



Casco Bay Island Transit District

FINANCIAL STATEMENTS

September 30, 2025 and 2024

With Independent Auditor's Report

and

Supplementary Information and Government Reports in Accordance with the *Uniform Guidance* and *Maine Uniform Accounting and Auditing Practices Act for Community Agencies*

CASCO BAY ISLAND TRANSIT DISTRICT

Financial Statements

Years Ended September 30, 2025 and 2024

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Casco Bay Island Transit District

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of the Casco Bay Island Transit District (the District), which comprise the statements of net position as of September 30, 2025 and 2024, and the related statements of revenues, expenses, and changes net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the District as of September 30, 2025 and 2024, and the changes in financial position and cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles (U.S. GAAP).

Basis for Opinion

We conducted our audits in accordance with U.S. generally accepted auditing standards (U.S. GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principles

As discussed in Note 1 to the financial statements, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statements No. 101, *Compensated Absences* and No. 102, *Certain Risk Disclosures* during the year ended September 30, 2025. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

U.S. GAAP require that the management's discussion and analysis of financial condition and results of operations on pages 4 to 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. GAAS, which consisted of inquiries of management about 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 do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The following accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements:

1. Statements of Operating Expenses;
2. Schedule of Expenditures of Federal Awards (SEFA), as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and related notes to the SEFA; and
3. Schedule of Expenditures of Department Agreements (SEDA), as required by the *Maine Uniform Accounting and Auditing Practices Act for Community Agencies*, and related notes to the SEDA.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. GAAS. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated **REPORT DATE** on our consideration of the 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 solely 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 effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Manchester, New Hampshire
REPORT DATE

CASCO BAY ISLAND TRANSIT DISTRICT

Management's Discussion and Analysis of Financial Condition and Results of Operations (Unaudited)

The Management of the Casco Bay Island Transit District (herein referred to as "the District") offers readers of our financial statements the following narrative overview and analysis of our financial activities for the fiscal years ended September 30, 2025 and 2024.

This Management's Discussion and Analysis of Financial Condition and Results of Operations provides an opportunity, through narrative, for the District's management to identify elements of the audited financial statements that might be of particular interest to the reader. Please read it in conjunction with the District's financial statements.

Prologue

Revenues for the year ended September 30, 2025 were above budget by 1.7% and expenses were below budget by 4.6%. As compared to the year ended September 30, 2024, revenues for the year ended September 30, 2025 were 1.7% higher than in 2024 and 2025 expenses were higher than in 2024 by 3.5%.

2025 Financial Highlights

Statement of Net Position:

As of September 30, 2025:

- Total current assets decreased approximately \$400 thousand from the prior year primarily due to decreases in grants receivable.
- Total noncurrent assets increased by \$6.1 million over the prior year primarily due to construction in progress additions of \$5.4 million and vessel and leasehold improvement additions of \$1.7 million netted with depreciation expense of \$913 thousand.
- Total liabilities increased by \$153 thousand over the prior year primarily due to increases in accounts payable and accrued expenses.
- Total net position increased by \$5.5 million due to an overall operating loss of \$3.6 million, nonoperating revenues of \$3.3 million, and total capital grant revenues of \$5.8 million.

Statement of Revenues, Expenses, and Changes in Net Position:

Revenues:

Year to date (YTD), 2025:

YTD operating revenues were \$7.4 million and were below budget by 1.4% and 5.3% above 2024.

- Scheduled passenger revenues YTD of \$3.7 million were 3.5% below budget and were ahead 7.3% compared to 2024.
- Vehicle revenues YTD of \$1.6 million were 3% above budget and 3.8% above 2024.
- Freight revenues YTD of \$1.1 million were 6.3% above budget and 6.9% above 2024.
- Group sales YTD of \$1.1 million were below budget by 7.1% and 0.2% below 2024.

CASCO BAY ISLAND TRANSIT DISTRICT

Management's Discussion and Analysis of Financial Condition and Results of Operations (Unaudited)

Expenses:

YTD, 2025:

Expenses were 4.9% under budget and were 3.5% above 2024.

- Personnel expenses YTD were 3.7% below budget and 7.9% above 2024.
- Vessel maintenance expenses were 12.4% under budget and 11.2% below 2024.
 - Aucocisco drydock total was \$140 thousand below budget.
 - Maquoit emergency drydock for crack in hull plating. \$33 thousand expense in February for port rudder rebuild and replacing the exhaust manifold and injectors. \$12 thousand expense in September for exhaust repairs.
 - Machigonne drydock was \$115 thousand below budget. \$5 thousand for radar repairs on the Machigonne.
 - Fuel expense YTD budgeted at \$936 thousand and as of September YTD was at \$926 thousand, compared to \$1.0 million YTD in 2024 (8.2% reduction). This was due to a fuel price lock of \$3.29 as of Oct 2024 versus \$3.487 in the prior year.
- Operations expenses were 6.2% above budget and 30.1% above last YTD.
 - Barge subcontracting \$183 thousand this year compared to \$36 thousand in 2024 due to Machigonne drydock.
 - Legal fees of \$125 thousand this year compared to \$60 thousand in 2024 due to rate increases and Public Utilities Commission (PUC) filings.
- Terminal expenses were 4.8% below budget and 15.9% below last YTD.
- Sales expenses YTD were 13.6% below budget and 15.7% below last YTD.

