

CITY OF BREWER, MAINE

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

For the Year Ended June 30, 2010

CITY OF BREWER, MAINE
Reports Required by *Government Auditing Standards*
and OMB Circular A-133
For the Year Ended June 30, 2010

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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, 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, 2010, which collectively comprise the City of Brewer, Maine's basic financial statements and have issued our report thereon dated December 23, 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 auditing 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 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 City's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 deficiencies, 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.

**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 or other matters 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 23, 2010.

This report is intended solely for the information and use of the City Council, management, others within the entity, 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.



December 23, 2010
South Portland, Maine



Certified Public Accountants and Business Consultants

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND 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, 2010. 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 on 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, 2010.

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 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.

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

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 a 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be 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, 2010, and have issued our report thereon dated December 23, 2010, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of the City Council, management, others within the entity, 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.



December 23, 2010
South Portland, Maine

CITY OF BREWER, MAINE
Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

Federal Grantor/Pass-through Grantor/Program Title	ARRA Funds?	Federal CFDA number	Pass-through grantor number	Program or award amount	Balance at June 30, 2009	Revenue		Expenditures		Balance at June 30, 2010	
						Recognized		Federal			Other
						Federal	Other	Federal	Other		
U.S. Department of Education:											
Passed through Maine Department of Education:											
Title IA - Basic Disadvantaged Program				299,905	-	299,905	-	295,687	-	4,218	
Capacity Building		84.010	013-3057	-	550	-	-	-	-	550	
Special Education Grants to States		84.027	013-6327	357,006	(6,289)	357,006	-	315,787	-	34,930	
Part B Section 619 Preschool		84.173	013-6241	6,692	1,744	6,692	-	5,876	-	2,560	
Title IID - Education Technology		84.318	013-3003	3,586	121	3,586	-	3,707	-	-	
Title IIA - Improving Teacher Quality		84.367	013-3042	99,401	2,173	99,401	-	101,060	-	514	
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants	Yes	84.394	020-2077	266,022	-	266,022	-	257,535	-	8,487	
ARRA - Title 1A Basic Disadvantaged Program	Yes	84.389	020-3057	195,388	-	195,406	-	143,631	-	51,775	
ARRA - Special Education Grants to States	Yes	84.391	020-3046	189,825	-	189,825	-	135,313	-	54,512	
ARRA - Part B Section 619 Preschool	Yes	84.392	020-6241	4,354	-	4,354	-	4,466	-	(112)	
ARRA - Title IID Education Technology	Yes	84.386	020-3003	8,813	-	8,813	-	8,813	-	-	
Passed through Maine Office of Substance Abuse:											
Title IVA - Safe and Drug Free Schools		84.186	N/A	7,100	4,054	7,100	-	11,154	-	-	
Total U.S. Department of Education					2,353	1,438,110	-	1,283,029	-	157,434	
U.S. Department of Agriculture, passed through											
Maine Department of Education:											
National School Lunch Program - Breakfast Program		10.553	013-7127	N/A	-	34,735	-	34,735	-	-	
National School Lunch Program - Donated Commodities		10.555	013-6134	N/A	-	27,604	-	27,604	-	-	
National School Lunch Program - Subsidized Hot Lunch		10.555	013-7128	N/A	(15,441)	210,065	397,353	210,065	336,249	45,663	
Passed through Rural Development:											
Water & Waste Grant Program (Sewer system improvements - loans)		10.760	N/A	2,624,000	-	15,587	-	15,587	-	-	
Water & Waste Grant Program (Septage)	Yes	10.781	ME-92-22/22	865,000	(32,119)	-	-	27,380	-	(59,499)	
Water & Waste Grant Program (WPCF Bulkhead)	Yes	10.781	ME-92-23/24	3,150,000	(46,756)	-	-	148,247	-	(195,003)	
Water & Waste Grant Program (Tibbetts / Jefferson St. CSO Projects)	Yes	10.781	ME-92-25/26	1,420,000	-	-	-	5,588	-	(5,588)	
Total U.S. Department of Agriculture					(94,316)	287,991	397,353	469,206	336,249	(214,427)	
U.S. Department of Housing and Urban Development:											
Direct program:											
EDI Special Projects Grant - Shore stabilization (B-03-SP-ME-0343)		14.251	N/A	223,538	(50,198)	223,538	-	173,340	-	-	
EDI Special Projects Grant - Shore stabilization (B-04-SP-ME-0311)		14.251	N/A	248,525	-	-	-	64,156	-	(64,156)	
EDI Special Projects Grant - Maringer Bldg Acq and Demo (B-05-SP-ME-0114)		14.251	N/A	248,000	-	124,907	-	124,907	6,970	(6,970)	
EDI Special Projects Grant - EFP Mill Redev - Admin Bldg Elevator (B-08-SP-ME-0512)		14.251	N/A	257,250	-	-	-	577	-	(577)	
EDI Special Projects Grant - City Hall Rehab - Elevator (B-06-SP-ME0452)		14.251	N/A	321,750	-	-	-	7,112	-	(7,112)	
Passed through Maine Office of Community Planning and Development:											
CDBG - Housing Rehab		14.228	N/A	250,000	(31,444)	125,043	10,887	63,327	47,286	(6,127)	
CDBG - Housing Rehab		14.228	G504310	302,000	11,347	-	-	-	-	11,347	
CDBG - Shurtleff Road Project		14.228	G305005	400,000	8,348	-	-	-	-	8,348	
Total U.S. Department of Housing and Urban Development					(61,947)	473,488	10,887	433,419	62,604	(73,595)	

