts / Jefferson St CSO Projects)	Yes	10.781	ME-92-25/26	1,420,000	-	210,888	-	212,714	-	(1,726)
Total U.S. Department of Agriculture					97,887	995,043	306,600	995,265	264,037	140,228
U.S. Department of Housing and Urban Development:										
Direct program:										
EDI Special Projects Grant - Mersinger Bldg Acq and Demo (B-05-SP-ME-0114)		14.251	N/A	248,000	47,790	2,204	8,676	6,964	51,706	-
EDI Special Projects Grant - City Hall Rehab - Elevator (B-06-SP-ME0452)		14.251	N/A	321,750	(7,112)	265,596	-	258,484	-	-
Passed through Maine Office of Community Planning and Development:										
CDBG - Housing Rehab		14.228	N/A	250,000	(1,217)	-	7,840	-	-	6,623
CDBG - Housing Rehab		14.228	G504310	302,000	11,347	-	-	10,406	-	941
CDBG - Housing Rehab		14.228	N/A	300,000	(822)	143,798	500	143,649	-	(173)
Total U.S. Department of Housing and Urban Development					49,986	411,598	17,016	419,503	51,706	7,391

CITY OF BREWER, MAINE
Schedule of Expenditures of Federal Awards, Continued
Year ended June 30, 2013

Federal Grantor/Pass-through Grantor/Program Title	ARRA Funds?	Federal CFDA number	Pass-through grantor number	Program or award amount	Balance at June 30, 2012	Revenue Recognized		Expenditures		Balance at June 30, 2013
						Federal	Other	Federal	Other	
U.S. Department of Homeland Security: 2010 Assistance to Firefighters		97.044	N/A	\$ 26,900	-	657	35	657	35	-
U.S. Environmental Protection Agency: Direct program: Brownfield Revolving Loan Passed through Maine Department of Health and Human Services: Drinking Water (UV Upgrade to Ozone Plant) Passed through Maine Department of Environmental Protection: Clean Water (Street Sweeper, plus energy audit)		66.818 66.468 66.458	N/A N/A N/A	1,300,000 1,100,000 203,752	199,714 -	- -	55,000 -	35,702 43,032 950	- -	219,012 (43,032) -
Total U.S. Environmental Protection Agency					180,664	20,000	55,000	79,684	-	175,980
U.S. Department of Justice - Bureau of Justice Assistance: Bulletproof Vest Partnership Program 2009 Bulletproof Vest Partnership Program 2010 Edward Byrne Memorial Justice Assistance Grant - FY10 Edward Byrne Memorial Justice Assistance Grant - FY11 Edward Byrne Memorial Justice Assistance Grant - FY13 Equitable Sharing Program Drug Enforcement Agency		16.607 16.607 16.738 16.738 16.738 16.922 16.004	N/A N/A PEN-01-09 N/A N/A N/A N/A	1,591 1,408 3,299 3,390 2,958 N/A 17,202	(675) (589) 7 3,390 -	- -	- -	- - 3,390 1,715 72,243 19,786	- -	(675) (589) 7 - 1,243 90,561 59
Total U.S. Department of Justice - Bureau of Justice Assistance					99,948	87,792	-	97,134	-	90,606
U.S. Department of Treasury: Equitable Sharing Program		21.xxx	N/A	N/A	67,988	-	-	29,290	-	38,698
U.S. Department of Energy: Passed through the Maine Public Utilities Commission: Federal Energy Efficiency Conservation Block Grant	Yes	81.128	N/A	78,968	(5,808)	-	-	-	-	(5,808)
Totals				\$ 490,719	2,276,650	378,651	2,383,195	355,529	407,296	407,296

See accompanying notes to schedule of expenditures of federal awards.

CITY OF BREWER, MAINE
Notes to Schedule of Expenditures of Federal Awards
June 30, 2013

PURPOSE OF THE SCHEDULE

Office of Management and Budget (OMB) Circular A-133 requires a Schedule of Expenditures of Federal Awards showing total expenditures for each federal award program as identified in the Catalog of Federal Domestic Assistance (CFDA).

SIGNIFICANT ACCOUNTING POLICIES

- A. Reporting Entity - The accompanying schedule includes all federal award programs of the City of Brewer, Maine for the fiscal year ended June 30, 2013. The reporting entity is defined in Notes to Basic Financial Statements of the City of Brewer, Maine.

- B. Basis of Presentation - The information in the accompanying Schedule of Expenditures of Federal Awards is presented in accordance with OMB Circular A-133.
 - 1. Pursuant to OMB Circular A-133, federal awards are defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, or direct appropriations.

 - 2. Major Programs - OMB Circular A-133 establishes the levels of expenditures or expenses to be used in defining major federal financial award programs. Major programs for the City of Brewer, Maine have been identified in the attached Schedule of Findings and Questioned Costs - Summary of Auditor's Results.

- C. Basis of Accounting - The information presented in the Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting, which is consistent with the reporting in the City's fund financial statements.

CITY OF BREWER, MAINE
Schedule of Findings and Questioned Costs
June 30, 2013

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:
 Material weaknesses identified? No
 Significant deficiencies identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal Control over major programs:
 Material weaknesses identified? No
 Significant deficiencies identified? None reported

Type of auditor's report issued on compliance
 for major programs: Unmodified

Any audit findings disclosed that are required
 to be reported in accordance with
 Circular A-133, Section .510(a)? No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	School Lunch Cluster
10.760, 10.781	Water & Waste Grant
84.010	Title IA - Basic Disadvantaged Program

Dollar threshold used to distinguish
 between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? No

CITY OF BREWER, MAINE
Schedule of Findings and Questioned Costs, Continued

Section II - Findings Required to be Reported Under *Government Auditing Standards*

None

CITY OF BREWER, MAINE
Schedule of Findings and Questioned Costs, Continued

Section III - Findings and Questioned Costs for Federal Awards

None

CITY OF BREWER, MAINE
Schedule of Findings and Questioned Costs, Continued

Section IV - Summary Schedule of Prior Year Audit Findings for Federal Awards

#2012-1 U.S. Small Business Administration, for the Period July 1, 2011 through June 30, 2012, CFDA #59.059 Congressional Earmark

Statement of Condition: The City did not verify that all the entities with which they were contracting were not suspended or debarred.

Criteria: If a contract is expected to equal or exceed \$25,000, the City must verify that the entities with which they are contracting are not suspended or debarred. This verification process may be accomplished by checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the entity's contract.

Effect: The City may have contracted with parties that are suspended or debarred.

Cause: The City verified its primary contractor as not being suspended or debarred, but through what appears to be an oversight, failed to verify all required contractors paid more than \$25,000 with the Congressional Earmark grant.

Recommendation: Verify that all of the required entities with which the City is contracting are not suspended or debarred.

Questioned Costs: None

Status: *The Congressional Earmark grant was completed in fiscal year 2012.*