Operating Surplus/Loss:

YTD, 2025:

2025 operating result of (\$3.6) million was 12.7% better than budget and flat compared to 2024 (\$3.6) million.

Nonoperating Revenues:

YTD, 2025:

Nonoperating revenue YTD of \$3.3 million was 2.6% below budget and 8.8% below 2024 at \$3.7 million.

CASCO BAY ISLAND TRANSIT DISTRICT

Management's Discussion and Analysis of Financial Condition and Results of Operations (Unaudited)

Surplus/Loss:

YTD, 2025:

2025 YTD result was (\$319) thousand loss compared to budgeted break-even.

Line of Credit Balance: Currently \$0 with an available credit balance of \$2,000,000.

2024 Financial Highlights

Statement of Net Position:

As of September 30, 2024:

- Total current assets increased approximately \$1.41 million over the prior year primarily due to increases in cash balances from increases in passenger fare revenue.
- Total noncurrent assets increased by \$8.6 million over the prior year primarily due to construction in progress additions of \$8.7 million netted with depreciation expense of \$780 thousand
- Total liabilities decreased by \$656 thousand over the prior year primarily due to decreases in deferred reserve fund balances and reductions in subscription liabilities.
- Total net position increased by \$10.7 million due to an overall operating loss of \$3.6 million, non operating revenues of \$3.5 million, and total capital grant revenues of \$10.8 million.

Statement of Revenues, Expenses, and Changes in Net Position:

Revenues:

Year to date (YTD), 2024:

YTD operating revenues were \$7.0 million and were 15.2% ahead of budget and 18.4% above 2023.

- Scheduled passenger revenues YTD of \$3.4 million were 35.5% above budget and were ahead 28% compared to 2023.
- Vehicle revenues YTD of \$1.5 million were 2.9% above budget and were ahead 3.7% compared to 2023.
- Freight revenues YTD of \$998 thousand were 5.2% below budget and 5.5% above 2023.
- Group sales YTD of \$1.0 million closed 9.8% above budget and 28.0% above 2023.

CASCO BAY ISLAND TRANSIT DISTRICT

Management's Discussion and Analysis of Financial Condition and Results of Operations (Unaudited)

Expenses:

YTD, 2024:

Expenses were 2.0% over budget and were 2.3% above 2023.

- Personnel expenses YTD were 5.7% below budget and 5.2% above 2023.
- Vessel maintenance expenses were 12.2% under budget and 2.4% above 2023.
 - Machigonne repairs expense at \$194 thousand compared to budget of \$101 thousand, includes emergency drydock and propeller replacements.
 - Wabanaki drydock was completed in March, \$332K in expense compared to budget of \$325 thousand.
 - Maquoit drydock in March/April/May, total expense of \$390 thousand compared to budget of \$675 thousand.
 - Aucocisco drydock in May/June, total expense of \$213 thousand compared to budget of \$345 thousand.
 - Fuel expense YTD was budgeted at \$1.13 million and, as of September 30, 2024, was at \$1 million. Fuel was price locked at \$3.487 in 2024 and \$3.45 in 2023.
- Operations expenses were 0.9% under budget and 2.3% above last YTD.
 - Unbudgeted Consulting expense of \$77 thousand for FTA Triennial Review and GM transition YTD.
 - \$161 thousand less in Barge Subcontracting in 2024 compared with 2023.
 - Increased expense for Annual Audit; \$54 thousand YTD in 2024 compared to \$18 thousand in 2023.
 - Increased credit card fees of 16% in 2024 compared to 2023 due to increased revenue.
 - Vessel Vanguard Preventive Maintenance Software.
 - Purchase of two copiers in November for approximately \$18 thousand.
- Terminal expenses were 11.3% above budget and 14.0% below last YTD.
 - Security expenses were less than budgeted YTD by 20% \$40.5 thousand, and over prior year by 57% \$58 thousand.
- Sales expenses YTD were 19% below budget and 3.4% above last YTD.

CASCO BAY ISLAND TRANSIT DISTRICT

Management's Discussion and Analysis of Financial Condition and Results of Operations (Unaudited)

Operating Surplus/Loss:

YTD, 2024:

2024 operating result of (\$3.630) million was 12.8% better than budget and 18.9% better than 2023 of (\$4.477) million.

Nonoperating Revenues:

YTD, 2024:

Nonoperating revenue YTD of \$3.5 million was 7.3% below budget and 18% below 2023 at \$4.3 million.

Surplus/Loss:

YTD, 2024:

2024 YTD result was (\$95) thousand loss compared to budgeted break-even.

Line of Credit Balance: Currently \$0 with an available credit balance of \$2,000,000.