CITY OF BREWER, MAINE
Schedule of Expenditures of Federal Awards, Continued
Year ended June 30, 2010

Federal Grantor/Pass-through Grantor/Program Title	ARRA Funds?	Federal CFDA number	Pass-through grantor number	Program or award amount	Balance at June 30, 2009	Revenue		Expenditures		Balance at June 30, 2010
						Federal	Other	Federal	Other	
						Recognized		Federal	Other	
U.S. Environmental Protection Agency:										
Direct program:										
Brownfield Revolving Loan		66.818	N/A	1,000,000	39,607	-	55,000	3,163	-	91,444
Passed through Maine Department of Health and Human Services:										
Drinking Water (Interconnect and intake WA projects)	Yes	66.468	N/A	793,000	(69,930)	793,000	-	727,384	89,282	(93,596)
Drinking Water (Watershed Protection Mity Pnd Ease)	Yes	66.468	N/A	795,000	-	709,867	-	723,284	-	(13,417)
Passed through Maine Department of Environmental Protection:										
Clean Water (Jefferson Street CSO)	Yes	66.458	N/A	750,877	(39,798)	740,944	-	701,146	-	-
Total U.S. Environmental Protection Agency										
					(70,121)	2,243,811	55,000	2,154,977	89,282	(15,569)
U.S. Department of Justice - Bureau of Justice Assistance:										
Direct program:										
Bulletproof Vest Partnership		16.607	N/A	\$ 1,591	-	1,013	1,013	1,350	1,350	(674)
Edward Byrne Memorial Justice Assistance Grant - FY09	Yes	16.808	N/A	14,360	-	14,073	2,360	14,073	2,360	-
Edward Byrne Memorial Justice Assistance Grant - FY10		16.738	N/A	3,299	-	3,299	-	3,292	-	7
COPS Security Grant		16.710	N/A	20,483	-	20,483	20,484	20,483	20,484	-
Total U.S. Department of Justice - Bureau of Justice Assistance										
					-	38,868	23,857	39,198	24,194	(667)
U.S. Department of Transportation, passed through Maine Department of Public Safety:										
2009 OUI Grant										
		20.600	ALC09-059	4,760	-	2,966	-	2,966	-	-
Passed through the Maine Department of Transportation:										
Route 15 Earmark (So Main St - Cianbro)		20.205	N/A	-	(13,478)	-	13,111	-	-	(367)
Route 15 Earmark (Engineering Study STP-1487)		20.205	Pin 14871.00	-	(24,216)	21,795	2,421	-	-	-
Total U.S. Department of Transportation										
					(37,694)	24,761	15,532	2,966	-	(367)
U.S. Department of Homeland Security:										
Direct program:										
Assistance to Firefighters Grants		97.044	N/A	122,075	(72,853)	92,506	-	-	19,653	-
Total U.S. Department of Homeland Security										
					(72,853)	92,506	-	-	19,653	-
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	-	-	-	69,988	-	(69,988)
Total U.S. Department of Energy										
					-	-	-	69,988	-	(69,988)
Totals										
					\$ (334,578)	4,599,535	502,629	4,452,783	531,982	(217,179)

See accompanying notes to schedule of expenditures of federal awards.

CITY OF BREWER, MAINE
Notes to Schedule of Expenditures of Federal Awards
June 30, 2010

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, 2010. 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 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 of Brewer, Maine's fund financial statements.

CITY OF BREWER, MAINE
Schedule of Findings and Questioned Costs
June 30, 2010

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?	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:	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>
84.027, 84.173, 84.391, 84.392	Special Education Cluster
84.010, 84.389	Title 1A, ARRA - Title 1A
66.458	Capitalization Grants for Clean Water State Revolving Funds
66.468	Capitalization Grants for Drinking Water State Revolving Funds
10.781	Water and Waste Disposal Systems for Rural Communities

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

NONE