

December 12, 2014

Town Council and School Committee
Millinocket, Town of

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 Town of Millinocket, Maine for the year ended June 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 5, 2014 and in our meeting with the Chair of the Council on June 5, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards, *Government Auditing Standards* and OMB Circular A-133

As stated in our engagement letter dated June 5, 2014, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the Town of Millinocket, Maine's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered 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.

As part of obtaining reasonable assurance about whether the Town of Millinocket, Maine's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the Town of Millinocket, Maine's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on the Town of Millinocket, Maine's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the Town of Millinocket, Maine's compliance with those requirements.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Town of Millinocket, Maine are described in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2014. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was management's estimate of depreciation expense, which is based on estimated useful lives of assets and management's estimate of its other post employment benefit obligation, which is based upon actuarial studies and calculations. We evaluated the key factors and assumptions used to develop these estimates in determining they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all material misstatements (see attached adjusting journal entries reports).

The attached schedule of passed adjusting journal entries summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 12, 2014. See attached copy of the representation letter which was signed by management.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis and the schedule of funding progress for the retiree healthcare plan, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining and individual fund financial statements and the schedule of expenditures of federal awards, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the Town Council, School Committee, and management of the Town of Millinocket, Maine and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



Client: **Millinocket - Millinocket, Town of**
 Engagement: **14 AU - Millinocket, Town of**
 Period Ending: **6/30/2014**
 Trial Balance: **Trial Balance - Town**
 Workpaper: **4b - Adjusting Journal Entries Report - Town**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1		AA-		
To record TIF payment due back to GNP since taxes receivable is recorded at gross amount				
01-X-0118-4302	GNP TIF DEV		1,085,666.54	
01-B-200-00	ACCOUNTS PAYABLE			1,085,666.54
Total			1,085,666.54	1,085,666.54
Adjusting Journal Entries JE # 2		GG		
To adjust deferred taxes to actual at year end				
01-R-1650-0111	RE TAX COMMITMENT		711,000.00	
01-B-286-00	DEFERRED TAX REVENUE			711,000.00
Total			711,000.00	711,000.00
Adjusting Journal Entries JE # 3				
To adjust fund 2 to actual				
01-B-130-02	DUE FROM OTHER FUNDS		42,914.39	
02-B-116-00	ACCTS RECEIVABLE		136,298.40	
02-B-120-00	INVENTORY		2,173.33	
02-B-201-00	AP SCHOOL		8,902.29	
02-B-700-01	FB/SCH LUNCH		22,506.73	
02-B-700-02	FUND SCH CAT		85,294.26	
01-B-700-02	FUND BALANCE UNDESIGNATED			42,914.39
02-B-105-00	SCHOOL LUNCH CASH			10,973.33
02-B-106-00	INTERNATIONAL PROGRAM CASH			19,086.82
02-B-130-01	DUE FROM FD 1			42,914.39
02-B-201-02	DEFERRED REVENUES			41,984.00
02-B-202-00	ACCRUED WAGES			140,216.47
Total			298,089.40	298,089.40
Adjusting Journal Entries JE # 4				
To adjust school accounts to actual				
01-B-201-00	ACCOUNTS PAYABLE SCHOOL		464.49	
01-B-205-00	ACCRUED TEACHERS SALARIES		12,866.19	
01-B-260-00	SCH P/R OFFSET ACCOUNT		8,386.85	
01-B-286-02	SCHOOL DEFERRED REVENUE		41,984.00	
01-B-550-01	INT'L CARRYFORWARD		26,287.27	
01-B-700-02	FUND BALANCE UNDESIGNATED			89,988.80
Total			89,988.80	89,988.80
Adjusting Journal Entries JE # 5				
To close school revenue and appropriation control accounts and adjust school and assigned fund balance accounts to actual				
01-B-650-00	SCHOOL REVENUE CONTROL		4,154,553.10	
01-B-700-02	FUND BALANCE UNDESIGNATED		6,194,552.25	
01-B-550-00	SCHOOL APPROPRIATION CONT			7,208,079.98
01-B-700-00	FUND BALANCE TRIO			3,001,938.37
01-B-700-01	FUND BALANCE DESIGNATED			139,087.00
Total			10,349,105.35	10,349,105.35
Adjusting Journal Entries JE # 6				
To reverse double posting of school warrant. Once affects cash and again to accounts payable				
01-B-107-00	CASH-SCHOOL AP		78,044.45	
01-B-700-02	FUND BALANCE UNDESIGNATED			78,044.45