Economic Outlook

In June 2025, the District saw a small increase in ridership and implemented a fare increase for passenger vehicles and commercial vehicles for the first time since 2009. The District's seasonal workforce staffing levels have continued to rebound. The District has continued to see higher costs for repairs, materials, and supplies as well as outside contractors and has used Preventative Maintenance State of Good Repair formula funds made available through Federal Transit Administration (FTA) and State of Maine. The District's planned capital investments continued in 2025 for design and construction of the District's replacement vessels with funding from a variety of sources.

Looking ahead, the District's Board of Directors is considering a large vehicle rate adjustment and methodology change (space vs. gross vehicle weight) as well as a freight rate adjustment in the coming year. It has been over 15 years since freight rates were adjusted. The District is fully funded in fiscal year 2026 with the inclusion of the Portland Area Comprehensive Transportation System (PACTS) 2026 allocations of FTA 5307 & 5337 formula funds for preventative maintenance and planned capital investments.

CASCO BAY ISLAND TRANSIT DISTRICT

**Management's Discussion and Analysis of Financial Condition
and Results of Operations (Unaudited)**

Requests for Information

This financial report is intended to provide an overview of the finances of the Casco Bay Island Transit District. Questions concerning any information contained in this report should be directed to the following:

Respectfully submitted,

Benjamin Dinsmore
General Manager

Laurie Pulver
Director of Finance and HR

DRAFT

CASCO BAY ISLAND TRANSIT DISTRICT

Statements of Net Position

September 30, 2025 and 2024

	<u>Operating</u>	<u>Garage Funds</u>	<u>Maintenance and Capital Reserve</u>	<u>2025</u>	<u>2024</u>
Assets					
Current assets					
Cash and cash equivalents	\$ 3,681,085	\$ 268,589	\$ 401,332	\$ 4,351,006	\$ 4,194,888
Accounts receivable	126,272	-	-	126,272	153,702
Grants receivable	632,422	-	-	632,422	1,344,630
Inventory	72,454	-	-	72,454	68,702
Prepaid items	281,959	-	-	281,959	101,334
	<u>4,794,192</u>	<u>268,589</u>	<u>401,332</u>	<u>5,464,113</u>	<u>5,863,256</u>
Noncurrent assets					
Capital assets					
Construction in progress	41,045,311	-	-	41,045,311	35,677,086
Buildings and equipment, net of accumulated depreciation	9,426,224	-	-	9,426,224	8,608,345
Subscription assets	421,455	-	-	421,455	515,597
Lease assets	192,996	-	-	192,996	207,842
	<u>51,085,986</u>	<u>-</u>	<u>-</u>	<u>51,085,986</u>	<u>45,008,870</u>
	<u>55,880,178</u>	<u>268,589</u>	<u>401,332</u>	<u>56,550,099</u>	<u>50,872,126</u>
Liabilities					
Current liabilities					
Accounts payable	1,211,866	-	-	1,211,866	1,108,519
Accrued payroll and payroll taxes	137,137	-	-	137,137	108,692
Accrued compensated absences	217,646	-	-	217,646	204,794
Accrued pension	371,352	-	-	371,352	322,439
Other accrued liabilities	440,280	-	-	440,280	313,642
Current portion of lease liabilities	13,147	-	-	13,147	12,491
Current portion of subscription liabilities	97,425	-	-	97,425	94,249
Deferred reserve fund	-	268,589	-	268,589	329,182
	<u>2,488,853</u>	<u>268,589</u>	<u>-</u>	<u>2,757,442</u>	<u>2,494,008</u>
Noncurrent liabilities					
Lease liabilities, net of current portion	216,899	-	-	216,899	230,046
Subscription liabilities, net of current portion	363,000	-	-	363,000	460,425
	<u>579,899</u>	<u>-</u>	<u>-</u>	<u>579,899</u>	<u>690,471</u>
	<u>3,068,752</u>	<u>268,589</u>	<u>-</u>	<u>3,337,341</u>	<u>3,184,479</u>
Net position					
Net investment in capital assets	49,820,285	-	-	49,820,285	43,453,650
Restricted	-	-	401,332	401,332	392,441
Unrestricted	2,991,141	-	-	2,991,141	3,841,556
	<u>\$ 52,811,426</u>	<u>\$ -</u>	<u>\$ 401,332</u>	<u>\$ 53,212,758</u>	<u>\$ 47,687,647</u>

The accompanying notes are an integral part of these financial statements.

