

January 14, 2020

Town Council
Town of Cape Elizabeth, Maine

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Cape Elizabeth, Maine for the year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our email to council members dated July 31, 2019. 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 and *Government Auditing Standards*

As stated in our engagement letter dated July 2, 2019, 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.

As part of our audit, we considered the internal control of the Town of Cape Elizabeth, Maine. Such considerations are solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Town of Cape Elizabeth, Maine's 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.

Significant Audit Matters

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 Cape Elizabeth, 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 in 2019. We noted no transactions entered into by the Town of Cape Elizabeth, Maine 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 estimates affecting the financial statements were management's estimate of depreciation expense (which is based on estimated useful lives), allowance for uncollectible accounts (based on historical collection rates), other postemployment benefit obligations (based upon actuarial studies and other calculations), and net pension liability (based on actuarial studies). We evaluated the key factors and assumptions used to develop these estimates in determining that 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 such misstatements, some of which were material to the financial statements. See attached adjusting journal entries.

The attached report entitled "Passed Adjusting Journal Entries" lists the 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 attached management representation letter dated January 14, 2020.

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 Town of Cape Elizabeth, Maine’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 Town of Cape Elizabeth, Maine’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 the management’s discussion and analysis, and the schedules related to the net pension liabilities and OPEB liabilities, 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.

We were not engaged to report on the statistical section, which accompanies the financial statements but is not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

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

Very truly yours,



Town of Cape Elizabeth
Adjusting Journal Entries
6/30/2019

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 1			
To reverse the use of surplus and carryforwards booked as the amounts are not actual revenues and to get fund balances to agree with the prior year financial statements.			
01-R0333	USE OF SURPLUS	1,089,450.00	
01-R0367	CARRY FORWARD BALANCE	4,474.40	
01-R0367	CARRY FORWARD BALANCE	1,629,867.00	
04-R5000	EDUC BALANCE FORWARD	344,558.00	
40-R0352	USE OF SURPLUS	129,047.00	
42-R0422	USE OF SURPLUS	100,000.00	
52-R0571	USE OF SURPLUS	25,000.00	
65-R0609	USE OF SURPLUS	242,700.00	
70-R0608	USE OF SURPLUS	467,800.00	
75-7570	AMBULANCE FUND - FUND BALANCE	1,135.58	
75-R0619	USE OF SURPLUS	225,000.00	
01-0799	SCHOOL UNASSIGNED FUND BALANCE		342,058.00
01-0899	TOWN UNASSIGNED FUND BALANCE		2,500.00
01-0899	TOWN UNASSIGNED FUND BALANCE		4,474.40
01-0899	TOWN UNASSIGNED FUND BALANCE		1,089,450.00
01-0899	TOWN UNASSIGNED FUND BALANCE		1,629,867.00
40-4899	FUND BALANCE-SEWER		129,047.00
42-4390	FUND BALANCE - INFRASTRUCTURE		100,000.00
52-5250	TAX INCREMENT FIN FUND BALANCE		25,000.00
65-3900	FUND BALANCE-FT WILLIAMS PARK		242,700.00
70-3200	PORTLAND HEADLIGHT - FND BALAN		467,800.00
75-7570	AMBULANCE FUND - FUND BALANCE		225,000.00
75-R0620	AMBULANCE BILLING		1,135.58
Total		<u>4,259,031.98</u>	<u>4,259,031.98</u>
Adjusting Journal Entries JE # 2			
To reverse prior year receivables.			
20-R2006	LOCAL ENTITLEMENT	57,306.64	
20-R2009	TITLE I-DISADVANTAGED	12,730.20	
20-2100	A/R SCHOOL CATEGORICALS		70,036.84
Total		<u>70,036.84</u>	<u>70,036.84</u>
Adjusting Journal Entries JE # 3			
To adjust accrued payroll for teachers to actual.			
01-87001010	SALARY-TEACHER	2,270.69	
01-87001010	SALARY-TEACHER	17,370.34	
01-87001010	SALARY-TEACHER	57,196.20	
01-87151010	SALARY-LIBRARIAN	645.87	
01-87151010	SALARY-LIBRARIAN	6,693.23	
01-87151010	SALARY-LIBRARIAN	16,268.80	
01-87501010	SALARY-TEACHER	535.34	
01-87501010	SALARY-TEACHER	12,342.55	
01-87501010	SALARY-TEACHER	13,484.28	
01-89401500	STIPENDS-CO-CURR	83.80	
01-89401500	STIPENDS-CO-CURR	2,111.12	
01-0280	ACCRUED PAYROLL/TEACHERS		129,002.22
Total		<u>129,002.22</u>	<u>129,002.22</u>

