

# Federal Compliance Audit

## Eastern Trail Management District

June 30, 2012



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EASTERN TRAIL MANAGEMENT DISTRICT

JUNE 30, 2012

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## INDEPENDENT AUDITORS' REPORT

December 3, 2012

Board of Directors  
Eastern Trail Management District  
Saco, Maine

We have audited the accompanying statements of financial position of Eastern Trail Management District, as of June 30, 2012 and 2011, and the related statements of activities, and cash flows for the years then ended. These financial statements are the responsibility of the management of the District. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Eastern Trail Management District, as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2012, on our consideration of Eastern Trail Management District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules presented are for purposes of additional analysis and are not a required part of the financial statements of the Organization. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

*RHR Smith & Company*

Certified Public Accountants

EASTERN TRAIL MANAGEMENT DISTRICT

STATEMENTS OF FINANCIAL POSITION  
JUNE 30,

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 44,738	\$ 38,463
Accounts receivable (net of allowance)	104,956	44,926
<b>TOTAL ASSETS</b>	<u>\$ 149,694</u>	<u>\$ 83,389</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 72,922	\$ 12,656
Deferred revenue	35,000	35,000
<b>TOTAL LIABILITIES</b>	<u>107,922</u>	<u>47,656</u>
<b>NET ASSETS</b>		
Unrestricted	41,772	35,733
Restricted	-	-
<b>TOTAL NET ASSETS</b>	<u>41,772</u>	<u>35,733</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 149,694</u>	<u>\$ 83,389</u>

See accompanying independent auditors' report and notes to financial statements.

EASTERN TRAIL MANAGEMENT DISTRICT

STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30,

	<u>2012</u>	<u>2011</u>
REVENUES		
Project Reimbursements	\$ 2,615,404	\$ 233,760
Membership Fees	50,000	45,000
Interest Income	11	15
Miscellaneous	250	-
TOTAL REVENUES	<u>2,665,665</u>	<u>278,775</u>
EXPENSES		
Administration	3,927	3,794
Consultant Construction Management	93,684	30,700
Engineering	23,062	207,745
Audit	1,900	1,750
Insurance	500	502
Services	31,878	29,550
Trail Construction	2,504,575	-
Miscellaneous	100	-
TOTAL EXPENSES	<u>2,659,626</u>	<u>274,041</u>
INCREASE/DECREASE IN NET ASSETS	6,039	4,733
NET ASSETS - JULY 1	<u>35,733</u>	<u>31,000</u>
NET ASSETS - JUNE 30	<u>\$ 41,772</u>	<u>\$ 35,733</u>

See accompanying independent auditors' report and notes to financial statements.

**EASTERN TRAIL MANAGEMENT DISTRICT**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30,**

	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ 6,039	\$ 4,733
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	-	-
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(60,030)	(11,260)
Increase (decrease) in accounts payable	60,266	(2,376)
Increase (decrease) in deferred revenue	-	(2,600)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>6,275</u>	<u>(11,503)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of equipment	-	-
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from note payable	-	-
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<u>-</u>	<u>-</u>
<b>INCREASE (DECREASE) IN CASH</b>	6,275	(115,103)
<b>CASH AND CASH EQUIVALENTS - JULY 1</b>	<u>38,463</u>	<u>49,966</u>
<b>CASH AND CASH EQUIVALENTS- JUNE 30</b>	<u>\$ 44,738</u>	<u>\$ 38,463</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
Cash paid during the year for:		
Interest	<u>\$ -</u>	<u>\$ -</u>

See accompanying independent auditors' report and notes to financial statements.

## EASTERN TRAIL MANAGEMENT DISTRICT

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

#### NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Organization

The Eastern Trail Management District is a duly formed and organized Corporation under Chapter Fifty-Four of the Revised Statutes of the State of Maine. The entity was formed in March of 2001 by the municipalities of Kittery, Eliot, South Berwick, North Berwick, Wells, Kennebunk, Arundel, Biddeford, Saco, Old Orchard Beach, Scarborough and South Portland and one non-profit the Eastern Trail Alliance, the principal purpose of which is to establish and maintain a multi-use recreational non-motorized trail extending from Kittery to the South Portland, Maine. The Eastern Trail Management District is governed by a board of directors comprised of one voting member from each municipality and three voting members from the Eastern Trail Alliance. The municipalities incorporated this organization to act on their behalf to develop and operate the Eastern Trail and have direct say, through their representative(s), as to how it is run.