CASCO BAY ISLAND TRANSIT DISTRICT

Statements of Revenues, Expenses, and Changes in Net Position

For the Years Ended September 30, 2025 and 2024

	<u>Operating</u>	<u>Garage Funds</u>	<u>Maintenance and Capital Reserve</u>	<u>2025</u>	<u>2024</u>
Operating revenues					
Passenger fares	\$ 3,650,329	\$ -	\$ -	\$ 3,650,329	\$ 3,401,792
Vehicles	1,570,650	-	-	1,570,650	1,513,474
Freight	1,067,211	-	-	1,067,211	998,370
Mail contract	375,646	-	-	375,646	360,754
Tours and cruises	221,240	-	-	221,240	211,253
Charters	407,547	-	-	407,547	450,066
Miscellaneous	69,976	-	-	69,976	54,104
Total operating revenues	<u>7,362,599</u>	-	-	<u>7,362,599</u>	<u>6,989,813</u>
Operating expenses	<u>10,993,846</u>	-	-	<u>10,993,846</u>	<u>10,619,667</u>
Operating loss	<u>(3,631,247)</u>	-	-	<u>(3,631,247)</u>	<u>(3,629,854)</u>
Nonoperating revenues (expenses)					
U.S. Department of Transportation, Federal Transit Administration grant	3,229,774	-	-	3,229,774	3,435,014
State of Maine grants	68,444	-	-	68,444	68,444
Interest income	36,693	-	8,891	45,584	65,316
Interest expense	(31,718)	-	-	(31,718)	(34,147)
Total nonoperating revenues	<u>3,303,193</u>	-	<u>8,891</u>	<u>3,312,084</u>	<u>3,534,627</u>
Loss before capital grant revenues	<u>(328,054)</u>	-	<u>8,891</u>	<u>(319,163)</u>	<u>(95,227)</u>
Capital grant revenues					
State of Maine grants	5,844,274	-	-	5,844,274	9,859,257
Other capital grants	-	-	-	-	912,361
Total capital grant revenues	<u>5,844,274</u>	-	-	<u>5,844,274</u>	<u>10,771,618</u>
Change in net position	5,516,220	-	8,891	5,525,111	10,676,391
Net position, beginning of year	<u>47,295,206</u>	-	<u>392,441</u>	<u>47,687,647</u>	<u>37,011,256</u>
Net position, end of year	<u>\$ 52,811,426</u>	<u>\$ -</u>	<u>\$ 401,332</u>	<u>\$ 53,212,758</u>	<u>\$ 47,687,647</u>

The accompanying notes are an integral part of these financial statements.

CASCO BAY ISLAND TRANSIT DISTRICT

Statements of Cash Flows

For the Years Ended September 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities		
Receipts from customers	\$ 7,329,436	\$ 6,189,021
Payments to employees	(5,381,944)	(5,102,884)
Payments to suppliers and vendors	(5,135,967)	(5,277,034)
Net cash used by operating activities	<u>(3,188,475)</u>	<u>(4,190,897)</u>
Cash flows from noncapital financing activities		
Federal maintenance grant	3,298,218	3,503,458
State subsidy grant	<u>6,556,482</u>	<u>10,721,771</u>
Net cash provided by noncapital financing activities	<u>9,854,700</u>	<u>14,225,229</u>
Cash flow from investing activities		
Interest on investments	<u>45,584</u>	<u>65,316</u>
Net cash provided by investing activities	<u>45,584</u>	<u>65,316</u>
Cash flows from capital and related financing activities		
Acquisition of capital assets	(6,523,973)	(8,738,738)
Interest paid	<u>(31,718)</u>	<u>(34,147)</u>
Net cash used by capital and related financing activities	<u>(6,555,691)</u>	<u>(8,772,885)</u>
Net increase in cash and cash equivalents	156,118	1,326,763
Cash and cash equivalents, beginning of year	<u>4,194,888</u>	<u>2,868,125</u>
Cash and cash equivalents, end of year	<u>\$ 4,351,006</u>	<u>\$ 4,194,888</u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (3,631,247)	\$ (3,629,854)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation expense	913,099	780,370
Amortization expense	108,988	108,988
Changes in operating assets and liabilities:		
Decrease (increase) in		
Accounts receivable	27,430	21,452
Other assets	(184,377)	(57,674)
(Decrease) increase in		
Accounts payable	(471,883)	(750,257)
Compensated absences	12,852	(24,908)
Other liabilities	97,256	183,230
Deferred revenue fund	<u>(60,593)</u>	<u>(822,244)</u>
Net cash used by operating activities	<u>\$ (3,188,475)</u>	<u>\$ (4,190,897)</u>
Supplementary disclosure of cash flow information:		
Capital assets in accounts payable	<u>\$ 575,230</u>	<u>\$ 758,009</u>

The accompanying notes are an integral part of these financial statements.

CASCO BAY ISLAND TRANSIT DISTRICT

Notes to Financial Statements

September 30, 2025 and 2024

1. Reporting Entity

Casco Bay Island Transit District (the 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 Private and Special Laws of the State of Maine (P&S Law), 1981 Chapter 22 of the State of Maine, as a transit district. The Board of 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 Board of Directors of the District are determined by election as provided for 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.

The District's financial statements are prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing U.S. GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the District has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the District has chosen not to do so.

The District's financial statements include all accounts and all operations of the District. Management has determined the District has no component units as defined by GASB.

2. Summary of Significant Accounting Policies

Recently Adopted Accounting Pronouncements

During the year ended September 30, 2025, the District adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences* and GASB Statement No. 102, *Certain Risk Disclosures*. The adoption of the statements and related guidance during the year ended September 30, 2025 did not have a material impact of the financial statements of the District.

