

CITY OF BIDDEFORD, MAINE

**Reports Required by *Government Auditing
Standards* and the Uniform Guidance**

**For the Year Ended
June 30, 2017**

CITY OF BIDDEFORD, MAINE
Reports Required by *Government Auditing Standards*
and the Uniform Guidance
For the Year Ended June 30, 2017

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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 and School Committee
City of Biddeford, 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 *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 Biddeford, Maine, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Biddeford, Maine's basic financial statements, and have issued our report thereon dated December 28, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Biddeford, 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 Biddeford, Maine's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Biddeford, 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control (2017-001 and 2017-002), described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies.

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 Biddeford, Maine’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*.

We noted certain matters that we reported to management of the City of Biddeford, Maine in a separate letter dated December 28, 2017.

City Biddeford, Maine’s Responses to Findings

City of Biddeford, Maine’s responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. City of Biddeford, Maine’s responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 28, 2017
South Portland, Maine

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

City Council and School Committee
City of Biddeford, Maine

Report on Compliance for Each Major Federal Program

We have audited the City of Biddeford, Maine'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 City of Biddeford, Maine's major federal programs for the year ended June 30, 2017. The City of Biddeford, 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Biddeford, 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 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 City of Biddeford, 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 of the City of Biddeford, Maine's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Biddeford, 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, 2017.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE, CONTINUED

Report on Internal Control over Compliance

Management of the City of Biddeford, 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 of compliance, we considered the City of Biddeford, 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 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 City of Biddeford, 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 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 the 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.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE, CONTINUED

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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 Biddeford, Maine as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Biddeford, Maine's basic financial statements. We issued our report thereon dated December 28, 2017, 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 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 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.



December 28, 2017
South Portland, Maine

CITY OF BIDDEFORD, MAINE
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2017

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Number	Federal Expenditures	CFDA/Cluster Totals	Passed through to Subrecipients
U.S. Department of Education,					
Passed through Maine Department of Education:					
Adult Basic Education	84.002	6296	\$ 31,555		-
Title IA, Disadvantaged	84.010	3107	716,684		-
Title IA, Program Improvement	84.010	3106	1,985		-
Title IA, Accountability Grant	84.010	N/A	3,000		-
Total Title IA				721,669	
Special Education Cluster:					
Special Education State Grants Individuals with Disabilities Act	84.027	3046	702,820		-
Preschool	84.173	6247	21,036		-
Total Special Education Cluster				723,856	
Rural Education Achievement Program (REAP)	84.358	3305	88,063		-
Title III ESL	84.365	3115	15,307		-
Title IIA, Supporting Effective Instruction	84.367	3042	184,510		-
Passed through Learning Works:					
Title IV 21st Century Grants	84.287	N/A	31,627		-
Total U.S. Department of Education			1,796,587		-
U.S. Department of Agriculture, passed through the Maine Dept. of Education:					
Child Nutrition Cluster:					
National School Lunch Program	10.555	3022/3024	526,659		-
School Breakfast Program	10.553	3014	180,513		-
Summer Food Service Program	10.559	3016/3018	36,422		-
Food Donation Program	10.555	N/A	54,557		-
Total Child Nutrition Cluster				798,151	
Fresh Fruit and Vegetable Program	10.582	3028	21,681		-
Total U.S. Department of Agriculture			819,832		-
U.S. Department of Justice,					
Direct:					
Equitable Sharing Program	16.922	N/A	1,967		-
Passed through the Maine Department of Justice:					
Byrne Justice Assistance Grant	16.738	N/A	5,431		-
Byrne Justice Assistance Grant	16.738	2015-DJ-BX-012	71,836		-
Total Byrne Justice Assistance Grant				77,267	
Bullet Proof Vest Partnership Program	16.607		3,260		-
Total U.S. Department of Justice			82,494		-

CITY OF BIDDEFORD, MAINE
Schedule of Expenditures of Federal Awards, Continued
For the year ended June 30, 2017