Client: **Millinocket - Millinocket, Town of**
 Engagement: **14 AU - Millinocket, Town of**
 Period Ending: **6/30/2014**
 Trial Balance: **Trial Balance - Town**
 Workpaper: **4b - Adjusting Journal Entries Report - Town**

Account	Description	W/P Ref	Debit	Credit
Total			<u><u>78,044.45</u></u>	<u><u>78,044.45</u></u>
Adjusting Journal Entries JE # 7				
To record additional transfers to Capital reserves, per council order				
01-R-0101-0921	TRANSFER/CAP RES		101,711.91	
01-R-0101-0922	TRANSFER AIRPORT RES		3,488.15	
05-B-130-01	DUE FROM FD 1		105,200.06	
01-B-130-05	DUE FROM FD 5			105,200.06
50-R-5000-4008	CAPITAL RESERVE			105,200.06
Total			<u><u>210,400.12</u></u>	<u><u>210,400.12</u></u>
Adjusting Journal Entries JE # 8				
To adjust Fund 2 for accrued summer salaries.				
02-B-700-02	FUND SCH CAT		1,261.61	
02-B-202-00	ACCRUED WAGES			1,261.61
Total			<u><u>1,261.61</u></u>	<u><u>1,261.61</u></u>
Adjusting Journal Entries JE # 9				
To adjust teacher summer salaries and school fund balance to actual				
01-B-700-01	FUND BALANCE DESIGNATED		106,126.00	
01-B-205-00	ACCRUED TEACHERS SALARIES			66,130.00
01-B-700-02	FUND BALANCE UNDESIGNATED			39,996.00
Total			<u><u>106,126.00</u></u>	<u><u>106,126.00</u></u>
Adjusting Journal Entries JE # 10				
To close account to expense control				
01-B-500-00	EXPENSE CONTROL		96,089.46	
01-B-500-01	PP W/O DEBT EXPENSE			81,792.94
01-B-500-02	RE W/O DEBT EXPENSE			14,296.52
Total			<u><u>96,089.46</u></u>	<u><u>96,089.46</u></u>

Client: *Millinocket - Millinocket, Town of*
 Engagement: *14 AU - Millinocket, Town of*
 Period Ending: *6/30/2014*
 Trial Balance: *Trial Balance - School*
 Workpaper: *4b-1 - Adjusting Journal Entries Report - School*