Basis of Accounting

The accompanying financial statements of the District were prepared in accordance with U.S. GAAP and as prescribed by GASB, which is the primary standard-setting body for establishing governmental accounting and financial reporting principles. The District uses enterprise fund reporting, which uses the economic resources measurement focus and the accrual basis of accounting.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

It is the District's policy to value investments at fair value. None of the District's investments are reported at amortized cost.

CASCO BAY ISLAND TRANSIT DISTRICT

Notes to Financial Statements

September 30, 2025 and 2024

2. Summary of Significant Accounting Policies (Continued)

Receivables

Receivables include amounts due from governmental agencies and local businesses. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Accounts and grants receivable were \$758,694 and \$1,498,332 as of September 30, 2025 and 2024, respectively. There was no allowance for uncollectible accounts deemed necessary.

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 and more than one year of useful life are reported at historical cost or estimated historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives.

The assets are valued at historical cost when available and estimated historical cost where actual invoices or budgetary data were unavailable. Donated capital assets are reported at their fair market value on the date received. All retirements have been recorded by eliminating the net carrying values.

Estimated useful lives are as follows:

Leasehold improvements	20 – 50
Equipment	3 – 50
Vessels	3 – 30

Leases

The District has a lease with a third party tenant who lease portions of the District's facilities owned and operated by the District. The present value of these leases is valued at inception and periodically revalued in accordance with GASB Statement No. 87, *Leases*.

Subscription-Based Information Technology Arrangements

The District is party to two subscription-based information technology arrangements (SBITAs). The District recognizes subscription liabilities and intangible right-of-use subscription asset (subscription asset) in the statements of net position. The District reports SBITA current expenditures in the statements of revenues, expenditures, and changes in net position. The District recognizes subscription liabilities with an initial term greater than twelve months. Remaining subscription terms range from one to seven years with fixed payments due monthly and annually. For SBITAs with a maximum possible term of twelve months or less at commencement, the District the recognizes expenses based on the provisions of the arrangement.

CASCO BAY ISLAND TRANSIT DISTRICT

Notes to Financial Statements

September 30, 2025 and 2024

2. Summary of Significant Accounting Policies (Continued)

Subscription-Based Information Technology Arrangements (Concluded)

At the commencement of a SBITA, the District initially measures the subscription liability at the present value of expected subscription payments to be made over the SBITA term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the initial measurement of the subscription liability, adjusted for payments associated with the SBITA contract made to the vendor at the commencement of the subscription term, plus any capitalizable initial implementation costs, less any vendor incentives received at the commencement of the subscription term. Subsequently, the subscription asset is amortized on a straight-line basis over the shorter of the useful life of the IT asset or subscription term.

Key estimates and judgments related to SBITAs include how the District determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) the subscription term, and (3) subscription payments.

The District uses prime rate at the commencement date of the contract as the discount rate. The subscription term includes the noncancellable period during which the District has a noncancellable right to use the underlying IT assets. The subscription term also includes periods covered by an option to extend if reasonably certain the District or vendor will exercise that option or to terminate if it is reasonably certain that the District or vendor will not exercise that option. Subscription payments included in the measurement of the subscription liability are composed of fixed payments only.

The District monitors changes in circumstances that would require a remeasurement of a SBITA and will remeasure the subscription asset and subscription liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

Subscription assets are reported with noncurrent assets and subscription liabilities, net of current portion are reported with noncurrent liabilities on the statements of net position.

Net Position

Net position represents the difference between all other elements in a statements of net position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, subscription assets, and lease assets reduced by the outstanding balances of any borrowing used for those assets and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation's adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or restricted net position.

CASCO BAY ISLAND TRANSIT DISTRICT

Notes to Financial Statements

September 30, 2025 and 2024

2. Summary of Significant Accounting Policies (Concluded)

Operating/Nonoperating Proprietary Fund Revenues

Operating revenues consist mainly of direct revenue sources and/or charges for services applicable to that fund's ongoing operations. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Use of Estimates

During the preparation of the District's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent items as of the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results may differ from these estimates.

3. 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 September 30, 2025, the District's deposits amounting to \$4,351,006 were comprised of bank deposits of \$4,329,255. Bank deposits are adjusted primarily by outstanding checks and deposits in transit to reconcile to the District's cash and cash equivalents. Of these deposits, \$250,000 was insured by federal depository insurance and consequently was not exposed to custodial credit risk. The District also has an overnight repurchase agreement for their checking account in the amount of \$4,079,255 that is also insured by a third-party agreement. In addition, the District had a petty cash/change fund balance of \$6,750 as of September 30, 2025.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 250,000
Repurchase agreement	<u>4,079,255</u>
	<u>\$ 4,329,255</u>

