

Audited Financial Statements

Casco Bay Island Transit District

March 31, 2009



*Proven Expertise and Integrity*

Federal Compliance Audit

Casco Bay Island Transit District

March 31, 2009



*Proven Expertise and Integrity*

# State Compliance Audit

## Casco Bay Island Transit District

March 31, 2009



*Proven Expertise and Integrity*

CASCO BAY ISLAND TRANSIT DISTRICT

MARCH 31, 2009

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## INDEPENDENT AUDITORS' REPORT

April 24, 2009

Board of Directors  
Casco Bay Island Transit District  
Portland, Maine

We have audited the accompanying financial statements of the Casco Bay Island Transit District as of and for the year ended March 31, 2009. These financial statements are the responsibility of the District's management. Our responsibility is to express opinion on these financial statements based on our audit. We did not audit the financial statements of Casco Bay Island Transit District as of and for the six months ended March 31, 2008. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Casco Bay Island Transit District, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audit 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 provide a reasonable basis for our opinion.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the financial position of Casco Bay Island Transit District, as of March 31, 2009, and the changes in financial position 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 April 24, 2009 on our consideration of the Casco Bay Island Transit District internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 3 through 13 is not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiring management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Casco Bay Island Transit District basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Casco Bay Island Transit District. The schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*RHR Smith & Company*

Certified Public Accountants

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## Management's Discussion and Analysis

May 21, 2009

The General Manager's "MD&A" Report provides an opportunity, through narrative, to identify elements of the report she believes to be of particular value in "calling out" to readers. In addition to Part I - **Financial Highlights**, Part II - **Data Highlights** provides information concerning passenger ridership, shipping tonnage, number of vehicles transported, and vessel miles. These statistics have a bearing on the financial performance of the District and provide insights into annual service performance.

Additionally, the MD&A report is an opportunity to provide information to readers about the methodology used in preparing the statements. See Section III - **Basic Financial Statements** - for this information.

### **PROLOGUE**

In early 2007, the Board of Directors of CBITD discussed and adopted a new fiscal year to begin in April, 2008, with a transition (stub) period to run from October, 2007 through March, 2008. The purpose of the fiscal year change was to give as much opportunity as possible to newly elected Directors each year in November to participate in the budget development process and in any applicable rate change discussions and decisions. This report is the first full fiscal period April – March. Comparisons in the report are to the previous 12 month corresponding period (April'07 – March '08).

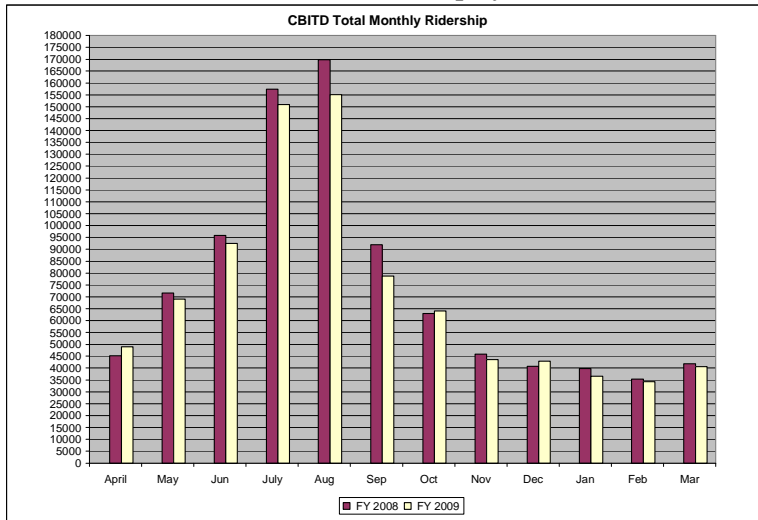
## **I. FINANCIAL HIGHLIGHTS**

### **A. Ridership and Revenue experience – leading to budget revision**

In FY09, Casco Bay Island Transit District faced a daunting challenge of overcoming severe ridership losses and related revenue shortfalls during the peak season of the year, in addition to having fuel costs exceed high budget predictions. From May through September, 2008, CBITD had 37,000 fewer seasonal and tourist passenger trips than the prior year - reflecting a major downturn in tourism experienced in much of Maine as a result of high fuel prices that discouraged tourist travel, and a downturn in the economy that began at that time. This is equivalent to 18,500 fewer round trip fares. At Diamond Cove, seasonal rentals were reportedly down 60%, and to a lesser extent that appeared to be the case on other islands. Weather played havoc with the peak season, as well. The national weather service reports that rainfall in August was more than twice the normal rainfall, and the 7<sup>th</sup> wettest August on record. September's rainfall was the highest ever recorded for the month, beating the 1954 record by more than an inch. Suffice it to say, the traditional high tourist season was dampened by the weather.

Management’s Discussion and Analysis

Chart I: FY09 Ridership by Month



By the end of September (midway through the fiscal year), declining seasonal ridership at peak season rates and 20 fewer seasonal charters had produced a budget shortfall of approximately \$175,000 in revenue, while expenses (related to fuel and vessel repairs) were approximately \$63,000 over budget. After application of available grants, the deficit for the first six months was approximately \$188,000. This prompted a mid-fiscal year revision of the budget to develop a plan to avoid a substantial year-end deficit expected to exceed \$200,000.

Budget revisions (shown in **Table I** below), compensated for revenue losses in the first 6 months of FY09, incorporated savings from fixed fuel prices and lower fuel usage, and postponed drydock expenses to a new fiscal year – making it possible to reduce the anticipated deficit in FY09 from \$200,000 to \$55,529.

Table I: FY09 and FY09 (Revised Budget) Comparisons

	<u>Original 2009 Budget</u>	<u>Revised 2009</u>	<u>Budget Difference</u>
Revenues:	\$5,332,500	\$5,096,214	(\$236,286) <sup>1</sup>
Expenses	<u>\$5,332,500</u>	<u>\$5,151,743</u>	<u>(\$180,757)<sup>2</sup></u>
Surplus/(Loss)\$	0	(\$ 55,529)	\$55,529

1 Reduction of previously budgeted revenues by \$236,286 (\$209,642 in operating revenues, \$16,644 in grant revenues).  
 2 Most of the reduction was in vessel repair (\$109,574) where half of drydock costs for the Machigonne were postponed to a new fiscal year; \$31,280 related to fuel cost reductions from reducing operating speeds of boats and mothballing of the *Island Romance* and *Bay Mist* during the winter months; \$13,500 from reductions in personnel hours in the Ticket Office/Freight Shed (\$13,500).

**B. Revenues**

**(1) Annual Passenger, Freight, Vehicle, and Mail Contract Revenues**

As shown in **Table II** below, passenger revenues were 5.6% higher than the previous 12 month period as a result of a fuel surcharge implemented in May, 2008. Revenues from vehicle and freight operations which had been running strong in the first part of the fiscal year began to decline in the last few months, with the result that revenues from both of those services were 1% less than the prior year. Mail contract revenues reflected a negotiated increase.