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1				
To net out the cash accounts				
1000-0000-0000-101070-000	General Fund Cash School AP		3,686,011.78	
1000-0000-0000-101080-000	General Fund Cash School PR		3,437,946.76	
1000-0000-0000-101000-000	General Fund - Cash			71,077.68
1000-0000-0000-101020-000	General Fund Cash School Revenue			4,042,615.53
1000-0000-0000-110000-000	Accounts Receivable - GF			3,010,265.33
Total			7,123,958.54	7,123,958.54
Adjusting Journal Entries JE # 2				
To adjust the inventory balance to actual.				
6000-0000-0000-117100-000	School Lunch Inventory	D-2	2,173.13	
6000-0000-3100-563000-900	Food Supplies			2,173.13
Total			2,173.13	2,173.13
Adjusting Journal Entries JE # 3				
To close out the International cash account which was closed to the general fund				
1000-0000-0000-101000-000	General Fund - Cash	A-	19,086.82	
2000-0000-0000-251000-000	DTF		19,086.82	
1000-0000-0000-252000-000	DTF			19,086.82
2000-0000-0000-101000-000	Cash - International Program			19,086.82
Total			38,173.64	38,173.64
Adjusting Journal Entries JE # 4				
To record accounts payable at year end.				
1000-0000-0000-202220-000	Maine State Retirement	AA-5	5,958.22	
1000-0000-0000-202290-000	Maine State Life Insurance		199.14	
1000-0000-0000-247110-000	Unemployment		2,229.49	
1000-0000-0000-419910-000	Miscellaneous Receipts		569.40	
1000-0000-2230-523100-110	MSRS - PLD Employer Portion		12.25	
1000-0000-2230-523100-310	MSRS - PLD Employer Portion		123.13	
1000-0000-2320-523800-900	MSRS- PLD Admin Asst		118.80	
1000-0000-2320-534500-900	Legal Fees		15,276.18	
1000-0000-2320-558000-900	Travel - Town		134.20	
1000-0000-2400-523800-310	MSRS-PLD Secretary		110.90	
1000-0000-2400-523900-310	MSRS PLD/Clerical Ed Tech		70.71	
1000-0000-2500-523500-900	MSRS-PLD Bookkeeper/Payroll Clerk		123.19	
1000-0000-2500-543200-900	Technology Related Contracted Services		6,750.95	
1000-0000-2500-581100-900	Admin Bank Fees		163.23	
1000-0000-2600-543000-310	Contracted Services		11,512.00	
1000-0000-2600-560000-110	Supplies- Maint. Repair Elementary		475.22	
1000-0000-2600-560000-310	Supplies - Maint. Repair Secondary		1,398.14	
1000-0000-2600-562200-110	Electricity		2,662.98	
1000-0000-2600-562200-310	Electricity		7,759.91	
1000-0000-2600-562300-310	LP Gas		35.20	
1000-0000-2600-562400-310	Fuel Oil		4,990.80	
1000-0000-2600-562600-110	Gasoline - Elementary		441.50	
1000-0000-2610-523800-110	MSRS-PLD Elementary Custodian		117.71	
1000-0000-2610-523800-310	MSRS-PLD Secondary Custodian		388.03	
1000-0000-2610-561000-110	Elementary Custodial Supplies		2,357.10	
1000-0000-2610-561000-310	Secondary Custodial Supplies		7,515.41	
1000-0000-2700-551000-900	Contracted Busing - Town Runs		320.00	
1000-1200-1000-525100-310	Tuition Reimb Teachers		54.00	
1000-2300-1000-561000-990	Supplies		32.55	
1000-2800-2140-534400-950	Contracted Psychological Services		950.00	
1000-2800-2160-534400-950	Contracted Occupational Therapy Services		1,312.50	
1000-9600-1000-558000-310	Travel		109.12	
1000-9600-2700-551000-310	Contracted Busing		2,252.50	

Client: **Millinocket - Millinocket, Town of**
 Engagement: **14 AU - Millinocket, Town of**
 Period Ending: **6/30/2014**
 Trial Balance: **Trial Balance - School**
 Workpaper: **4b-1 - Adjusting Journal Entries Report - School**

