

# **Town of Scarborough**

**Single Audit Act**

**June 30, 2017**

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Independent Auditors' 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*

Town Council  
Town of Scarborough  
Scarborough, Maine

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governments Audit Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Scarborough, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Scarborough's basic financial statements, and have issued our report thereon, dated January 30, 2018. Our report includes a reference to other auditors who audited the financial statements of the Scarborough Public Library (a discretely presented component unit), as described in our report on the Town of Scarborough, Maine's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Scarborough Public Library were not audited in accordance with *Government Auditing Standards*.

## **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town of Scarborough'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 Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Scarborough'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 a 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 that might be material weaknesses or, significant deficiencies. Given these 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.



### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Scarborough's financial statements are free from 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*.

### **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 Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Macpage LLC*

South Portland, Maine  
January 30, 2018

Independent Auditors' Report on Compliance for Each Major Federal Program and  
on Internal Control over Compliance and Report on the Schedule of  
Expenditures of Federal Awards Required by the Uniform Guidance

Town Council  
Town of Scarborough  
Scarborough, Maine

## **Report on Compliance for Each Major Federal Program**

We have audited the Town of Scarborough's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of Scarborough's major federal programs for the year ended June 30, 2017. The Town of Scarborough's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

## **Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

## **Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the Town of Scarborough'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 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). Those standards and the Uniform Guidance 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 Scarborough'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 of the Town of Scarborough's compliance.

## **Opinion on Each Major Federal Program**

In our opinion, the Town of Scarborough, 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, 2017.



## Report on Internal Control over Compliance

Management of the Town of Scarborough 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 of compliance, we considered the Town of Scarborough'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 an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Scarborough'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 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. *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 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 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Scarborough, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Scarborough's basic financial statements. We issued our report thereon dated January 30, 2018, which contained unmodified opinions on those financial statements, except for the financial statements of the Scarborough Public Library, a component unit of the Town, which was audited by other auditors whose report has been furnished to us, and in our opinion, is in so far as it relates to amounts included for the Scarborough Public Library, is based solely on the report of the other auditors. 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 basic 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.

*Macpage LLC*

South Portland, Maine  
January 30, 2018

## Schedule of Expenditures of Federal Awards

Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor Number	Federal Expenditures	Amount Provided To Subrecipient
<b>U.S. Department of Education</b>				
<u>Pass-Through State of Maine Department of Education</u>				
Title I Grants to Local Educational Agencies	84.010	013-3107	\$ 165,825	
Special Education Cluster				
Special Education - Grants to States	84.027	013-3046	814,151	
Special Education - Preschool Grants	84.173	013-6247	7,530	
Total Special Education Cluster			<u>821,681</u>	
Improving Teacher Quality State Grants	84.367	013-3042	<u>72,587</u>	
<b>Total U.S. Department of Education</b>			<u>1,060,093</u>	
<b>U.S. Department of Agriculture</b>				
<u>Pass-Through State of Maine Department of Education</u>				
Child Nutrition Cluster				
National School Lunch Program	10.555	013-3022	57,207	
National School Lunch Program	10.555	013-3125	11,441	
National School Lunch Program	10.555	013-3024	121,875	
School Breakfast Program	10.556	013-3014	23,764	
Total Child Nutrition Cluster			<u>214,287</u>	
Food Distribution Cluster				
Commodity Supplemental Food Program	10.565	013-6134	47,195	
Summer Food Service Program for Children	10.559	013-3016	5,140	
<u>Pass-Through Forest Service</u>				
Urban and Community Forestry Program	10.675	N/A	<u>13,086</u>	
<b>Total U.S. Department of Agriculture</b>			<u>279,708</u>	
<b>U.S. Department of Justice</b>				
<u>Direct Program</u>				
Public Safety Partnership and Community Policing Grants	16.710	N/A	52,834	
Federal Cops Grant	16.738	N/A	<u>4,107</u>	
<b>Total U.S. Department of Justice</b>			<u>56,941</u>	

## Schedule of Expenditures of Federal Awards - Continued

Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor Number	Federal Expenditures	Amount Provided To Subrecipient
<b>U.S. Department of Transportation</b>				
<u>Pass-Through Maine Department of Public Safety</u>				
State and Community Highway Safety	20.600	N/A	17,129	
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	N/A	14,399	
Occupant Protection Incentive Grants	20.602	N/A	<u>25,649</u>	
<b>Total U.S. Department of Transportation</b>			<u>57,176</u>	
<b>U.S. Department of Homeland Security</b>				
<u>Pass-Through Federal Emergency Management Agency</u>				
Assistance to Firefighters Grant	97.044	N/A	114,889	
Homeland Security Grant Program	97.067	N/A	<u>14,907</u>	
<b>Total U.S. Department of Homeland Security</b>			<u>129,796</u>	
<b>Executive Office of the President</b>				
<u>Pass-Through Office of National Drug Control Policy</u>				
High Intensity Drug Trafficking Area Grant Program	95.001	N/A	<u>4,716,866</u>	
<b>Total Executive Office of the President</b>			<u>4,716,866</u>	
<b>Environmental Protection Agency</b>				
<u>Pass-Through Office of Water</u>				
Water Quality Management Planning	66.454	N/A	<u>78,450</u>	
<b>Total Environmental Protection Agency</b>			<u>78,450</u>	
<b>Total Expenditures of Federal Awards</b>			<u>\$ 6,379,032</u>	<u>\$ 0</u>



## Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2017

### NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Town of Scarborough under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the Town of Scarborough, it is not intended to and does not present the financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2017, and respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (1) 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 as to reimbursement.
- (2) Pass-through entity identifying numbers are presented where available.
- (3) Town of Scarborough has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

### NOTE 3 – PROGRAM NOTES

#### Non-Cash Assistance (Commodities) (CFDA 10.565)

The reported total of federal awards represents the fair value of food commodities used.

## Schedule of Findings and Questioned Costs

Year Ended June 30, 2017

### Section I Summary of Auditors' Results

#### Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ Yes ✓ No

Significant deficiency(ies) identified? \_\_\_\_\_ Yes ✓ none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes ✓ No

#### Federal Awards

Internal control over major programs:

Material weakness(es) identified? \_\_\_\_\_ Yes ✓ No

Significant deficiency(ies) identified? \_\_\_\_\_ Yes ✓ none reported

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

Any audit findings disclosed that are required to be reported  
in accordance with Section 2 CFR 200.516(a) of the  
Uniform Guidance?

\_\_\_\_\_ Yes ✓ No

Identification of major programs:

CFDA Number(s)    Name of Federal Program or Cluster

95.001                      High Intensity Drug Trafficking  
Area Grant Program

84.027, 84.173            Special Education Cluster (IDEA)

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

None noted.

### Section III Federal Award Findings and Questioned Costs

None noted.