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass- through Number	Federal Expenditures	CFDA/ Cluster Totals	Passed through to Subrecipients
U.S. Department of Transportation, Passed through the Maine Department of Transportation: Airport Improvement Program	20.106	N/A	\$ 385,121		-
Total U.S. Department of Transportation			385,121		-
U.S. Department of Housing and Urban Development, Direct:					
CDBG - Entitlement Grants Cluster					
CDBG - Entitlement Community	14.218	N/A	702,150		-
Total CDBG - Entitlement Grants Cluster				702,150	
Neighborhood Stabilization Program	14.228	N/A	4,787		-
Total U.S. Department of Housing and Urban Development			706,937		-
Environmental Protection Agency, Passed through the Maine Department of Environmental Protection:					
Clean Water State Revolving Fund Cluster					
Clean Water State Revolving Loan	66.458	N/A	1,264,697		-
Total Clean Water State Revolving Fund Cluster				1,264,697	
Total Environmental Protection Agency			1,264,697		-
Totals			\$ 5,055,668		-

See accompanying notes to schedule of expenditures of federal awards.

CITY OF BIDDEFORD, MAINE
Notes to Schedule of Expenditures of Federal Awards
June 30, 2017

PURPOSE OF THE SCHEDULE

Title 2 U.S. *Code of Federal Regulators* Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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 Biddeford, Maine for the fiscal year ended June 30, 2017. The reporting entity is defined in the notes to basic financial statements of the City of Biddeford, Maine.

- B. Basis of Presentation - The information in the accompanying schedule of expenditures of federal awards is presented in accordance with the Uniform Guidance.
 - 1. Pursuant to the Uniform Guidance, 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 - the Uniform Guidance establishes the level of expenditures or expenses to be used in defining major federal award programs. Major programs for the City of Biddeford, 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.

- D. Indirect Cost Rate - The City of Biddeford, Maine has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

CITY OF BIDDEFORD, MAINE
Schedule of Findings and Questioned Costs
June 30, 2017

Section I - Summary of Auditor's Results

Basic Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:
 Material weaknesses identified? No
 Significant deficiencies identified? Yes

Noncompliance material to financial statements noted? No

Federal Awards

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

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

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? No

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I – Part A
66.458	Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes

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

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

SIGNIFICANT DEFICIENCIES

2017-001 Budget Preparation Error

As part of the budget process, the City is required to pass a balanced budget that assesses to taxpayers the total appropriations less any non-property tax revenues. During the fiscal year 2017, we discovered that the City counted homestead and business equipment tax exemption revenues twice and subsequently understated the net property tax appropriation by \$757,000. We suggest that management properly account for all non-property tax revenues during the budget process and subsequently review the revenue budget prior to committing taxes to avoid this error in the future.

Management response/corrective action plan: The double counting of the revenue was found early in the fiscal year and the City Manager notified the Council immediately. The City Manager then updated the Council over the course of the year as to additional revenues or expense savings that were helping to offset the loss of tax revenue. The year ended with a positive addition to the fund balance, which showed that the shortage was managed. Fiscal year 2018 was handled appropriately, and taxes committed with the correct revenue.

2017-002 Saco Lofts TIF Error

During preparation of the annual tax increment financing (TIF) captured value schedules, the City erroneously included the captured valuation of Saco Lofts two times. This caused the amount reported as total TIF captured value on the municipal valuation return to be overstated by \$1,053,516 and subsequently caused the TIF assessment on the assessor's certificate of assessment to be overstated by \$20,923. We suggest that management establish control procedures that require adequate review to be applied to these calculations prior to preparing both the municipal valuation return and the assessor's certificate of assessment.

Management response/corrective action plan: The TIF captured value is now double-checked by the Finance Director and the Assessor, to look at the amounts used in the municipal valuation return and assessor's certificate of assessment. The TIF values are given to Finance prior to commitment and entered into the TIF calculation sheet to double check that the total TIF values are captured at the same total amount both in the tax commitment and the TIF transfer of tax amount calculation.

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

Section III - Federal Award Findings and Questioned Costs

None

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

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

None