Management's Discussion and Analysis

Table II

Revenues	04/01/07 – 03/31/08	FY09	Variation	Per Revised Budget
Passenger Revenues	\$2,020,263	\$2,133,329	+5.6%	-0.6%
Vehicle Revenues	\$ 752,974	\$ 745,706	- 1.0%	-3.7%
Freight Revenues	\$ 495,416	\$ 489,763	- 1.1%	-3.0%
Mail Contract	\$ 90,834	\$ 105,623	+16.3%	-2.8%
Total:	\$3,359,487	\$3,474,421	+ 3.4%	-1.7%

**(2) Group Sales Revenues Generated by the Operation**

Group Sales revenues, shown in the following table, declined from the previous year reflecting 20 fewer charters and a steep decline in the sale of tour tickets. High fuel prices discouraging tourist travel, the beginning of a “down” economy, cancellation of some charters as a result of the grounding of the *Bay Mist*, and a very rainy August and September hurt Group Sales in FY09.

Table III – Group Sales

Revenues	04/01/07 – 03/31/08	FY09	Variation	Per Revised Budget
Tours	\$289,419	\$264,368	- 8.7%	- < 1%
Charters	\$225,858	\$206,589	- 8.5%	+ 4.4%
Catering	\$161,177	\$161,253	+ 0.0%	+ 2.3%
Vending	\$ 13,356	\$ 11,288	+ 3.3%	-15.4%
Promotional	\$ 6,653	\$ 7,182	+ 8.0%	- 4.8%
Advertising	\$ 37,923	\$ 28,390	+25.1%	-16.3%
	\$734,386	\$679,069	- 7.5%	+ 0.7%

**(3) State and Federal Subsidies**

CBITD drew down a number of state and federal funds for its operations, as follows:

Table IV – Grants for Operations

Grants	04/01/07 – 03/31/08	FY09	Variation	Per Revised Budget
Fed.5307	\$659,919	\$461,840	- 30.0%	- 7.3%
Federal 5311(rural) funds:	\$ 56,855	\$193,275	+339.9%	+ 5.5%
State Subsidy:	\$ 73,673	\$241,765	+341.7%	+124.0%
	\$790,447	\$896,880	+ 13.5%	+ 2.3%

**(4) A breakdown of Revenue Sources by percentage**

The following table provides revenue sources, in order of magnitude for the operating budget.

Table VI – Revenue sources in order of magnitude

Percent	Amount	Revenue Source	Operating Rev.	Subsidies
42.1%	\$2,133,329	Passenger Fares	\$2,133,329	-
14.7%	\$ 745,706	Vehicle	\$ 745,706	-
9.7%	\$ 489,763	Freight	\$ 489,763	-
9.1%	\$ 461,840	Fed. 5307	-	\$461,840
5.2%	\$ 264,368	Tours	\$ 264,368	-
5.0%	\$ 241,765	State Subsidy	-	\$241,765
4.1%	\$ 206,588	Charters	\$ 206,588	-
3.6%	\$ 193,275	Fed. 5311 (Rural)	-	\$193,275
3.2%	\$ 161,253	Catering	\$ 161,253	-
2.1%	\$ 105,623	Mail Contract	\$ 105,623	-
0.6%	\$ 28,390	Advertising	\$ 28,390	-

Management's Discussion and Analysis

0.2%	\$ 11,288	Vending	\$ 11,288	-
0.1%	\$ 7,182	Promotional	\$ 7,182	-
0.1%	\$ 20,270	Miscellaneous	\$ 10,270	-
0.1%	\$ 3,946	Diamond Cove Contract	\$ 3,946	-
<u>0.1%</u>	<u>\$ 2,421</u>	Interest	<u>\$ 2,421</u>	<u>.....</u>
100.0%	\$5,067,007		\$4,170,127	\$896,880
Percent revenues derived from operations:			<b>82.3%</b>	<b>17.7%</b>

**B. Expenses incurred by the Operation**

**(1) Personnel**

Overall personnel-related expenses were 3.0% greater than the prior 12 months. Payroll increased by only 0.5% as a result of a reduction of hours in the winter sailing season in the ticket office. The balance of increase was due to health care (9.8%) and pension (30%) costs.

**Table VII – Personnel Expenses**

<u>Expense Item</u>	<u>04/01/07-03/31/08</u>	<u>FY09</u>	<u>Variation</u>	<u>Per Revised Budget</u>
Payroll	\$2,036,012	\$2,037,206	+ 0.5%	-2.6%
Taxes	\$ 152,030	\$ 154,259	+1.5%	+2.3%
Health Ins.	\$ 213,992	\$ 234,947	+9.8%	-4.9%
Pension	<u>\$ 178,269</u>	<u>\$ 232,009</u>	<u>+30.1%</u>	<u>+16.0%</u>
	\$2,580,303	\$2,658,421	+ 3.0%	-1.4%

**(2) Vessels**

As noted above, significant adjustments were made to the original FY09 budget to overcome a projected \$200,000 at year's end. Drydock expenses were reduced by \$109,574 by shifting half or more of the Machigonne drydock expenses to the next fiscal year (March to April). Fuel expenses were reduced by \$31,280 through a fixed price fuel contract and by mothballing two vessels during the Winter Sailing Season (the *Romance* and the *Bay Mist*).

**Table VIII – Vessel Expenses**

<u>Expenses</u>	<u>04/01/07-03/31/08</u>	<u>FY09</u>	<u>Variation</u>	<u>Per Revised Budget</u>
Repairs	\$728,291	\$618,779	- 15.0%	- 4.8%
Fuel	\$617,533	\$813,984	+ 31.8%	+ 0.2%
Insurance	<u>\$105,010</u>	<u>\$109,123</u>	<u>+ 3.9%</u>	<u>-19.3%</u>
	\$1,450,834	\$1,541,886	+ 6.3%	+ 3.5%

**(3) Operations, Terminal, and Group Sales Expenses**

Operations expenses were considerably less (-16.7%) than the prior 12 months. when there had been a number of one-time expenses related to settlements for two Maine Human Rights Commission cases and a vendor contract – all carryovers from prior years. Terminal expenses and Group Sales expenses were less than the prior 12 month period. Professional expenses related to labor negotiations, PUC rate petitions, and a special report (*Rate Analysis Study*) conducted during the year, put expenses over budget.

Management's Discussion and Analysis

**Table IX – Operations Expenses**

<u>Expenses</u>	<u>04/01/07-03/31/08</u>	<u>FY09</u>	<u>Variation</u>	<u>Per Revised Budget</u>
Operations	\$408,602	\$344,282	-16.7%	+ 15.7%
Terminal	\$274,299	\$251,585	- 8.3%	-10.2%
Group Sales	\$205,716	\$181,325	-11.9%	+ 1.2%

**(4) A breakdown of expense categories by percentage**

The following chart provides an up-to-date view of annual expense generators for the operating budget, in order of magnitude. Together, Personnel and Vessel costs accounted for **82.8%** of annual operating expenses.

