

CITY OF BREWER, MAINE

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

For the Year Ended June 30, 2009

CITY OF BREWER, MAINE
Reports Required by *Government Auditing Standards*
and OMB Circular A-133
For the Year Ended June 30, 2009

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Certified Public Accountants and Business Consultants

**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 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, 2009, which collectively comprise the City of Brewer, Maine's basic financial statements and have issued our report thereon dated February 3, 2010. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Brewer, Maine's internal control over financial reporting as a basis for designing our audit procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Brewer, Maine's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Brewer's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Brewer's financial statements that is more than inconsequential will not be prevented or detected by the City of Brewer's internal control.

A *material weakness* is a significant deficiency, or a combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Brewer, Maine's internal control.

**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**

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 February 3, 2010.

This report is intended solely for the information of the City Council, management, others within the City and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



February 3, 2010
South Portland, Maine



Certified Public Accountants and Business Consultants

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

City Council
City of Brewer, Maine

Compliance

We have audited the compliance of the City of Brewer, Maine with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Brewer, Maine's management. Our responsibility is to express an opinion on the City of Brewer, Maine's compliance based on our audit.

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 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 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. Our audit does not provide a legal determination of the City of Brewer, Maine's compliance with those requirements.

In our opinion, the City of Brewer, Maine complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control over Compliance

The management of the City of Brewer, Maine is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Brewer, Maine's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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's internal control over compliance.

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133, CONTINUED**

A *control deficiency* in a City's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City of Brewer, Maine's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City of Brewer, Maine's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, 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, 2009, and have issued our report thereon dated February 3, 2010. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Brewer, Maine's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information of the City Council, management, others within the City, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



February 3, 2010
South Portland, Maine

CITY OF BREWER, MAINE
Schedule of Expenditures of Federal Awards
Year ended June 30, 2009

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA number	Pass-through grantor number	Program or award amount	Balance at June 30, 2008	Revenue			Expenditures			Balance at June 30, 2009			
					Recognized			Federal				Other		
					Federal	Other	Total	Federal	Other	Total		Federal	Other	Total
U.S. Department of Education:														
Passed through Maine Department of Education:														
Title V - Innovative	84.298	1072	\$ -	2,503	-	-	-	2,503	-	-	-			
Title IA	84.010	6334	265,639	7,245	265,639	-	-	272,884	-	-	550			
Capacity Building	84.027	6327	-	550	-	-	-	-	-	-	(6,289)			
Local Entitlement	84.027	6317	334,427	(8,041)	334,427	-	-	332,675	-	-	1,744			
Preschool	84.173	6241	6,305	1,055	6,305	-	-	5,616	-	-	121			
Title IID - Technology	84.318	1086	3,333	(116)	3,333	-	-	3,096	-	-	2,173			
Title IIA - Improving Teacher Quality	84.367	1138	97,456	25,150	97,456	-	-	120,433	-	-	-			
ARRA - State Fiscal Stabilization Fund	84.394	2077	162,648	-	162,648	-	-	162,648	-	-	-			
Passed through Maine Office of Substance Abuse:														
Title IV - Drug Free Schools	84.186	N/A	7,229	4,840	7,229	-	-	8,015	-	-	4,054			
Total U.S. Department of Education				33,186	877,037	-	-	907,870	-	-	2,553			
U.S. Department of Agriculture, passed through														
Maine Department of Education:														
National School Lunch Program - Donated Commodities	10.550	6134	N/A	-	24,434	-	-	24,434	-	-	-			
National School Lunch Program - Breakfast Program	10.553	7127	N/A	-	26,280	-	-	26,280	-	-	-			
National School Lunch Program - Subsidized Hot Lunch	10.555	7128	N/A	(30,474)	181,295	405,913	-	181,295	390,880	-	(15,441)			
Passed through Maine Department of Conservation:														
Cooperative Forest Assistance Program ('08 Volunteer Grant)	10.664	N/A	656	(1,441)	656	785	-	-	-	-	-			
Cooperative Forest Assistance Program ('09 Volunteer Grant)	10.664	N/A	1,654	-	1,278	1,278	-	1,278	1,278	-	-			
Passed through Rural Development:														
Water & Waste Grant Program (Standpipe - loan and grant)	10.760	N/A	1,755,600	24,750	1,118	-	-	1,126	-	-	24,742			
Water & Waste Grant Program (Sewer system Improvements - loans)	10.760	N/A	2,624,000	(1,500,158)	1,948,029	-	-	447,871	-	-	(32,119)			
Water & Waste Grant Program (Septage)	10.781	ME-92-22	865,000	-	-	-	-	32,119	-	-	(46,756)			
Water & Waste Grant Program (WPCF Bulkhead)	10.781	N/A	3,150,000	-	-	-	-	46,756	-	-	-			
Direct:														
Community Facility Loan	10.766	N/A	6,500,000	2,752,384	-	74,982	-	2,643,896	163,470	-	-			
Total U.S. Department of Agriculture				1,225,061	2,183,090	482,958	-	3,405,055	555,628	-	(69,574)			
U.S. Department of Housing and Urban Development:														
Direct program:														
HUD Shore stabilization	14.251	N/A	750,000	177,323	541,429	-	-	481,357	237,395	-	-			
HUD Shore stabilization	14.251	N/A	233,538	-	-	-	-	50,198	-	-	(50,198)			
Passed through Maine Office of Community Planning and Development:														
CDBG - Housing Rehab	14.228	N/A	250,000	-	124,957	30,272	-	186,673	-	-	(31,444)			
CDBG - Housing Rehab	14.228	G504310	302,000	11,347	-	-	-	-	-	-	11,347			
CDBG - Shurtleiff Road Project	14.228	G505005	400,000	15,340	-	-	-	-	6,992	-	8,348			
Total U.S. Department of Housing and Urban Development				204,010	666,386	30,272	-	718,228	244,387	-	(61,947)			
U.S. Environmental Protection Agency:														
Direct program:														
Brownfield Revolving Loan	66.818	N/A	1,000,000	13,330	537,045	41,250	-	552,018	-	-	39,607			
Passed through Maine Department of Health and Human Services:														
Drinking Water (Interconnect/Intake)	66.468	N/A	793,000	(4,314)	-	-	-	65,616	-	-	(69,930)			
Passed through Maine Department of Environmental Protection:														
Clean Water (2004)	66.458	N/A	1,000,000	-	-	-	-	52,386	-	-	(52,386)			
Clean Water (Jefferson Street)	66.458	N/A	750,877	-	-	-	-	39,798	-	-	(39,798)			
Total U.S. Environmental Protection Agency				9,016	537,045	41,250	-	709,818	-	-	(122,507)			