CASCO BAY ISLAND TRANSIT DISTRICT

Notes to Financial Statements

September 30, 2025 and 2024

4. Capital Assets

Capital assets activity for the year ended September 30, 2025 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Ending Balance</u>
Cost					
Construction in progress	\$ 35,677,086	\$ 7,099,203	\$ -	\$ (1,730,978)	\$ 41,045,311
Leasehold improvements	4,430,072	-	-	670,040	5,100,112
Equipment	1,986,139	-	-	134,915	2,121,054
Vessels	<u>19,002,998</u>	<u>-</u>	<u>-</u>	<u>926,023</u>	<u>19,929,021</u>
Total capital assets, at cost	<u>61,096,295</u>	<u>7,099,203</u>	<u>-</u>	<u>-</u>	<u>68,195,498</u>
Accumulated depreciation					
Leasehold improvements	(2,132,837)	(207,549)	-	-	(2,340,386)
Equipment	(1,472,311)	(35,890)	-	-	(1,508,201)
Vessels	<u>(13,205,716)</u>	<u>(669,660)</u>	<u>-</u>	<u>-</u>	<u>(13,875,376)</u>
Total accumulated depreciation	<u>(16,810,864)</u>	<u>(913,099)</u>	<u>-</u>	<u>-</u>	<u>(17,723,963)</u>
Capital assets, net	<u>\$ 44,285,431</u>	<u>\$ 6,186,104</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,471,535</u>

Capital assets activity for the year ended September 30, 2024 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Ending Balance</u>
Cost					
Construction in progress	\$ 27,018,636	\$ 8,658,450	\$ -	\$ -	\$ 35,677,086
Leasehold improvements	4,430,072	-	-	-	4,430,072
Equipment	1,952,408	33,731	-	-	1,986,139
Vessels	<u>18,198,432</u>	<u>804,566</u>	<u>-</u>	<u>-</u>	<u>19,002,998</u>
Total capital assets, at cost	<u>51,599,548</u>	<u>9,496,747</u>	<u>-</u>	<u>-</u>	<u>61,096,295</u>
Accumulated depreciation					
Leasehold improvements	(1,979,389)	(153,448)	-	-	(2,132,837)
Equipment	(1,435,218)	(37,093)	-	-	(1,472,311)
Vessels	<u>(12,615,887)</u>	<u>(589,829)</u>	<u>-</u>	<u>-</u>	<u>(13,205,716)</u>
Total accumulated depreciation	<u>(16,030,494)</u>	<u>(780,370)</u>	<u>-</u>	<u>-</u>	<u>(16,810,864)</u>
Capital assets, net	<u>\$ 35,569,054</u>	<u>\$ 8,716,377</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,285,431</u>

CASCO BAY ISLAND TRANSIT DISTRICT

Notes to Financial Statements

September 30, 2025 and 2024

5. Noncurrent Liabilities

Noncurrent liability activity for the years ended September 30 was as follows:

	Balance October 1, <u>2024</u>	<u>Additions</u>	<u>Reductions</u>	Balance September 30, <u>2025</u>	Due in One Year
Lease liabilities (Note 8)	\$ 242,537	\$ -	\$ (12,491)	\$ 230,046	\$ 13,147
Subscription liabilities (Note 9)	<u>554,674</u>	<u>-</u>	<u>(94,249)</u>	<u>460,425</u>	<u>97,425</u>
	<u>\$ 797,211</u>	<u>\$ -</u>	<u>\$ (106,740)</u>	<u>\$ 690,471</u>	<u>\$ 110,572</u>
	Balance October 1, <u>2023</u>	<u>Additions</u>	<u>Reductions</u>	Balance September 30, <u>2024</u>	Due in One Year
Lease liabilities (Note 8)	\$ 254,405	\$ -	\$ (11,868)	\$ 242,537	\$ 12,491
Subscription liabilities (Note 9)	<u>645,851</u>	<u>-</u>	<u>(91,177)</u>	<u>554,674</u>	<u>94,249</u>
	<u>\$ 900,256</u>	<u>\$ -</u>	<u>\$ (103,045)</u>	<u>\$ 797,211</u>	<u>\$ 106,740</u>

6. 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 compensated absences at September 30, 2025 and 2024 was \$217,646 and \$204,794, respectively.

7. 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. Effective March 16, 2011, the rate changed to 8% for new participants to the plan. 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 contributions for the years ended September 30, 2025 and 2024 were \$378,286 and \$321,161, respectively.

8. Leases

The District has a lease agreement with the City of Portland (the City) to lease their facilities in the Casco Bay Ferry Terminal. The lease began March 5th, 1985 and the renewal lease term is for twenty years following the date of the lease amendment on October 1, 2018. The amount of future minimum lease payments had been agreed upon through September 30, 2038. The increase in minimum rental payments will be no less than the annual rate of inflation for the twelve months immediately preceding but in no event shall exceed 5%.

CASCO BAY ISLAND TRANSIT DISTRICT

Notes to Financial Statements

September 30, 2025 and 2024

8. Leases (Continued)

The annual rent will be the greater of \$20,000 or 5.4% of gross revenues from tours, cruises, and charter operations and the food establishment subject to the inflation adjustment.

