

TOWN OF BRUNSWICK, MAINE

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

For the Year Ended June 30, 2012

TOWN OF BRUNSWICK, MAINE
Reports Required by *Government Auditing Standards*
and OMB Circular A-133
For the year ended June 30, 2012

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**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**

Audit Committee
Town of Brunswick, Maine

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Brunswick, Maine as of and for the year ended June 30, 2012, which collectively comprise the Town of Brunswick, Maine's basic financial statements and have issued our report thereon dated December 1, 2012. 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

Management of the Town of Brunswick, Maine is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town of Brunswick, 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 Town of Brunswick, Maine's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Brunswick, 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 financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of the 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 the 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 Town of Brunswick, 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 Town of Brunswick, Maine in a separate letter dated December 1, 2012.

This report is intended for the information and use of the Audit Committee, Town Council, School Board, 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 1, 2012
South Portland, Maine

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Audit Committee
Town of Brunswick, Maine

Compliance

We have audited the Town of Brunswick, 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 Town of Brunswick, Maine's major federal programs for the year ended June 30, 2012. The Town of Brunswick, 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 Town of Brunswick, Maine's management. Our responsibility is to express an opinion on the Town of Brunswick, 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 Town of Brunswick, 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 Town of Brunswick's compliance with those requirements.

As described in item #2012-1 in the accompanying schedule of findings and questioned costs, the Town of Brunswick, Maine, did not comply with requirements regarding verifications and reporting that are applicable to its Child Nutrition Cluster. Compliance with such requirements is necessary, in our opinion, for the Town of Brunswick, Maine, to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, Town of Brunswick, Maine complied, in all material respects, with the requirements referred to above that that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133, CONTINUED**

Internal Control Over Compliance

Management of the Town of Brunswick, 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 Town of Brunswick, Maine's internal control over compliance with the 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 Town of Brunswick, 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 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 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 the 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.

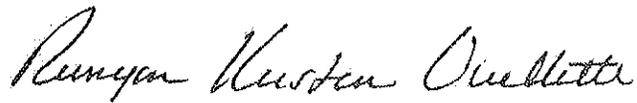
Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Brunswick, Maine, as of and for the year ended June 30, 2012, and have issued our report thereon dated December 1, 2012, 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133, CONTINUED

The Town of Brunswick, Maine's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Town of Brunswick, Maine's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of the Audit Committee, Town Council, School Board, 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.

A handwritten signature in cursive script, reading "Raymond Weston Ouellette".

December 1, 2012
South Portland, Maine

TOWN OF BRUNSWICK, MAINE
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2012

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA number	ARRA Funds	Pass- through number	Program or award amount	Balance at June 30, 2011	Revenue Recognized		Expenditures		Balance at June 30, 2012
						Federal	Other	Federal	Other	
U.S. Department of Education,										
Direct Program:										
School Assistance in Federally-affected Areas	84.041		N/A	\$ 212,698	-	212,698	-	212,698	-	-
Passed through the Maine Department of Education:										
Title 1-A	84.010		013-3107-13	522,657	-	510,998	-	510,998	-	-
Title IIA - Teacher Quality	84.367		013-3042-11	152,210	-	152,210	-	152,210	-	-
Special Education State Grants	84.027		013-3046-12	615,034	-	615,034	-	615,034	-	-
Preschool 619	84.173		013-6241-23	16,261	-	16,261	-	16,261	-	-
Education Jobs Fund	84.410	Y	013-3099-10	703,547	-	703,547	-	703,547	-	-
Total U.S. Department of Education					-	2,210,748	-	2,210,748	-	-
U.S. Department of Agriculture,										
Passed through the Maine Forest Service:										
Forest Health Protection - Project Canopy	10.680		11-DG-098	15,000	-	-	-	12,960	-	(12,960)
Passed through the Maine Department of Education:										
National School Lunch Program - Subsidized Hot Lunch	10.555		013-3024-05	N/A	19,716	283,292	572,203	283,292	520,434	71,485
Breakfast Program	10.553		013-3014-05	N/A	-	70,713	-	70,713	-	-
Food Distribution/Food Donation Program	10.555		013-6134-05	N/A	-	43,974	-	43,974	-	-
Total U.S. Department of Agriculture					19,716	397,979	572,203	410,939	520,434	58,525
U.S. Department of Homeland Security,										
Direct Program:										
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083		N/A	108,380	-	24,921	-	24,921	-	-
Passed through the Maine Emergency Management Agency:										
Emergency Management Performance Grant	97.042		2009-EP-E9-0046	30,000	-	15,640	-	15,640	-	-
Homeland Security Grant Program - 2008	97.067		2008-GS-T8-0037	14,180	-	852	-	852	-	-
Total U.S. Department of Homeland Security					-	41,413	-	41,413	-	-
U.S. Department of Defense,										
Passed through the Midcoast Regional Redevelopment Authority:										
Adjustment Assistance for Closure of a Military Installation										
Brunswick Naval Air Station Housing Appraisal	12.607		N/A	77,000	-	77,000	-	77,000	-	-
Adjustment Assistance for Closure of a Military Installation										
Special Projects Coordinator	12.607		N/A	50,000	-	49,992	-	49,992	-	-
Total U.S. Department of Defense					-	126,992	-	126,992	-	-
Page sub-total					\$ 19,716	2,777,132	572,203	2,790,092	520,434	58,525