**Table X – Operations Expenses in order of magnitude**

<u>Percent</u>	<u>Amount</u>	<u>Type of Expense</u>
52.3%	\$2,658,421	Personnel (Wages, Fringes, taxes)
30.3%	\$1,541,886	Vessels (Repair, fuel, insurance)
6.8%	\$ 344,282	Operations (Legal, Consulting, Office, uniforms, training, etc.)
5.0%	\$ 251,585	Terminal (utilities, security/janitorial, rent, maintenance)
3.6%	\$ 181,325	Group Sales (advertising, catering)
<u>2.0%</u>	<u>\$ 103,365</u>	<u>Debt Service (principal and interest)</u>
100.0%	\$5,080,864	Total

**(5) The “Bottom Line”**

CBITD overcame the dramatic fuel price increases in the first half of the year through budget revisions in the second half of the year entailing the mothballing of two vessels during the Winter Sailing Season, a fuel contract within budget in the second half of the fiscal year, a shifting of half of the Machigonne’s anticipated drydock expenses forward to a new fiscal year, and a pilot program reducing hours in the ticket office in the Winter Sailing Season. The revised FY09 budget forecasted a deficit of \$55,530. The actual bottom line (-\$13,857) came within budget. A comparison of FY09 revenues, expenses, and bottom line are shown below.

**Table XI – Bottom Line**

<u>Budget</u>	<u>04/01/07-03/31/08</u>	<u>FY09</u>	<u>Variation</u>	<u>Per Revised</u>
Op.Revenues	\$4,094,100	\$4,170,127	+ 1.8%	- 1.3%
Grants	\$ 790,447	\$ 896,880	+13.5%	+ 2.3%
Expenses	<u>\$5,033,321</u>	<u>\$5,080,864</u>	<u>+ 0.1%</u>	<u>- 1.4%</u>
Surplus(Loss)	(\$148,774)	-\$13,857	-88.0%	-72.6%

A full listing of revenues and expenses as of March 31, 2008, shown in a format similar in line items to CBITD monthly financial statements - follows.

Management's Discussion and Analysis

Table XII – Detailed listing of Revenues/Expenses

	04/01/07-03/31/08 ACTUAL	FY09 Revised BUDGET	FY09 ACTUAL
<b>OPERATING REVENUES</b>			
<b>SCH SERVICE</b>			
PASSENGER	\$2,020,263	\$2,146,882	\$2,133,329
VEHICLE	752,974	774,039	\$745,706
FREIGHT	495,416	504,930	\$489,763
MAIL	\$90,834	108,668	105,623
TOTAL	\$3,359,487	\$3,534,519	3,474,421
<b>GR SALES</b>			
TOURS	\$289,419	265,856	\$264,368
CHARTERS	225,858	197,949	\$206,589
CATERING	161,177	157,225	\$161,253
VENDING	13,356	12,058	\$11,288
PROMOTIONAL	6,653	7,544	\$7,182
ADVERTISING	37,923	33,907	\$28,390
TOTAL	\$734,386	674,539	\$679,069
<b>MISCELLANEOUS</b>			
MISC	\$6,310	4,966	10,270
INTEREST	6,123	1800	2,421
GAIN ON SALE	-19,686	0	0
DIA COVE CON	7,480	3,946	3,946
TOTAL	\$227	10,712	16,637
<b>TOTAL OP.REVENUES</b>	<b>\$4,094,100</b>	<b>\$4,219,770</b>	<b>\$4,170,127</b>
<b>OPERATING EXPENSES</b>			
<b>PERSONNEL</b>			
PAYROLL	\$2,036,012	2,091,966	\$2,037,206
TAXES	152,030	157,885	\$154,259
HEALTH INSURANCE	213,992	247,115	\$234,947
PENSION	178,269	200,000	\$232,009
TOTAL	\$2,580,303	2,696,966	\$2,658,421
<b>VESSELS</b>			
REPAIRS	\$728,291	649,626	\$618,779
FUEL	617,533	812,420	\$813,984
INSURANCE	105,010	135,000	\$109,123
TOTAL	\$1,450,834	1,597,046	\$1,541,886

Management's Discussion and Analysis

OPERATIONS			
TELEPHONE	\$10,943	11,281	\$13,137
MAIL AGENT	10,200	10,300	\$10,200
OFFICE	84,967	84,436	\$87,939
CREDIT CARD	40,517	45,882	\$48,342
POSTAGE	5,182	4,500	\$3,855
TRAVEL	4,837	2,800	\$6,071
DAMAGES	160	9,784	\$5,477
MISCELLANEOUS	7,714	29,428	\$29,191
BARGE	20,000	26,000	\$15,100
PROFESSIONAL	84,840	60,175	\$101,743
DUE & PUC	3,625	3,600	\$4,013
UNIFORMS	19,108	15,738	\$14,209
TRAINING	4,228	7,000	\$5,005
TOTAL	\$408,602	310,924	\$344,282
TERMINAL			
UTILITIES	\$64,127	70,361	\$65,477
SEC/JANITORIAL	54,461	61,621	\$58,446
RENT	26,115	28,000	\$19,652
MAINTENANCE	129,596	120,228	\$108,010
TOTAL	\$274,299	280,210	\$251,585
SALES			
ADVERTISING	\$99,213	75,100	\$67,746
CATERING	106,503	104,163	\$113,579
TOTAL	\$205,716	179,263	\$181,325
DEBT SERVICE			
INTEREST	\$27,075	19,000	\$32,936
PRINCIPAL	86,492	68,335	\$70,000
AMORTIZATION	0	0	\$429
CONTINGENCY	0	0	0
TOTAL	\$113,567	87,335	\$103,365
TOTAL OP EXPENSES	\$5,033,321	\$5,151,744	\$5,080,864
TOTAL OP REVENUES	\$4,084,100	\$4,219,770	\$4,170,127
OP. SURPLUS/(LOSS)	-\$939,221	-\$931,974*	(\$910,737)

Management's Discussion and Analysis

OPERATING GRANTS

FTA PRE 5307 & RTAP	\$659,919	498,169	\$461,840
FED RURAL 5311	56,855	183,275	\$193,275
STATE SUBSIDY	73,673	195,000	\$241,765
TOTAL OP. GRANTS	\$790,447	876,444	\$896,880

TOTAL SURPLUS/(LOSS)**	-\$148,774	-\$55,530	-\$13,857
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\*loss before grants/subsidies; \*\* does not include depreciation.

**D. Grant drawdowns**

The following chart shows Federal and State grants and bonds drawn down in FY09. Any grant balances are carried forward for use in future years. Certain types of grants (5307, 5311, and State operating subsidy) are provided on an annual basis to CBITD. Others identified below) are discretionary and are available periodically. For purposes of the chart, State Bonds (which are provided as capital grants to CBITD) are treated as discretionary grants.

**Table XIII: Grant Drawdowns**

Type	Grant ID	Amount	Purpose
A/Fed 5307	ME90X163 -07	\$ 49,534	Preventative (Capital)
Maintenance			
A/Fed 5307	ME90X168	\$434,425	Preventative (Capital)
Maintenance			
A/Fed* 5311-Rural	16244	\$183,275	Rural Operating Subsidy
State Op. Subsidy	16186	\$ 44,412	State Operations subsidy
+/Fed Cap.Grant	ME03-0044	\$ 34,714	Capital Grant
+/State Bond -03	9215.19	\$ 11,571	Capital Grant
+/State Bond -05	13211	\$113,062	Preventative (Capital)
Maintenance			
+/State Bond -07	16086	\$185,876	Ferry Specs/Prev.Maintenance
+/State grant-09	13293	\$ 10,000	<u>Rate Structure Study</u>

+ discretionary grants  
A Annual Grant (amounts vary)  
\* Federal Dollars distributed by State

**E. Information derived from the government-wide balance sheet**

The following condensed financial information is derived from the government-wide balance sheet.

