

**MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY**

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

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

**MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY**  
**Reports Required by *Government Auditing Standards***  
**and the Uniform Guidance**  
**For the Year Ended June 30, 2017**

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<u>Report</u>	<u>Page</u>
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 <i>Government Auditing Standards</i>	1-2
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	3-5
Schedule of Expenditures of Federal Awards	6
Notes to Schedule of Expenditures of Federal Awards	7
Schedule of Findings and Questioned Costs:	
Section I - Summary of Auditor's Results	8
Section II - Findings Required to be Reported Under <i>Government Auditing Standards</i>	9
Section III - Federal Award Findings and Questioned Costs	10
Section IV - Status of Prior Year Findings and Questioned Costs for Federal Awards	11

**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***

Board of Trustees  
Midcoast Regional Redevelopment Authority

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 Midcoast Regional Redevelopment Authority (a component unit of the State of Maine), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Midcoast Regional Redevelopment Authority's basic financial statements, and have issued our report thereon dated October 18, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Midcoast Regional Redevelopment Authority'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Midcoast Regional Redevelopment Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Midcoast Regional Redevelopment Authority'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 or 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.

**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 Midcoast Regional Redevelopment Authority'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 suggestions for improvement to operating controls that we reported to management of Midcoast Regional Redevelopment Authority in a separate letter dated October 18, 2017.

**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.



October 18, 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**

Board of Trustees  
Midcoast Regional Redevelopment Authority

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

We have audited Midcoast Regional Redevelopment Authority's (a component unit of the State of Maine) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Midcoast Regional Redevelopment Authority's major federal programs for the year ended June 30, 2017. Midcoast Regional Redevelopment Authority'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 the requirements of 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 Midcoast Regional Redevelopment Authority'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 Midcoast Regional Redevelopment Authority'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 Midcoast Regional Redevelopment Authority's compliance.

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

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

In our opinion, Midcoast Regional Redevelopment Authority 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 Midcoast Regional Redevelopment Authority 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 Midcoast Regional Redevelopment Authority'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 Midcoast Regional Redevelopment Authority'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 the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in 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.

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

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 Midcoast Regional Redevelopment Authority as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Midcoast Regional Redevelopment Authority's basic financial statements. We issued our report thereon dated October 18, 2017, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion 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.



October 18, 2017  
South Portland, Maine

**MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2017**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	2017 Federal Expenditures	CFDA/ Cluster Totals	Passed Through to Subrecipients
U.S. Department of Commerce:				
Economic Development Cluster:				
Investments for Public Works and Economic Development Facilities:				
01-01-14050	11.300	\$ 662,087		-
Total Economic Development Cluster			662,087	
Total U.S. Department of Commerce		662,087		-
U.S. Department of Defense:				
Community Economic Adjustment Assistance for Establishment, Expansion, Realignment, or Closure of Military Installation:				
HQ00051510037	12.607	48,907		-
HQ00051610225	12.607	380,400	429,307	-
Total U.S. Department of Defense		429,307		-
U.S. Department of Transportation:				
Airport Improvement Program:				
3-23-0056-016-2014	20.106	233		-
3-23-0056-017-2014	20.106	38,527		-
3-23-0056-019-2015	20.106	957,497		-
3-23-0056-020-2015	20.106	444		-
3-23-0056-021-2015	20.106	198,768		-
3-23-0056-023-2016	20.106	70,783		-
3-23-0056-024-2016	20.106	362,870		-
3-23-0056-025-2016	20.106	1,498,345		-
3-23-0056-026-2016	20.106	62,846	3,190,313	-
Total U.S. Department of Transportation		3,190,313		-
<b>Total federal expenditures</b>		<b>\$ 4,281,707</b>		<b>-</b>

*See accompanying notes to schedule of expenditures of federal awards.*

**MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY**  
**Notes to Schedule of Expenditures of Federal Awards**  
**June 30, 2017**

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PURPOSE OF THE SCHEDULE

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Office of Management and Budget (OMB)'s 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).

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SIGNIFICANT ACCOUNTING POLICIES

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- A. Reporting Entity - The accompanying schedule includes all federal award programs of Midcoast Regional Redevelopment Authority for the fiscal year ended June 30, 2017. The reporting entity is defined in the notes to the financial statements of Midcoast Regional Redevelopment Authority.
  
- 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 Midcoast Regional Redevelopment Authority are identified in the summary of auditor's results section 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 accrual basis of accounting, which is consistent with the reporting in the Authority's financial statements. The Schedule of Expenditures of Federal Awards does not include matching amounts that the Authority expends in connection with its federal programs.
  
- D. Midcoast Regional Redevelopment Authority has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2017**

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**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued on whether the financial statements are prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiency identified?	None reported
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major federal programs:	
Material weaknesses identified?	No
Significant deficiency 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 Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>20.106</u>	<u>Airport Improvement Program</u>

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

**MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY**  
**Schedule of Findings and Questioned Costs, Continued**

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

NONE

**MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY**  
**Schedule of Findings and Questioned Costs, Continued**

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**Section III - Federal Award Findings and Questioned Costs**

NONE

**MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY**  
**Schedule of Findings and Questioned Costs, Continued**

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

**2016-001 - U.S. Department of Transportation, for the Period July 1, 2015 through June 30, 2016, CFDA 20.106 Airport Improvement Program**

Statement of Condition: Midcoast Regional Redevelopment Authority improperly reported expenditures of federal funds on the SF-425 Federal Financial Report.

Criteria: Program costs and receipts are required to be reported annually to the federal oversight agency to ensure proper usage of federal funds.

Effect: Midcoast Regional Redevelopment Authority could be subject to reduced federal funding in the future if federal funds are not properly documented and reported.

Cause: Expenditures were underreported by \$159,534 for AIP #3-23-0056-016-2014 on the SF-425 Federal Financial Report for the period ended September 26, 2015.

Questioned Costs: None

Status: *The SF-425 reports were completed and funds were accurately reported in the current year*

**2016-002 - U.S. Department of Transportation, for the Period July 1, 2015 through June 30, 2016, CFDA 20.106 Airport Improvement Program**

Statement of Condition: Midcoast Regional Redevelopment Authority drew down funds and did not disburse all of those funds prior to or immediately after receiving those funds.

Criteria: When entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the Federal Government.

Effect: Midcoast Regional Redevelopment Authority could be subject to submitting interest earned on funds held for a significant time period.

Cause: \$39,799 of federal funds related to AIP #3-23-0056-03-2011 were disbursed 27 days after receipt from the Federal Aviation Administration.

Questioned Costs: None

Status: *All funds drawn in the current year were disbursed to vendors in an appropriate time period.*