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 4			
To reverse PY AP in fund 20.			
20-2200	ACCOUNTS PAYABLE-SCH CATAGOR	5,670.00	
20-99511130	#6 OUT OF DISTRICT PLACEMENT		5,670.00
Total		<u>5,670.00</u>	<u>5,670.00</u>
Adjusting Journal Entries JE # 5			
To remove encumbrances from payables and move to an encumbrance account.			
01-0702	PRIOR YEAR A/P-SCHOOL	5,840.70	
1-0797	RESERVE FOR ENCUMB./SCHOOL		5,840.70
Total		<u>5,840.70</u>	<u>5,840.70</u>
Adjusting Journal Entries JE # 6			
To adjust accrued payroll for grants to actual.			
20-2280	ACCRUED PAYROLL-GRANTS	26,448.90	
20-99501030	594 SAL-SOC WORK	1,312.43	
20-99501030	594 SAL-SOC WORK	8,386.16	
20-99101010	SALARY-TEACHER		11,007.52
20-99102310	RETIREMENT-TEACHER		1,722.68
20-99501020	604 SAL-ED TECH		19,151.20
20-99501021	604 BEN-ED TECH		729.43
20-99501022	604 RET-ED TECH		2,997.16
20-99512010	TEACHER D-K SALARY		539.50
Total		<u>36,147.49</u>	<u>36,147.49</u>
Adjusting Journal Entries JE # 7			
To adjust accrued payroll for non-teachers to actual.			
01-87201040	SALARIES-ADMIN	274.97	
01-90001180	SALARIES-CLERICAL	1,759.65	
01-90021180	SALARIES-CUSTODIANS	4,422.16	
01-90251180	SALARY-SUPPORT STAFF	863.08	
01-90701180	SALARIES-TECHNICIAN	1,242.40	
01-0281	ACCRUED PAYROLL/SCHOOL		6,243.72
01-88051010	SALARY-TEACHER		1,449.76
01-90201180	SALARIES-REGULAR		632.23
01-90421040	SALARIES-ATHLETIC DIRECTOR		236.55
Total		<u>8,562.26</u>	<u>8,562.26</u>
Adjusting Journal Entries JE # 8			
To book donated commodities.			
30-91001431	PC/MS FOOD PURCHASES	26,886.80	
30-R3314	COMMODITIES REBATE		26,886.80
Total		<u>26,886.80</u>	<u>26,886.80</u>
Adjusting Journal Entries JE # 9			
To adjust school lunch inventory to the year end balance.			
30-91001431	PC/MS FOOD PURCHASES	6.93	
30-91001433	PC/MS OTHER PURCHASES	533.70	
30-91001531	HS FOOD PURCHASES	3,616.86	
30-2920	SCHOOL LUNCH / INVENTORY		4,037.85
30-91001533	HS OTHER PURCHASES		119.64
Total		<u>4,157.49</u>	<u>4,157.49</u>

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 10			
To adjust the school lunch fund transfer so that interfund transfers balance.			
30-91001433	PC/MS OTHER PURCHASES	240.07	
30-R3322	CAFE REVENUES/TRANSFER		240.07
Total		<u>240.07</u>	<u>240.07</u>
Adjusting Journal Entries JE # 11			
To adjust the unavailable tax revenue to year end actual.			
01-R0387	REAL ESTATE TAXES	51,800.59	
01-0300	DEFERRED REVENUE		51,800.59
Total		<u>51,800.59</u>	<u>51,800.59</u>
Adjusting Journal Entries JE # 12			
To adjust school lunch prepaid balance to year end actual.			
30-R3311	CAFE HS MEALS	10,021.37	
30-2931	DEPOSITS		10,021.37
Total		<u>10,021.37</u>	<u>10,021.37</u>
Adjusting Journal Entries JE # 13			
To eliminate the remaining difference in beginning fund balance and run through the current year.			
01-R0326	MISC. REVENUES	8,432.89	
01-0899	TOWN UNASSIGNED FUND BALANCE		8,432.89
Total		<u>8,432.89</u>	<u>8,432.89</u>
Adjusting Journal Entries JE # 14			
To post a receivable related to the Local Entitlement accrued payroll.			
20-2100	A/R SCHOOL CATEGORICALS	11,842.85	
20-R2006	LOCAL ENTITLEMENT		11,842.85
Total		<u>11,842.85</u>	<u>11,842.85</u>