**Table XIV – Balance Sheet Information**

	<u>04/01/07-03/31/08</u>	<u>FY09</u>
Capital Assets	\$6,054,882	\$5,792,168
Total Assets	\$6,559,793	\$6,274,599
Long-Term Liabilities (bonds payable)	\$ 220,000	\$ 150,000
Total Liabilities	\$1,586,086	\$1,581,604
Net Assets		
Invested in capital assets, net of related debt	\$5,764,882	\$5,572,168
Restricted for future debt payment	\$ 100,000	\$ 100,000
Unrestricted	( 891,175)	( 979,173)
Total Net Assets	\$4,973,707	\$4,692,995

Management's Discussion and Analysis

**F. Accumulated Depreciation on the Vessels**

<u>Vessel</u>	<u>DATE OF PURCHASE</u>	<u>COST</u>	<u>METHOD</u>	<u>ANNUAL</u>	<u>ACCUMULATED</u>
				<u>AMOUNT</u>	<u>DEPRECIATION</u>
Island Romance	1983	\$ 225,000	SL 15 yrs	0	\$ 225,000
Machigonne II	1988	\$1,174,874	SL 25 yrs	\$ 46,995	\$1,032,979
Maquoit II	1995	\$1,822,292	SL 25 yrs	\$ 72,892	\$1,057,902
Bay Mist	1998	\$ 622,000	SL 15 yrs	\$ 41,467	\$ 497,601
Aucocisco III	2005	\$2,967,061	SL 25 yrs	\$118,682	\$ 593,411

**II. DATA HIGHLIGHTS**

<b>Passenger Ridership:</b>	
	Total Trips April 1, 2007 - March 31, 2008: 888,372
	Total Trips April 1, 2008 - March 31, 2009: 891,933 = +0.4%
decrease	
<b>Mileage levels</b>	
	Total Miles April 1, 2007 - March 31, 2008: 67,399
	Total Miles April 1, 2008 - March 31, 2009: 68,562 = +1.7%
increase	
<b>Freight tonnage</b>	
	Total tonnage April 1, 2007 - March 31, 2008: 5,303
	Total tonnage April 1, 2008 - March 31, 2009: 4,128 = -22.2%
decrease	
<b>Vehicles transported</b>	
	Total vehicles April 1, 2007 - March 31, 2008: 25,830
	Total vehicles April 1, 2008 - March 31, 2009: 25,820 = -0.4%
decrease	

CBITD was negatively impacted by external factors during its peak season in FY09 - high fuel prices (discouraging travel by tourists), a recession (impacting employment, business and tourist activity), and poor weather in August and September. While ridership caught up in the latter part of the year during the off-peak season, the FY10 budget assumes a further loss of ridership (by 5%) resulting from the continuing recession. In future years, we look to improvements in the economy and continued service improvements (through CBITD's Strategic Plan), to increase ridership. Mid-term external opportunities for growth in ridership include:

- Planned development at Diamond Cove of a hotel facility - with related opportunities for both ridership and freight - during and following construction;
- A trend to longer than peak season residency on some islands, for example:
  - o as a result of advanced heating technologies and well-drilling on the Diamond Islands; and
  - o an outreach program by the Town of Long Island for year-round residency by young families with children.

Additionally, exploratory work is being done by CBITD for generating new streams of revenue from the Ferry Terminal Garage, potential development of expanded park & ride facilities, and an inter-modal center in the vicinity of the Terminal/Garage.

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## Management's Discussion and Analysis

### III. BASIC FINANCIAL STATEMENTS

Our basic financial statements are prepared using propriety fund (enterprise fund) accounting that uses the same basis of accounting as private-sector business enterprises use. The District is accounted for as an accrual basis enterprise fund. This method of accounting has an economic resources measurement focus using the accrual basis of accounting.

Under the accrual basis of accounting, revenue is recorded when earned and expenses are recorded when incurred. The basic financial statements include a balance sheet, statement of revenues, expenses and changes in net assets and a statement of cash flows. These are followed by the notes to the financial statements. In addition to the basic financial statements, this report also contains the required supplementary information that pertains to the retirement/pension plan of the District.

The balance sheet presents information on the assets and liabilities, with the difference between the two reported as net assets. In comparisons over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of revenues, expenses and changes in net assets reports the operating revenue and the non-operating revenue and the expenses of the District for the fiscal period with the difference (net income or loss) being combined with the activity in capital grants to determine the change in net assets for the fiscal year. This change in net assets when added to the net asset total from the previous fiscal year reconciles to the net asset total at the end of the current fiscal year.

The statement of cash flows reports the changes in cash and cash equivalents for the fiscal year resulting from operating activities, financing activities and investing activities. The net result of these activities added to the beginning cash and cash equivalent balance for the fiscal year results in the cash and cash equivalent balance at the end of the current fiscal year.

### IV. REQUESTS FOR INFORMATION

This financial report is intended to provide an overview of the finances of Casco Bay Island Transit District's finances for those who have an interest in the organization. Questions concerning any information contained in this report may be directed to Catherine Debo, General Manager, CBITD, P.O. Box 4656, Portland, ME 04112 or by e-mail to [cdebo@cascobaylines.com](mailto:cdebo@cascobaylines.com), or to Barbara Sawtelle, Finance Manager, CBITD at the same address or by e-mail to [barbaras@cascobaylines.com](mailto:barbaras@cascobaylines.com).

Respectfully submitted,



Catherine Debo  
General Manager

CASCO BAY ISLAND TRANSIT DISTRICT

STATEMENTS OF NET ASSETS  
MARCH 31,

	<u>2009</u>	<u>2008</u>
ASSETS		
CURRENT ASSETS:		
Cash	\$ 136,302	\$ 169,400
Accounts receivable (net of allowance for uncollectible accounts)	15,446	22,890
Grants receivable	192,056	170,031
Prepaid expenses	<u>38,627</u>	<u>42,590</u>
TOTAL CURRENT ASSETS	<u>382,431</u>	<u>404,911</u>
NONCURRENT ASSETS		
Capital assets:		
Buildings and equipment, net of accumulated depreciation	5,792,168	6,054,882
Restricted cash	<u>100,000</u>	<u>100,000</u>
	<u>5,892,168</u>	<u>6,154,882</u>
TOTAL ASSETS	<u>\$ 6,274,599</u>	<u>\$ 6,559,793</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Account payable	\$ 202,648	\$ 171,823
Accrued payroll and payroll taxes	54,985	58,392
Accrued compensated absences	50,636	76,861
Accrued pension	129,809	110,412
Accrued interest	11,554	11,800
Other accrued liabilities	7,710	4,637
Line of credit	850,000	800,000
Charter deposits	31,300	33,875
Unearned revenue	22,962	28,286
Bonds payable, current portion	<u>70,000</u>	<u>70,000</u>
TOTAL CURRENT LIABILITIES	<u>1,431,604</u>	<u>1,366,086</u>
LONG-TERM LIABILITIES		
Bonds payable, net of current portion	<u>150,000</u>	<u>220,000</u>
TOTAL LIABILITIES	<u>1,581,604</u>	<u>1,586,086</u>
NET ASSETS		
Invested in capital assets	5,572,168	5,764,882
Restricted net assets	100,000	100,000
Unrestricted net assets	<u>(979,173)</u>	<u>(891,175)</u>
TOTAL NET ASSETS	<u>4,692,995</u>	<u>4,973,707</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,274,599</u>	<u>\$ 6,559,793</u>