The District will pay to the City, no later than November 15 of each year, an amount equal to 5.4% of gross revenues mentioned above for each fiscal year. 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, less the City's future capital expenses not paid out of the Garage Capital Reserve, the City's debt service related to future borrowings for capital expenses not paid out of the Garage Capital Reserve) 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 (FTA). The maintenance fund may not exceed \$160,000 which will be increased by \$5,000 in the fifth, tenth and fifteen anniversaries of the effective date.

Also in the lease, the City agreed to establish an Excess Fund upon repayment to the City of all of its debt services costs associated with acquisition of the west side of the Maine State Pier. The fund will consist of 100% of the net revenues received by the City from the 190 parking spaces in excess of the Maintenance Fund plus the rent paid by the District. The City shall make the funds available on a priority basis: first to the District for capital costs associated with its operation and then to be disbursed to all other mass transportation needs and not limited to capital expenditures.

In instances in which the District is the lessee, GASB Statement No. 87, *Leases* requires the recording as a right-of-use asset and lease liability even in the case that the lease does not transfer ownership of the leased asset.

The total lease liabilities were \$230,046 and \$242,537 as of September 30, 2025 and 2024, respectively. During the years ended September 30, 2025 and 2024, the District incurred \$12,994 and \$13,612, respectively, in interest expenses related to lease liabilities.

The total lease assets, net of accumulated amortization amounted to \$192,996 and \$207,842 as of September 30, 2025 and 2024, respectively. During the years ended September 30, 2025 and 2024, the District recognized \$14,846 each year in amortization expense from the lease assets.

Long-term lease agreements existing prior to the implementation date of October 1, 2020 for GASB Statement No. 87, *Leases* were valued at the discounted value of future expected scheduled lease payments as of the implementation date. Long-term lease agreements entered into subsequent to the implementation date of October 1, 2020 were valued at the discounted value of future expected scheduled lease payments as of the commencement date of the individual lease. As the leases do not provide an implicit rate, the District uses its incremental borrowing rate based on the information available at the commencement date to determine the present value of lease payments. The incremental borrowing rate used to determine the present value of lease payments was derived by reference to the secured-debt yields the District would receive to finance each lease transaction or needed to borrow the amount of the undiscounted future payments over the term of the lease.

CASCO BAY ISLAND TRANSIT DISTRICT

Notes to Financial Statements

September 30, 2025 and 2024

8. Leases (Concluded)

At September 30, 2025 the projected minimum future amortization and interest from noncancelable lease agreements is approximately:

<u>Years ending September 30,</u>	<u>Payment</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 25,104	\$ 13,147	\$ 11,957
2027	25,104	13,837	11,267
2028	25,104	14,564	10,540
2029	25,104	15,329	9,775
2030	25,104	16,133	8,971
2031 to 2035	125,518	94,296	31,222
2036 to 2038	<u>77,613</u>	<u>62,740</u>	<u>14,873</u>
	<u>\$ 328,651</u>	<u>\$ 230,046</u>	<u>\$ 98,605</u>

The District also 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, 2022. In lieu of annual rental payments, the District agrees to perform minor maintenance activities that require prompt attention.

9. Software Subscriptions

The total subscription assets were \$964,376 with accumulated amortization of \$542,921 and \$448,779 as of September 30, 2025 and 2024, respectively. During the years ended September 30, 2025 and 2024, the District incurred \$94,142 each year, in SBITA amortization expense.

The following is a schedule by year of future minimum SBITA payments as of September 30, 2025:

<u>Years ending September 30,</u>	<u>Payment</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 111,274	\$ 97,425	\$ 13,849
2027	111,274	100,708	10,566
2028	111,274	104,101	7,173
2029	111,274	107,609	3,665
2030	<u>51,275</u>	<u>50,582</u>	<u>693</u>
	<u>\$ 496,371</u>	<u>\$ 460,425</u>	<u>\$ 35,946</u>

CASCO BAY ISLAND TRANSIT DISTRICT

Notes to Financial Statements

September 30, 2025 and 2024

10. Commitments and Contingencies

Construction Commitment

The District had commitments under construction contracts totaling approximately \$2,800,000 at September 30, 2025. The most significant commitment under construction contracts at September 30, 2025 included \$3.2 million for the new Peaks Island Ferry.

Union Contracts

Substantially all of the District's employees are covered by a collective bargaining agreement, except for executive officers and confidential personnel. The District has two collective bargaining agreements, both with the Maine Marine Association for the Marine Employees and Shoreside Employees, which are set to expire on March 15, 2028.

Contingencies

Equipment and three vessels owned and operated by the District were purchased, in part, with grants from the FTA and one vessel was purchased with a Federal Highway Administration grant. All District vessels are maintained by FTA grants. 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%.

Contingent Liabilities

Grant amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the state and federal governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, of expenses which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

11. Line of Credit

The District currently has a \$2,000,000 unsecured Line of Credit Facility (LOC) secured through Maine Community Bank, formerly Gorham Savings Bank, which matures December 22, 2026. The terms of the LOC provide that a) the loan shall bear interest at a per annum rate equal to the National Prime Rate plus zero; and b) the District shall maintain various covenants that are to be reported on an annual basis. The proceeds of any draw on the LOC are to be used for general working capital purposes of the District and cash flow needs for capital projects. There were no amounts outstanding on this LOC as of September 30, 2025 and 2024.