TOWN OF BRUNSWICK, MAINE
Schedule of Expenditures of Federal Awards, continued
For the year ended June 30, 2012

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA number	ARRA Funds	Pass- through number	Program or award amount	Balance at June 30, 2011	Revenue Recognized		Expenditures		Balance at June 30, 2012
						Federal	Other	Federal	Other	
U.S. Department of Housing and Urban Development, Passed through the Maine Department of Economic and Community Development:										
CDBG - Development Fund - Kestrel Aircraft Company	14.228		2011-0929-1716	\$ 300,000	-	300,000	-	300,000	-	-
CDBG - Business Assistance - Integrated Marine Systems	14.228		2012-0618-5933	200,000	-	115,000	-	115,000	-	-
Total U.S. Department of Housing and Urban Development					-	415,000	-	415,000	-	-
U.S. Department of Justice, Direct Program:										
Bulletproof Vests Grant	16.607		N/A	9,035	315	2,348	-	2,663	-	-
Edward Byrne Justice Assistance Grant	16.738		N/A	10,007	-	9,511	-	9,946	-	(435)
Equitable Sharing Program (Forfeited Assets)	16.922		N/A	N/A	7,587	4,191	-	-	-	11,778
Passed through Maine Office of Substance Abuse:										
Underage Drinking	16.727		N/A	3,000	-	2,300	-	2,300	-	-
Total U.S. Department of Justice					7,902	18,350	-	14,909	-	11,343
U.S. Department of Transportation, Passed through the Maine Bureau of Highway Safety:										
OUI Emphasis	20.600		N/A	4,648	-	4,227	-	4,227	-	-
Speed Enforcement Program	20.600		N/A	5,805	-	5,719	-	5,805	-	(86)
Seatbelt Enforcement Grant	20.600		N/A	1,960	-	892	-	892	-	-
Total U.S. Department of Transportation					-	10,838	-	10,924	-	(86)
Page sub-total					7,902	444,188	-	440,833	-	11,257
Total					\$ 27,618	3,221,320	572,203	3,230,925	520,434	69,782

See accompanying notes to schedule of expenditures of federal awards.

TOWN OF BRUNSWICK, MAINE
Notes to Schedule of Expenditures of Federal Awards
June 30, 2012

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 Town of Brunswick, Maine for the fiscal year ended June 30, 2012. The reporting entity is defined in notes to basic financial statements of the Town of Brunswick, 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 Town of Brunswick, 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 Town's fund financial statements.

TOWN OF BRUNSWICK, MAINE
 Schedule of Findings and Questioned Costs
 For the year ended June 30, 2012

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:	Qualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	Yes

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.027, 84.173</u>	<u>Special Education Cluster</u>
<u>84.410</u>	<u>ARRA – Education Jobs Fund</u>
<u>10.553, 10.555</u>	<u>Child Nutrition Cluster</u>
<u>14.228</u>	<u>Community Development Block Grant</u>

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

TOWN OF BRUNSWICK, MAINE
Schedule of Findings and Questioned Costs, Continued

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

NONE

TOWN OF BRUNSWICK, MAINE
Schedule of Findings and Questioned Costs, Continued

Section III - Findings and Questioned Costs for Federal Awards

#2012-1 U.S. Department of Agriculture, for the Period July 1, 2011 through June 30, 2012, CFDA #10.553, #10.555 Child Nutrition Cluster

Statement of Condition: In our review of the verifications testing done by the School Department personnel we found one student whose status was changed to Direct Certified. However, there was no documentation available to support the student's new status. Additionally, the verification results reported could not be reconciled to the Nutrikids Food Service Management database.