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

CASCO BAY ISLAND TRANSIT DISTRICT

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE YEAR/SIX MONTHS ENDED MARCH 31,

	<u>2009</u> <u>(12 months)</u>	<u>2008</u> <u>(6 months)</u>
<b>OPERATING REVENUES</b>		
Passenger fares	\$ 2,133,329	\$ 447,102
Vehicles	745,706	194,357
Freight	489,763	139,615
Mail contract	105,623	45,369
Tours and cruises	264,368	25,719
Charters	206,589	22,775
Catering	161,253	2,698
Miscellaneous	61,077	33,018
<b>TOTAL OPERATING REVENUES</b>	<u>4,167,708</u>	<u>910,653</u>
<b>OPERATING EXPENSES</b>	<u>5,499,828</u>	<u>2,510,080</u>
<b>OPERATING LOSS</b>	<u>(1,332,120)</u>	<u>(1,599,427)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
U.S. Department of Transportation, Federal Transit Administration grant	655,115	329,123
State of Maine grants	241,766	79,896
Interest income	2,421	2,546
Interest expense	(32,936)	(13,287)
<b>TOTAL NONOPERATING REVENUES</b>	<u>866,366</u>	<u>398,278</u>
<b>LOSS BEFORE CAPITAL GRANT REVENUE</b>	<u>(465,754)</u>	<u>(1,201,149)</u>
<b>CAPITAL GRANT REVENUE:</b>		
U.S. Department of Transportation, Federal Transit Administration grant	71,887	82,039
State of Maine grants	113,155	18,226
	<u>185,042</u>	<u>100,265</u>
<b>DECREASE IN NET ASSETS</b>	(280,712)	(1,100,884)
<b>NET ASSETS - APRIL 1</b>	<u>4,973,707</u>	<u>6,074,591</u>
<b>NET ASSETS - MARCH 31</b>	<u>\$ 4,692,995</u>	<u>\$ 4,973,707</u>

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

CASCO BAY ISLAND TRANSIT DISTRICT

STATEMENTS OF EXPENSES  
FOR THE YEAR/SIX MONTHS ENDED MARCH 31,

	2009 <u>(12 months)</u>	2008 <u>(6 months)</u>
OPERATING EXPENSES		
Salaries and wages	\$ 2,037,206	\$ 910,681
Payroll taxes	154,259	66,658
Employee benefits	234,947	113,657
Pension plan	232,009	110,412
Repairs and maintenance	618,779	263,318
Fuel	813,984	328,491
Insurance	109,123	57,280
Telephone	13,137	5,885
Mail agent	10,200	5,100
Office expense	136,281	39,651
Postage	3,856	1,803
Travel	6,071	2,685
Injuries and damages	5,477	4,048
Professional fees	101,743	91,112
Dues and subscriptions	4,013	55,042
Uniforms	14,209	3,360
Training	5,005	5,324
Heat and utilities	65,477	2,084
Janitorial	54,238	35,121
Rent	19,652	22,962
Terminal	108,009	4,896
Advertising	67,746	63,812
Catering	113,579	32,979
Depreciation	521,899	275,276
Amortization	429	214
Miscellaneous	48,500	8,229
	<u>\$ 5,499,828</u>	<u>\$ 2,510,080</u>

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

CASCO BAY ISLAND TRANSIT DISTRICT

STATEMENTS OF CASH FLOWS  
FOR THE YEAR/SIX MONTHS ENDED MARCH 31,

	2009 <u>(12 months)</u>	2008 <u>(6 months)</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 4,167,253	\$ 972,635
Payments to employees	(2,665,583)	(894,923)
Payments to suppliers and vendors	<u>(2,284,291)</u>	<u>(1,311,948)</u>
Net cash provided (used) by operating activities	<u>(782,621)</u>	<u>(1,234,236)</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Federal maintenance grant	704,977	436,868
State subsidy grant	<u>354,921</u>	<u>98,122</u>
Net cash provided by noncapital financing activities	<u>1,059,898</u>	<u>534,990</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	<u>2,421</u>	<u>2,546</u>
Net cash provided by investing activities	<u>2,421</u>	<u>2,546</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of property, plant and equipment	(259,185)	(159,272)
Interest paid	(33,611)	(19,958)
Principal paid on long-term debt	(70,000)	(125,000)
Net increase in borrowings on line of credit	<u>50,000</u>	<u>800,000</u>
Net cash used by capital and related financing activities	<u>(312,796)</u>	<u>495,770</u>
 NET (DECREASE) IN CASH	(33,098)	(200,930)
CASH - APRIL 1, 2008	<u>169,400</u>	<u>370,330</u>
CASH - MARCH 31, 2009	<u>\$ 136,302</u>	<u>\$ 169,400</u>
 RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (1,332,120)	\$ (1,599,427)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	521,899	275,276
Amortization expense	429	214
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	7,444	10,152
(Increase) decrease in prepaid expense	3,963	(18,413)
Increase (decrease) in accounts payable	30,825	114,770
Increase (decrease) in accrued payroll and payroll taxes	(3,407)	15,758
Increase (decrease) in accrued compensated absences	(26,225)	-
Increase (decrease) in accrued pension	19,397	(69,945)
Increase (decrease) in other accrued liabilities	3,073	(14,451)
Increase (decrease) in charter deposits	(2,575)	27,575
Increase (decrease) in unearned revenue	<u>(5,324)</u>	<u>24,255</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (782,621)</u>	<u>\$ (1,234,236)</u>

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

CASCO BAY ISLAND TRANSIT DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED MARCH 31, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Casco Bay Island Transit District operates a year-round ferry service to the islands of Casco Bay as well as tours and charter trips. The District was created by the P&S Law, 1981 Chapter 22 of the State of Maine, as a transit district. The Directors of the District have charge of and supervise the management, operation, and direction of all business and affairs of the District, including the issuance of debt. The Directors of the District are determined by election as provided for in P&S Law, 1981 Chapter 22. The District receives capital grants from local, State of Maine and Federal government sources and operating subsidies from the State of Maine and Federal government sources and must comply with requirements of these funding sources.

Basis of Accounting

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed by the District to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The District also has the option of following subsequent private-sector guidance, subject to the same limitation. The District has elected not to follow subsequent private-sector guidance.

Financial Statement Presentation

The District distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the District's principal ongoing operations. The principal operating revenues of the District is charges to customers for ferry fares; operating expenses include the services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the District considers all purchased government securities to be held on to for three months or less when purchased, to be cash equivalents.

Accounts Receivable

The District provides credit to customers in the District, which consist of businesses and governmental agencies.

CASCO BAY ISLAND TRANSIT DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED MARCH 31, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets owned by the District are stated at the cost to acquire or construct the asset. Routine maintenance and repairs are charged against income. Expenses, which materially increase values, change capacities, or extend useful lives, are capitalized. The provision for depreciation has been computed by the use of the straight line method at rates intended to amortize the cost of the related assets over their estimated useful lives, ranging from 5-25 years.

Restricted Cash and Restricted Net Assets

Restricted cash and restricted net assets are comprised of cash restricted for bond payment.