Town of Cape Elizabeth, Maine
Passed Adjustments
6/30/2019

Account	Description	Debit	Credit
Proposed JE # 200			
To remove amounts for prepaid summer programs.			
01-R0347	COMM.SERV.YOUTH PROG	38,229.92	
01-R0375	COMM.SERV.FITNESS CTR	206.75	
01-R0625	COMM.SERV. POOL FEES	844.18	
01-0129	ACCOUNTS RECEIVABLE/TOWN		41,228.94
Total		<u>41,228.94</u>	<u>41,228.94</u>
Proposed JE # 201			
To remove amounts that should not have been included in the teacher summer accrual.			
01-87001010	SALARY-TEACHER	17,748.00	
01-0281	ACCRUED PAYROLL/SCHOOL		17,748.00
Total		<u>17,748.00</u>	<u>17,748.00</u>
Proposed JE # 202			
To book construction retainage payable.			
01-07155325	HILL WAY/SCOTT DYER IMP.PH.2	11,044.41	
01-0900	ACCOUNTS PAYABLE-TOWN		11,044.41
Total		<u>11,044.41</u>	<u>11,044.41</u>
Proposed JE # 203			
To remove from accrued vacation amounts that were paid in the first week of July and should not be accrued.			
	Governmental Activities Expenses		22,727.62
	Governmental Activities Accrued Vacation	22,727.62	
Total		<u>22,727.62</u>	<u>22,727.62</u>



TOWN OF CAPE ELIZABETH

Finance Office
P.O. Box 6260
320 Ocean House Road
Cape Elizabeth, Maine 04107-0060

Phone 207-799-0881 – ext. 258

January 14, 2020

Runyon Kersteen Ouellette
20 Long Creek Drive
South Portland, ME 04016

This representation letter is provided in connection with your audit of the financial statements of the Town of Cape Elizabeth, Maine, which comprise the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information as of June 30, 2019, 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 January 14, 2020, 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 July 2, 2019, 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 or in the schedule of findings and responses.
- 8) We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the accounts.
- 9) 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.
- 10) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 11) Guarantees, whether written or oral, under which the Town is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

- 12) 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 the Town Council or summaries of actions of recent meetings for which minutes have not yet been prepared.

- 13) All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedule of expenditures of federal awards.
- 14) 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.
- 15) We have no knowledge of any fraud or suspected fraud that affects the Town and involves:
 - a) Management,
 - b) Employees who have significant roles in internal control, or
 - c) Others where the fraud could have a material effect on the financial statements.
- 16) We have no knowledge of any allegations of fraud or suspected fraud affecting the Town financial statements communicated by employees, former employees, regulators, or others.
- 17) 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.
- 18) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 19) 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

- 20) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 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, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balance or net position.

- 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, that 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 that 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 and schedule of expenditures of federal awards.
- 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, appropriately present majority equity interests in legally separate organizations and 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 GASBS 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 classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- 36) Investments 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 or amortized.
- 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.

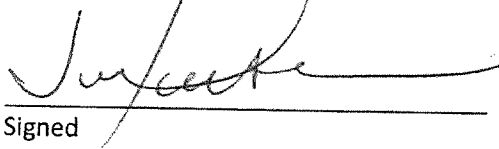
- 45) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 46) With respect to the combining and individual fund statements and schedules:
- a) We acknowledge our responsibility for presenting the combining and individual fund statements in accordance with accounting principles generally accepted in the United States of America, and we believe the combining and individual fund statements, 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 combining and individual fund statements 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 combining and individual fund statements are 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.



Signed

Matthew E. Sturgis

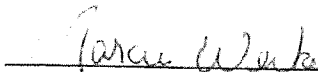
Title Town Manager



Signed

John Quartararo

Title Finance Director



Signed

Marcia Weeks

Title School Business Manager