Account	Description	W/P Ref	Debit	Credit
2000-0000-3200-543000-900	Contracted Services		325.00	
2000-0000-3200-558000-900	Travel, Meals, Hotel, Parking		202.40	
2000-0000-3200-560000-900	Supplies		32.10	
2000-0000-3200-563000-900	Student Meals		496.00	
2010-0000-2210-523600-900	MSRS PLD - Employer		114.69	
2470-2500-2330-523800-900	MSRS - PLD Employer Portion		157.66	
6000-0000-3100-523800-900	MSRS - PLD Employer		192.14	
1000-0000-0000-202000-000	Accounts Payable			76,524.46
2000-0000-0000-202000-000	Accounts Payable			1,055.50
2010-0000-0000-202000-000	Accounts Payable - TIF 4 Grant			114.69
2470-0000-0000-202000-000	Accounts Payable			157.66
6000-0000-0000-202000-000	Accounts Payable- Enterprise			192.14
Total			78,044.45	78,044.45
Adjusting Journal Entries JE # 5				
To record deferred tuition for the International Program				
		GG-3		
1000-0000-0000-101000-000	General Fund - Cash		41,984.00	
2000-0000-0000-251000-000	DTF		41,984.00	
1000-0000-0000-252000-000	DTF			41,984.00
2000-0000-0000-203000-000	Deferred Revenue			41,984.00
Total			83,968.00	83,968.00
Adjusting Journal Entries JE # 6				
To adjust accrued salaries to actual at year end.				
		BB-4		
1000-0000-0000-247100-000	Accrued Payroll and Benefits		12,866.19	
2010-0000-2210-515000-900	Stipends		142,381.62	
2470-0000-0000-247100-000	Accrued Payroll and Benefits		26.75	
6000-0000-0000-247100-000	School Lunch Accrued Wages		2,138.40	
1000-0000-0000-301010-000	Undesignated Balance			12,866.19
2010-0000-0000-247100-000	Accrued Wages			142,381.62
2470-2200-1000-510200-950	Ed Tech Salaries RR Elem			26.75
6000-0000-3100-511800-900	Food Service Staff Salaries			2,138.40
Total			157,412.96	157,412.96
Adjusting Journal Entries JE # 7				
To record receivable on TIF grant stipend reimbursement.				
		BB-8		
2010-0000-0000-11000-000	Accounts Receivable - TIF		142,381.62	
2010-0000-2210-419200-000	Revenue - TIF 4			142,381.62
Total			142,381.62	142,381.62
Adjusting Journal Entries JE # 8				
To adjust accrued wages to include July/August health insurance.				
		BB-5		
1000-0000-0000-301010-000	Undesignated Balance		66,129.45	
2300-0000-0000-247100-000	Accrued Payroll and Benefits		770.63	
2470-2100-1000-510100-950	Teacher Salary Elem		2,032.24	
1000-0000-0000-247100-000	Accrued Payroll and Benefits			66,129.45
2300-1100-1000-510100-110	Title IA Teachers Salaries			770.63
2470-0000-0000-247100-000	Accrued Payroll and Benefits			2,032.24
Total			68,932.32	68,932.32
Adjusting Journal Entries JE # 9				
To adjust local additional appropriation to what was approved by the voters.				
1000-0000-0000-412130-000	Local Additional Appropriation		39,996.00	
1000-0000-0000-101000-000	General Fund - Cash			39,996.00
Total			39,996.00	39,996.00

**Town of Millinocket, Maine
Passed Adjusting Journal Entries
June 30, 2014**

Account	Acct. Number	WP Ref.	Debit	Credit
PAJE 1	TOWN	B		
Accrued Taxes Receivable Interest			10,499.28	
Deferred Interest Income				10,499.28
<i>Pass on reporting interest receivable since full amount is deferred</i>				
PAJE 2		BB-6		
Wages expense	SCHOOL		12,663.63	
Accrued Payroll				12,663.63

Pass on recording accrued payroll for hourly school employess, consistent with prior year.



TOWN OF MILLINOCKET

197 Penobscot Avenue
Millinocket, Maine 04462

Office of Town Manager/Treasurer

(207)723-7000

December 12, 2014

Runyon Kersteen Ouellette
20 Long Creek Drive
South Portland, ME 04106

This representation letter is provided in connection with your audits of the financial statements of the Town of Millinocket, Maine, which comprise the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of December 12, 2014, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 5, 2014, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.

- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
- 8) The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole for each opinion unit. A list of the uncorrected misstatements is attached to the representation letter.
- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Guarantees, whether written or oral, under which the Town is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

- 11) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters [and all audit or relevant monitoring reports, if any, received from funding sources]
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the Town from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of Town Council or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 12) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 13) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 14) We have no knowledge of any fraud or suspected fraud that affects the Town and involves:
 - Management,
 - Employees who have significant roles in internal control, or
 - Others where the fraud could have a material effect on the financial statements.
- 15) We have no knowledge of any allegations of fraud or suspected fraud affecting the Town's financial statements communicated by employees, former employees, regulators, or others.
- 16) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 17) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 18) We have disclosed to you the identity of the Town's related parties and all the related party relationships and transactions of which we are aware.

Government—specific

- 19) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 20) We have a process to track the status of audit findings and recommendations.
- 21) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 22) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
- 23) The Town has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
- 24) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and legal and contractual provisions for reporting specific activities in separate funds.
- 25) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
- 26) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- 27) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
- 28) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 29) As part of your audit, you assisted with preparation of the financial statements and related notes [and schedule of expenditures of federal awards]. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.
- 30) The Town has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 31) The Town has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 32) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 33) The financial statements properly classify all funds and activities, in accordance with GASB Statement No. 34.

- 34) All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 35) Components of net position (net investment in capital assets; restricted; and unrestricted) , and components of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- 36) Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
- 37) Provisions for uncollectible receivables have been properly identified and recorded.
- 38) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 39) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 40) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 41) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 42) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
- 43) We have appropriately disclosed the Town's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 44) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
- 45) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 46) With respect to the schedule of federal expenditures and the combining and individual fund schedules:
 - a) We acknowledge our responsibility for presenting the supplementary information listed above in accordance with accounting principles generally accepted in the United States of America, and we believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
 - b) If the supplementary information listed above is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.

47) With respect to federal award programs:

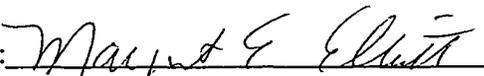
- a) We are responsible for understanding and complying with and have complied with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, including requirements relating to preparation of the schedule of expenditures of federal awards.
- b) We acknowledge our responsibility for presenting the schedule of expenditures of federal awards (SEFA) in accordance with the requirements of OMB Circular A-133 §310.b, and we believe the SEFA, including its form and content, is fairly presented in accordance with OMB Circular A-133 §310.b. The methods of measurement or presentation of the SEFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement or presentation of the SEFA.
- c) If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA no later than the date we issue the SEFA and the auditor's report thereon.
- d) We have identified and disclosed to you all of our government programs and related activities subject to OMB Circular A-133, and have included in the SEFA expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.
- e) We are responsible for understanding and complying with, and have complied with, the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major program.
- f) We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.
- g) We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.
- h) We have received no requests from a federal agency to audit one or more specific programs as a major program.
- i) We have complied with the direct and material compliance requirements (except for noncompliance disclosed to you), including when applicable, those set forth in the *OMB Circular A-133 Compliance Supplement*, relating to federal awards and have identified and disclosed to you all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal awards.
- j) We have disclosed any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
- k) We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the

compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.

- l) Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB Circular A-87, *Cost Principles for State, Local, and Tribal Governments*, and OMB's *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*.
- m) We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- n) We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- o) We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- p) There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.
- q) No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies or material weaknesses in internal control over compliance, subsequent to the date as of which compliance was audited.
- r) Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
- s) The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- t) We have charged costs to federal awards in accordance with applicable cost principles.
- u) We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by OMB Circular A-133 and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- v) We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by OMB Circular A-133.
- w) We are responsible for preparing and implementing a corrective action plan for each audit finding.

Signature: 
Margaret N. Daigle, Town Manager

Signature: 
Frank Boynton, Superintendent

Signature: 
Margaret E. Elliott, Treasurer