Accrued Compensated Absences

Employees of the District are entitled to be paid vacation and paid sick days depending on job classification, length of service and other factors. The District's policy is to recognize the cost of sick days when actually paid to employees. There is no liability to pay accrued sick days, as the District is not obligated for payment upon termination of employment. Accrued vacation pay at March 31, 2009 was \$50,636.

Budget

The District is not legally required to adopt a budget. Therefore, no budgetary comparison is presented.

Use of Estimates

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

CASCO BAY ISLAND TRANSIT DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED MARCH 31, 2009

NOTE 2 – CASH AND INVESTMENTS

Deposits

The District's investment policies, which follow state statutes, authorize the District to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Maine, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. These investment policies apply to all District funds.

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The District does not have a policy covering custodial credit risk.

At March 31, 2009, the District's deposits amounting to \$236,302 were comprised of \$175,005, of which \$146,588 was insured by federal depository insurance and consequently was not exposed to custodial credit risk and \$28,417 that was in excess of federal depository insurance, and therefore, not insured or collateralized. In addition, the District had a petty cash balance of \$250 as of March 31, 2009.

NOTE 3 – CAPITAL ASSETS

The following is a summary of the changes in capital assets from March 31, 2009:

	Balance, 4/1/08	Additions	Disposals	Balance, 3/31/09
Non-depreciated assets:				
Construction in progress	\$ -	\$ 36,489	\$ -	\$ 36,489
	<u>-</u>	<u>36,489</u>	<u>-</u>	<u>36,489</u>
Depreciated assets:				
Leasehold improvements	613,855	90,864	(34,714)	670,005
Equipment	678,426	103,840	(40,597)	741,669
Vessels	9,725,970	126,443	(23,140)	9,829,273
	<u>11,018,251</u>	<u>321,147</u>	<u>(98,451)</u>	<u>11,240,947</u>
Less: accumulated depreciation	(4,963,369)	(540,110)	18,211	(5,485,268)
	<u>6,054,882</u>	<u>(218,963)</u>	<u>(80,240)</u>	<u>5,755,679</u>
Net capital assets	<u>\$ 6,054,882</u>	<u>\$ (182,474)</u>	<u>\$ (80,240)</u>	<u>\$ 5,792,168</u>

CASCO BAY ISLAND TRANSIT DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED MARCH 31, 2009

NOTE 4 – LINE OF CREDIT

The District has established an unsecured line of credit with TD Banknorth Inc. of \$1,500,000 for current operating expenses. The interest rate was 3.75% as of March 31, 2009 and had a balance outstanding of \$850,000. The balance is due in September of 2009.

NOTE 5 – LONG-TERM DEBT

A summary of long-term debt is as follows:

	<u>Balance, 4/1/08</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, 3/31/09</u>	<u>Current Portion</u>
Bonds payable	<u>\$ 290,000</u>	<u>\$ -</u>	<u>\$ (70,000)</u>	<u>\$ 220,000</u>	<u>\$ 70,000</u>

The following is a summary of bonds outstanding as of March 31, 2009:

\$350,000, 2004 General Obligation Bond payable, interest rate of 4.4%, annual principal payments of \$20,000 to \$75,000. Maturity in November of 2011.

\$ 220,000

The annual principal and interest requirements to amortize the bonds on the Aucocisco III are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2010	\$ 70,000	\$ 9,680	\$ 79,680
2011	75,000	6,600	81,600
2012	75,000	3,300	78,300
2013	-	-	-
2014	-	-	-
	<u>\$ 220,000</u>	<u>\$ 19,580</u>	<u>\$ 239,580</u>

## CASCO BAY ISLAND TRANSIT DISTRICT

### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED MARCH 31, 2009

#### NOTE 6 – PENSION PLAN

The District has a non-contributory money purchase plan. All employees are eligible to participate in the plan if they are at least 20 years of age and have completed one year of eligible service. The District's contribution rate is 15% of the total compensation of all eligible participants and is funded currently. The plan also reflects credits against current year expense for nonvested amounts of employees who are no longer employed by the District. The District's total contribution for the year ended March 31, 2009 was \$232,009.

#### NOTE 7 – OPERATING LEASES

The District has a lease agreement with the City of Portland to lease their facilities in the Casco Bay Ferry Terminal. The lease began June 1, 1988 and the lease term is for thirty years. The amount of future minimum lease payments had been agreed upon through December 31, 2006. The City of Portland and the District are in the process of establishing the new future lease payments. The increase in minimum rental payments will be no less than the annual rate of inflation for the twelve months immediately preceding September 1, 2005.

The annual rent will be 5% of gross revenues from tours and cruises and charter operations.

The District will pay to the City, no later than November 15 of each year, an amount equal to 5% of gross revenues mentioned above for each fiscal year from April 1st to March 31<sup>st</sup>. This amount will be reduced by the monthly payments already paid to the City during the year. The District is responsible for all costs and expenses related to the Casco Bay Ferry Terminal.

In the lease, the City agreed to establish a maintenance fund to assist the District with major repairs and maintenance of the Terminal facility. The fund will consist of 50% of the annual net revenues (less the City's annual cost of all casualty insurance covering the Terminal) received by the City from the 190 parking spaces in the parking garage adjacent to the Terminal, which were funded by the Federal Transit Administration. The District and the City have not reached an agreement on the appropriate allocation of revenues and expenses at the parking garage.

The District entered into a rental agreement with the State of Maine Department of Transportation for the right to use pier facilities on the islands the District serves. The rental period shall run for a period of twelve years beginning April 1, 1997. In lieu of annual rental payments, the District agrees to perform minor maintenance activities that require prompt attention.

CASCO BAY ISLAND TRANSIT DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED MARCH 31, 2009

NOTE 7 – OPERATING LEASES (CONTINUED)

The total rent and minor repairs expense for the year ended March 31, 2009 was \$43,034.

Future minimum lease payments for the following years are as follows:

2010	\$ 16,000
2011	16,000
2012	16,000
2013	16,000
2014-2018	<u>58,667</u>
	<u>\$ 122,667</u>

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Equipment and three vessels owned and operated by the District were purchased, in part, with grants from the Federal Transit Administration. Upon disposal of the vessels or equipment that sell for more than \$1,000, the District may be required to return a portion of the funds to the FTA in proportion to the original percentage of Federal funds contributed by the FTA. That proportion would be approximately 80%.

CASCO BAY ISLAND TRANSIT DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED MARCH 31, 2009

Pass-through Grantor/ Program Title	<u>CFDA Number</u>	<u>Pass-Through Grantor Number</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF TRANSPORTATION Pass Through Federal Transit Administration: Maine Department of Transportation			
Federal Transit Capital Investment Grants	20.500	ME-03-0044-01	<u>\$ 34,714</u>
Federal Transit Formula Grants	20.507	ME-90-X163-00	49,534
Federal Transit Formula Grants	20.507	ME-90-X168-00	<u>434,425</u>
			<u>483,959</u>
Formula Grants for Other than Urbanized Areas	20.509	ME-18-X042	183,275
Formula Grants for Other than Urbanized Areas	20.509	ME-18-X040	10,000
			<u>193,275</u>
TOTAL FEDERAL AWARDS			<u><u>\$ 711,948</u></u>

CASCO BAY ISLAND TRANSIT DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED MARCH 31, 2009

1. General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards of Casco Bay Island Transit 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 program was considered a major program as defined by OMB Circular A-133:

Federal Transit Formula Grants

CDFA #20.507



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

April 24, 2009

Board of Directors  
Casco Bay Island Transit District  
Portland, Maine

We have audited the financial statements of Casco Bay Island Transit District, as of and for the year ended March 31, 2009, and have issued our report thereon dated April 24, 2009. 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

In planning and performing our audit, we considered Casco Bay Island Transit 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, and not for the purpose of expressing an opinion on the effectiveness of the Casco Bay Island Transit District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the Casco Bay Island Transit District's internal control.