CITY OF BREWER, MAINE
Schedule of Expenditures of Federal Awards, Continued
Year ended June 30, 2009

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA number	Pass-through grantor number	Program or award amount	Balance at June 30, 2008	Revenue Recognized		Expenditures		Balance at June 30, 2009	
					Federal	Other	Federal	Other		
U.S. Department of Justice - Bureau of Justice Assistance:										
Direct program:										
Bulletproof Vest Partnership	16.607	N/A	\$ 1,688	-	1,688	1,688	1,688	1,688	1,688	
Total U.S. Department of Justice - Bureau of Justice Assistance										
U.S. Department of Transportation, passed through										
Maine Department of Public Safety:										
2008 OUI Grant	20.600	N/A	3,109	-	2,741	-	2,741	-	-	
2009 OUI Grant	20.600	ALC09-059	4,760	-	1,048	-	1,048	-	-	
Passed through the Maine Department of Transportation:										
Route 15 Earmark (So Main St - Cianbro)	20.205	N/A	-	-	73,506	-	73,506	86,984	(13,478)	
Route 15 Earmark (Engineering Study STP-1487)	20.205	Pin 14871.00	-	(24,216)	-	-	-	-	(24,216)	
Total U.S. Department of Transportation										
				(24,216)	3,789	73,506	3,789	86,984	(37,694)	
U.S. Department of Homeland Security:										
Direct program:										
Assistance to Firefighters Grants	97.044	N/A	122,075	-	29,569	68,000	122,075	48,347	(72,853)	
Total U.S. Department of Homeland Security										
				-	29,569	68,000	122,075	48,347	(72,853)	
Totals					\$ 1,447,057	4,298,604	697,674	5,868,523	937,034	(362,222)

See accompanying notes to schedule of expenditures of federal awards.

CITY OF BREWER, MAINE
Notes to Schedule of Expenditures of Federal Awards
June 30, 2009

PURPOSE OF THE SCHEDULE

Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-profit Organizations, 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, 2009. The reporting entity is defined in the 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 level of expenditures or expenses to be used in defining major federal award programs. Major programs for the City of Brewer, Maine are identified in the summary of auditor's results in the Schedule of Findings and Questioned Costs.
- 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
Year ended June 30, 2009

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? no

Significant deficiencies identified
not considered to be material weaknesses? no

Noncompliance material to financial statements noted? no

Federal Awards

Internal Control over major programs:

Material weaknesses identified? no

Significant deficiencies identified
not considered to be material weaknesses? no

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

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>
14.251	HUD Shore Stabilization
66.818	Brownfield Revolving Loan
10.766	Community Facility Loan

84.027/84.173 - Local Entitlement Cluster tested in 2007

10.760 - Water and Waste Disposal Systems for Rural Communities tested in 2008

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 - Status of Prior Year Findings and Questioned Costs

#2008-1 – U.S. Environmental Protection Agency, for the period July 1, 2007 through June 30, 2008, CFDA #66.818, Brownfield Revolving Loan

Statement of Condition:

We reviewed the reports and noted that there was one instance in which a required quarterly progress report had not been filed (quarter ended December 31, 2007).

Criteria:

The U.S. Environmental Protection Agency requires that quarterly progress be filed within 30 days of the end of the quarter.

Effect:

The U.S. Environmental Protection Agency may not be able to correctly monitor the status of the program.

Cause:

We reviewed the reports filed by the Authority for the year ended June 30, 2008 and noted that the report for the quarter ended December 31, 2007 does not appear to have been filed.

Questioned Costs:

None

Status:

The City's Economic Development Department has been overseeing this revolving loan program and completing the required reports with oversight from the Finance Department. All quarterly reports were filled in a timely manner during 2009.