##### Basis of Accounting

The accounts of the Organization have been prepared on the accrual basis of accounting.

##### Support and Contributions

Support and contributions are received and recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions.

##### Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

##### Cash and Cash Equivalents

For financial statement reporting purposes, cash and cash equivalents are defined as all bank deposits with original maturities of three months or less.



EASTERN TRAIL MANAGEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 2 – CASH

The Organization maintains cash balances in primarily one financial institution. Accounts at the institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. During the year, the bank balances did not exceed the FDIC limit. The Organization has not experienced any losses in this account and believes it is not exposed to any significant risk on cash.

NOTE 3 – ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS RECEIVABLE

The allowance for uncollectible accounts was estimated to be \$0 at June 30, 2012 and 2011.

NOTE 4 – INCOME TAXES

The organization is exempt from income tax under Section 501(c) (3) of the Internal Revenue Code. Management believes there were no unrelated activities subject to tax on unrelated business income for the years ended June 30, 2012 and 2011. No income tax provisions have been made in the accompanying financial statements.

NOTE 5 – SUBSEQUENT EVENTS

Eastern Trail Management District has considered transactions or events occurring through December 3, 2012, which was the date the financial statements were available to be issued and found no material events to be disclosed.

EASTERN TRAIL MANAGEMENT DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Pass-Through Number	Federal Expenditures
U.S. DEPARTMENT OF TRANSPORTATION Passed through State of Maine Highway Planning and Construction	20.205	PIN 13340.00	\$ 1,980,851
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			1,980,851
TOTAL EXPENDITURES			\$ 1,980,851

EASTERN TRAIL MANAGEMENT DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2012

1. General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards of Eastern Trail Management District. All federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included on the schedule.

2. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting.

3. Major Programs-Federal

The following programs were considered major programs as defined by OMB Circular A-133:

Highway Planning and Construction

CFDA 20.205



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

December 3, 2012

Board of Directors  
Eastern Trail Management District  
Saco, Maine

We have audited the financial statements of Eastern Trail Management District, as of and for the year ended June 30, 2012, and have issued our report thereon dated December 3, 2012. We conducted our audit in accordance with 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.

Internal Control Over Financial Reporting

Management of Eastern Trail Management District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Eastern Trail Management District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Eastern Trail Management District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

*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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not necessarily designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Eastern Trail Management District's financial statements are free of 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*.

This report is intended solely for the information and the use of management, the Board of Directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.

*RHR Smith & Company*

Certified Public Accountants



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133**

December 3, 2012

Board of Directors  
Eastern Trail Management District  
Saco, Maine

Compliance

We have audited Eastern Trail Management District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Eastern Trail Management District's major federal programs for the year ended June 30, 2012. Eastern Trail Management District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Eastern Trail Management District's management. Our responsibility is to express an opinion on Eastern Trail Management District's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*. Those standards and OMB Circular A-133 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 Eastern Trail Management District'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. Our audit does not provide a legal determination on Eastern Trail Management District's compliance with those requirements.

In our opinion, Eastern Trail Management District, complied in all material respects, with the 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, 2012.

### Internal Control Over Compliance

The management of Eastern Trail Management District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Eastern Trail Management District 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, 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 Eastern Trail Management District'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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material weakness with a type of compliance requirement of a federal program will not be prevented or detected and correct, on a timely basis.*

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, Board of Directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.

*RHR Smith & Company*

Certified Public Accountants

EASTERN TRAIL MANAGEMENT DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED JUNE 30, 2012

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

*Financial Statements*

Type of auditor's report issued : Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_ yes  X  no
- Significant deficiency(ies) identified? \_\_\_ yes  X  no
- Noncompliance material to financial statements noted \_\_\_ yes  X  no

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? \_\_\_ yes  X  no
- Significant deficiency(ies) identified? \_\_\_ yes  X  no

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

Any audit findings disclosed that are required to be reported  
 In accordance with section 510(a) of OMB Circular A-133? \_\_\_ yes  X  no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between type A and B: \$300,000

Auditee qualified as low-risk auditee? \_\_\_ yes  X  no

**Section II – Financial Statement Findings**

None

**Section III – Federal Awards Findings and Questioned Costs**

None