*Proven Expertise and Integrity*

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 Casco Bay Island Transit District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 use of management, Board of Directors, 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



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

April 24, 2009

Board of Directors  
Casco Bay Island Transit District  
Portland, Maine

Compliance

We have audited the compliance of Casco Bay Island Transit District, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended March 31, 2009. Casco Bay Island Transit 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 Casco Bay Island Transit District's management. Our responsibility is to express an opinion on Casco Bay Island Transit 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 Casco Bay Island Transit 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 Casco Bay Island Transit District's compliance with those requirements.

In our opinion, Casco Bay Island Transit District complied in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended March 31, 2009. The results of our auditing procedures disclosed no other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133.

#### Internal Control over Compliance

The management of Casco Bay Island Transit District is responsible for establishing and maintaining effective internal control over with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Casco Bay Island Transit District's 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, 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 Casco Bay Island Transit District's internal control over compliance.

A control deficiency in a District's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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

CASCO BAY TRANSIT DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS –  
SUMMARY OF AUDITORS' RESULTS  
FOR THE YEAR ENDED MARCH 31, 2009

**Summary of Auditor's Results**

- 1) We have issued an unqualified report dated April 24, 2009 on the financial statements of the District which can be found on pages one and two.
- 2) Our statement of significant deficiencies and material weaknesses can be found on pages 26 - 27 as they pertain to our audit of the financial statements for the District.
- 3) Our statement of non-compliance can be found on pages 26 - 27 as they pertain to our audit of the financial statements for the District. Our audit disclosed no instances of non-compliance in regards to the federal programs tested for March 31, 2009.
- 4) Our statement of significant deficiencies and material weakness over major programs can be found on pages 28 - 30 as they pertain to our audit of the financial statements of the District. Our audit disclosed no significant deficiencies or material weaknesses in regard to the major federal programs tested for March 31, 2009
- 5) We have issued an unqualified report dated April 24, 2009 on compliance for major programs for the District on pages 28 - 30.
- 6) Our statements disclosed no audit findings.
- 7) The following major programs were audited as of March 31, 2009:
  - 1) Federal Transit Formula Grants                      CDFA #20.507
- 8) The dollar threshold used to determine Type A and Type B programs as defined by OMB Circular A-133 is \$300,000.
- 9) The auditee qualified as low risk as defined by OMB Circular A-133.
- 10) There were no findings related to the financial statements of the District with GAGAS.
- 11) There were no findings and questioned costs for federal awards to report for the District for the year ended March 31, 2009.



## ACCOUNTANTS' COMPILATION REPORT ON SCHEDULE OF AGREEMENT OPERATIONS AND AGREEMENT SETTLEMENT FORMS

April 24, 2009

Board of Directors  
Casco Bay Island Transit District  
Portland, Maine

We have compiled the accompanying schedule of agreement operations and agreement settlement forms for the Casco Bay Island Transit District as of and for the year ended March 31, 2009 in accordance with standards for accounting and review services established by the American Institute of Certified Public Accountants and the Maine Uniform Accounting and Auditing Practices for Community Agencies(MAAP).

Our compilation was limited to presenting in the form prescribed by the Department of Transportation under Maine Uniform Accounting and Auditing Practices for Community Agencies (MAAP) information that is the representation of the management of the Casco Bay Island Transit District. We have not audited or reviewed the schedule of agreement operations or the agreement settlement form referred to above and, accordingly; do not express an opinion or any other form of assurance on them.

The schedule of agreement operations and agreement settlement forms are presented in accordance with the requirements of MAAP, and are not intended to be a presentation in accordance with accounting principles generally accepted in the United States of America.

This report is intended solely for the information and use of the management of the Casco Bay Island Transit District and is not intended to be and should not be used by anyone other than these specified parties.

*RHR Smith & Company*

Certified Public Accountants

CASCO BAY ISLAND TRANSIT DISTRICT

SCHEDULE OF AGREEMENT OPERATIONS  
FOR THE YEAR ENDED MARCH 31, 2009

PIN #	ME-90-X163 N/A	ME-90-X168 N/A	ME-03-0044 N/A	ME-18-X042 16244	ME-18-X040 13293	16186	Totals
Agreement total:	\$464,408	\$465,182	\$413,592	\$183,275	\$10,000	\$44,412	
Agreement Term:	4/1/08-3/31/09	10/1/07-9/30/10	9/7/06-3/31/09	7/1/08-6/30/10	5/1/08-6/30/11	7/1/08-6/30/09	
Basis of Settlement:	Cost	Cost	Cost	Cost	Cost	Cost	
Status:	Final	Final	Interim	Final	Final	Final	
<b>REVENUES:</b>							
Grants and contracts - Federal	\$ 37,173	\$ 434,425	\$ 34,714	\$ 183,275	\$ 10,000	\$ 44,412	\$ 743,999
Grants and contracts - State	-	-	-	-	-	-	-
Passenger fares	-	-	-	212,844	-	-	212,844
Other Federal revenue	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-
Total revenues	<u>37,173</u>	<u>434,425</u>	<u>34,714</u>	<u>396,119</u>	<u>10,000</u>	<u>44,412</u>	<u>956,843</u>
<b>EXPENDITURES:</b>							
Salaries and benefits	37,173	434,425	34,714	396,119	-	44,412	946,843
Professional fees	-	-	-	-	10,000	-	10,000
Travel/training	-	-	-	-	-	-	-
Advertising	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Vehicle expenses	-	-	-	-	-	-	-
Other - insurance	-	-	-	-	-	-	-
Utilities	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-
Total expenditures	<u>37,173</u>	<u>434,425</u>	<u>34,714</u>	<u>396,119</u>	<u>10,000</u>	<u>44,412</u>	<u>956,843</u>
NET ACTIVITIES	-	-	-	-	-	-	-
OPERATING NET ASSETS - APRIL 1	-	-	-	-	-	-	-
OPERATING NET ASSETS - MARCH 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying Independent Auditors' report on Schedule of Agreement Operations.