Criteria: Income guidelines are used to determine eligibility for free or reduced lunch. Applications are submitted and determinations are made based on those guidelines. Additionally, a student may also receive free lunch if identified on a State of Maine Direct Certified list. As part of the verifications process the School Department is required to get additional documentation from families who submitted applications. The additional documentation is intended to confirm that the information on the initial application is accurate. Any inaccuracies should be investigated and the students free and reduced lunch eligibility should be adjusted accordingly. Any changes should be reported to the State of Maine (acting as pass-through agent) to ensure federal aid is appropriate and reasonable.

Effect: The School Lunch Program may not receive the correct subsidy reimbursements if eligibility determinations and reports are incorrect.

Cause: The eligibility of the student was changed without retaining the proper documentation to support such a change. Additionally, manual calculation errors contributed to inaccurate reporting submitted to the State of Maine.

Recommendation: All changes made as a result of the verification process should be adequately documented and the documentation should be retained according to the School Department's record retention policy (we suggest a minimum of five years). Additionally, all reports submitted to federal or pass-through agents should be reviewed and reconciled to source documentation by an individual other than the initial preparer to ensure data accuracy.

Questioned Costs: None

Management's Response: *In the future, a copy of all backup documentation, including the direct certification list, if applicable, will be retained with the applications. The food services director will also review and verify all applications prior to submission.*

Person responsible for corrective action:

Jim Oikle, School Business Manager, 207-319-1900

Anticipated completion date for corrective action:

Corrective action for this finding will begin immediately.

TOWN OF BRUNSWICK, MAINE
Schedule of Findings and Questioned Costs, Continued

Section IV - Status of Prior Year Findings and Questioned Costs for Federal Awards

#2011-1 U.S. Department of Agriculture, for the Period July 1, 2010 through June 30, 2011, CFDA #10.553, #10.555 Child Nutrition Cluster

Statement of Condition: In a sample of forty students it was noted that one student was classified as free, but should have been classified as reduced. Also, in an additional sample of ten students, it was noted that one student was classified as free, but should have been classified as reduced.

Criteria: Income guidelines are used to determine eligibility for free or reduced lunch. Applications are submitted and determinations are made based on those guidelines.

Effect: The School Lunch Program may not receive the correct subsidy reimbursements if eligibility determinations are incorrect.

Cause: The eligibility of the students was incorrectly calculated and approved on the manual application forms.

Recommendation: Applications should go through a secondary review once they have been entered into the NutriKids system in order to ensure that all classifications have been appropriately made and entered into system properly.

Questioned Costs: None

Status: All student applications tested were properly classified in fiscal year 2012.

#2011-2 - U.S. Department of Education, for the Period July 1, 2010 through June 30, 2011, CFDA #84.027; #84.173; #84.391; #84.392 Special Education Cluster (IDEA)

Statement of Condition: The Special Education Cluster (IDEA) had excess cash balances on hand for excessive periods of time.

Criteria: Draw downs of federal funds must be made as close as possible to the time of making distributions. Time should be minimized between the transfer from the U. S. Treasury and the disbursement of funds by the recipient.

Effect: Excess cash on hand could result in the payment of federal funds being delayed or denied.

Cause: Allowable cost expenditures under the Special Education Cluster from July 1, 2010 through June 30, 2011 were not sufficient to prevent a quarter-end cash overflow, as defined by the State of Maine, for certain quarters.

Recommendation: Request for draw downs, which are accomplished in the application, should be timed such that they are received in the later periods of the grant resulting in these payments being reimbursements for expenditures already made rather than advances.

TOWN OF BRUNSWICK, MAINE
Schedule of Findings and Questioned Costs, Continued

Section IV - Status of Prior Year Findings and Questioned Costs for Federal Awards, continued

Questioned Costs: None

Status: *All federal cash was requested on a reimbursement basis. At no point during fiscal year 2012 was there excess federal cash on hand.*