AGREEMENT SETTLEMENT FORM

Community Agency:	Casco Bay Island Transit District
Fiscal Year End:	March 31, 2009
Funding Department	Maine Department of Transportation
Agreement Number:	ME-90-X163
Agreement Period:	4/1/08-3/31/09
Agreement Amount	\$464,408

<u>Agreement Totals:</u>	<u>Revenue</u>	<u>Expense</u>	<u>Balance</u>
1. Prior Year Stub Period	\$ 427,235	\$ 427,235	\$ -
2. Current Year Period	37,173	37,173	-
3. Adjustments	-	-	-
4. Per Financial Statements - SAO's	<u>464,408</u>	<u>464,408</u>	-

Agreement Adjustments:

5.	-	-	-
6.	-	-	-
7.	-	-	-
8. Total Adjustments	-	-	-
9. Total Available for Cost Sharing	<u>\$ 464,408</u>	<u>\$ 464,408</u>	<u>\$ -</u>

Agreement Cost Sharing:

<u>Funding Source</u>	<u>Budget</u>	<u>Actual</u>	<u>Available Revenue</u>	<u>Allocated Expense</u>	<u>Balance</u>
10. Agreement	\$ 464,408	100.00%	\$ 464,408	\$ 464,408	\$ -
	-	0.00%	-	-	-
Totals	<u>\$ 464,408</u>	<u>100.00%</u>	<u>\$ 464,408</u>	<u>\$ 464,408</u>	<u>\$ -</u>

Notes:

NONE

AGREEMENT SETTLEMENT FORM (ASF)

Community Agency:	Casco Bay Island Transit District
Fiscal Year End:	March 31, 2009
Funding Department:	Maine Department of Transportation
Agreement Number:	ME-90-X168
Agreement Period:	10/1/07-9/30/10
Agreement Amount:	\$465,182

	<u>Revenue</u>	<u>Expense</u>	<u>Balance</u>
<u>Agreement Totals:</u>			
1. Prior Year Stub Period	\$ 30,757	\$ 30,757	\$ -
2. Current Year Period	434,425	434,425	-
3. Adjustments	<u>-</u>	<u>-</u>	<u>-</u>
4. Per Financial Statements - SAO's	<u>465,182</u>	<u>465,182</u>	<u>-</u>

Agreement Adjustments:

5.	-	-	-
6.	-	-	-
7.	<u>-</u>	<u>-</u>	<u>-</u>
8. Total Adjustments	<u>-</u>	<u>-</u>	<u>-</u>
9. Total Available for Cost Sharing	<u><u>\$ 465,182</u></u>	<u><u>\$ 465,182</u></u>	<u><u>\$ -</u></u>

Agreement Cost Sharing:

<u>Funding Source</u>	<u>Budget</u>	<u>Actual</u>	<u>Available Revenue</u>	<u>Allocated Expense</u>	<u>Balance</u>
10. Agreement	\$ 465,182	100.00%	\$ 465,182	\$ 465,182	\$ -
	<u>-</u>	<u>0.00%</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u><u>\$ 465,182</u></u>	<u><u>100.00%</u></u>	<u><u>\$ 465,182</u></u>	<u><u>\$ 465,182</u></u>	<u><u>\$ -</u></u>

Notes:  
NONE

AGREEMENT SETTLEMENT FORM (ASF)

Community Agency:	Casco Bay Island Transit District
Fiscal Year End:	March 31, 2009
Funding Department:	Maine Department of Transportation
Agreement Number:	ME-18-X042
Agreement Period:	7/1/08-6/30/10
Agreement Amount:	\$183,275

<u>Agreement Totals:</u>	<u>Revenue</u>	<u>Expense</u>	<u>Balance</u>
1. Prior Year Stub Period	\$ -	\$ -	\$ -
2. Current Year Period	396,119	396,119	-
3. Adjustments	<u>-</u>	<u>-</u>	<u>-</u>
4. Per Financial Statements - SAO's	<u>396,119</u>	<u>396,119</u>	<u>-</u>

Agreement Adjustments:

5.	-	-	-
6.	-	-	-
7.	<u>-</u>	<u>-</u>	<u>-</u>
8. Total Adjustments	<u>-</u>	<u>-</u>	<u>-</u>
9. Total Available for Cost Sharing	<u><u>\$ 396,119</u></u>	<u><u>\$ 396,119</u></u>	<u><u>\$ -</u></u>

Agreement Cost Sharing:

<u>Funding Source</u>	<u>Budget</u>	<u>Actual</u>	<u>Available Revenue</u>	<u>Allocated Expense</u>	<u>Balance</u>
10. Agreement	\$ 183,275	46.27%	\$ 183,275	\$ 183,275	\$ -
	<u>212,844</u>	<u>53.73%</u>	<u>212,844</u>	<u>212,844</u>	<u>-</u>
Totals	<u><u>\$ 396,119</u></u>	<u><u>100.00%</u></u>	<u><u>\$ 396,119</u></u>	<u><u>\$ 396,119</u></u>	<u><u>\$ -</u></u>

Notes:

NONE

AGREEMENT SETTLEMENT FORM (ASF)

Community Agency:	Casco Bay Island Transit District
Fiscal Year End:	March 31, 2009
Funding Department:	Maine Department of Transportation
Agreement Number:	ME-18-X040
Agreement Period:	5/1/08-6/30/11
Agreement Amount:	\$10,000

<u>Agreement Totals:</u>	<u>Revenue</u>	<u>Expense</u>	<u>Balance</u>
1. Prior Year Stub Period	\$ -	\$ -	\$ -
2. Current Year Period	10,000	10,000	-
3. Adjustments	<u>-</u>	<u>-</u>	<u>-</u>
4. Per Financial Statements - SAO's	<u>10,000</u>	<u>10,000</u>	<u>-</u>

Agreement Adjustments:

5.	-	-	-
6.	-	-	-
7.	<u>-</u>	<u>-</u>	<u>-</u>
8. Total Adjustments	<u>-</u>	<u>-</u>	<u>-</u>
9. Total Available for Cost Sharing	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ -</u>

Agreement Cost Sharing:

<u>Funding Source</u>	<u>Budget</u>	<u>Actual</u>	<u>Available Revenue</u>	<u>Allocated Expense</u>	<u>Balance</u>
10. Agreement	\$ 10,000	100.00%	\$ 10,000	\$ 10,000	\$ -
	<u>-</u>	<u>0.00%</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 10,000</u>	<u>100.00%</u>	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ -</u>

Notes:

NONE

AGREEMENT SETTLEMENT FORM (ASF)

Community Agency:	Casco Bay Island Transit District
Fiscal Year End:	March 31, 2009
Funding Department	Maine Department of Transportation
Agreement Number:	16186
Agreement Period:	7/1/08-6/30/09
Agreement Amount	\$44,412

<u>Agreement Totals:</u>	<u>Revenue</u>	<u>Expense</u>	<u>Balance</u>
1. Prior Year Stub Period	\$ -	\$ -	\$ -
2. Current Year Period	44,412	44,412	-
3. Adjustments	<u>-</u>	<u>-</u>	<u>-</u>
4. Per Financial Statements - SAO's	<u>44,412</u>	<u>44,412</u>	<u>-</u>

Agreement Adjustments:

5.	-	-	-
6.	-	-	-
7.	<u>-</u>	<u>-</u>	<u>-</u>
8. Total Adjustments	<u>-</u>	<u>-</u>	<u>-</u>
9. Total Available for Cost Sharing	<u>\$ 44,412</u>	<u>\$ 44,412</u>	<u>\$ -</u>

Agreement Cost Sharing:

<u>Funding Source</u>	<u>Budget</u>	<u>Actual</u>	<u>Available Revenue</u>	<u>Allocated Expense</u>	<u>Balance</u>
10. Agreement	\$ 44,412	100.00%	\$ 44,412	\$ 44,412	\$ -
	<u>-</u>	<u>0.00%</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 44,412</u>	<u>100.00%</u>	<u>\$ 44,412</u>	<u>\$ 44,412</u>	<u>\$ -</u>

Notes:

NONE