CASCO BAY ISLAND TRANSIT DISTRICT

Notes to Financial Statements

September 30, 2025 and 2024

12. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District maintains insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this coverage in any of the past three fiscal years.

13. Reserve Fund – Garage

The deferred reserve fund is money received from a current operating lease paid to the District during the fiscal year. This money is to be used for capital expenses or preventive maintenance as stated in the lease. The value of deferred capital reserve is \$268,589 and \$329,182 as of September 30, 2025 and 2024, respectively.

14. Reserve Fund – Maintenance and Capital

The maintenance and repair reserve for the District is being used to fund long-term capital additions and maintenance repairs. It is anticipated that the District will spend \$40,000,000 in capital additions and ongoing maintenance for its current infrastructure over the next five years, according to the District's calculated spending plan. The District expects to reserve from end of year net position an amount up to the excess over its established fund balance policy.

15. Certain Risk Disclosures

In accordance with GASB Statement No. 102, *Certain Risk Disclosures*, the District has evaluated its exposure to risks arising from concentrations and constraints that may make the District vulnerable to a substantial impact. The evaluation includes an assessment as to whether a concentration or constraint exists and is known prior to the issuance of the financial statements; the concentration or constraint makes the government vulnerable to the risk of a substantial impact; and an event or events associated with the concentration or constraint has occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. As of September 30, 2025, the District did not identify any concentrations or constraints to which it is exposed.

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

Board of Directors
Casco Bay Island Transit District

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Casco Bay Island Transit District (the District) as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise Casco Bay Island Transit District's basic financial statements, and have issued our report thereon dated **REPORT DATE**.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Casco Bay Island Transit District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Manchester, New Hampshire
REPORT DATE

DRAFT

SUPPLEMENTARY INFORMATION

DRAFT

CASCO BAY ISLAND TRANSIT DISTRICT

Statements of Operating Expenses

For the Years Ended September 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Operating expenses		
Salaries and wages	\$ 4,240,396	\$ 3,964,533
Payroll taxes	325,803	294,525
Employee benefits	527,669	490,154
Pension plan	378,286	321,161
Repairs and maintenance	1,470,872	1,689,432
Fuel	926,313	1,008,767
Insurance	168,905	140,335
Telephone	34,718	29,954
Mail agent	11,220	11,293
Office expense	173,429	166,411
Postage	5,730	5,296
Travel	14,789	18,079
Inquiries and damages	14,540	12,075
Professional fees	246,692	214,254
Dues and subscriptions	25,103	16,351
Uniforms	16,742	9,794
Heat and utilities	73,710	68,921
Janitorial	121,600	99,364
Rent	29,454	42,704
Terminal	367,755	493,599
Credit care settlement fees	218,328	199,355
Charter expenses	114,435	132,933
Depreciation	913,099	780,370
Amortization	108,988	108,988
Barge subcontracting	183,150	35,900
Sales/marketing expense	116,270	140,619
Miscellaneous	<u>165,850</u>	<u>124,500</u>
	<u>\$10,993,846</u>	<u>\$10,619,667</u>

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

Board of Directors
Casco Bay Island Transit District

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Casco Bay Island Transit District's (the District) compliance with the types of compliance requirements identified as subject to audit in the Office of Management and Budget's *Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended September 30, 2025. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs related to federal awards.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2025.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards (U.S. GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with U.S. GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Manchester, New Hampshire
REPORT DATE

DRAFT

CASCO BAY ISLAND TRANSIT DISTRICT
Schedule of Expenditures of Federal Awards

Year Ended September 30, 2025

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal AL Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Federal Expenditures</u>
<u>U.S. Department of Transportation</u>			
Direct			
Federal Transit Cluster			
Federal Transit Formula Grants	20.507	ME-2016-014	\$ 78,336
Federal Transit Formula Grants	20.507	ME-2018-014	80,197
Federal Transit Formula Grants - COVID	20.507	ME-2020-034	58,589
Federal Transit Formula Grants	20.507	ME-2021-007	683,192
Federal Transit Formula Grants	20.507	ME-2023-034	167,004
Federal Transit Formula Grants	20.507	ME-2023-035	3,099,642
Federal Transit Formula Grants	20.507	ME-2023-037	2,636,625
Federal Transit Formula Grants	20.507	MARAD	<u>554,367</u>
Total Federal Transit Cluster			<u>7,357,952</u>
Passed through Maine Department of Transportation			
Formula Grants for Rural Areas	20.509	CSN 46860	122,869
Formula Grants for Rural Areas	20.509	CSN 46860	68,444
Formula Grants for Rural Areas	20.509	CSN 46484	500,000
Formula Grants for Rural Areas	20.509	CSN 46408	1,753
Formula Grants for Rural Areas	20.509	CSN 45691	1,729
Formula Grants for Rural Areas	20.509	CSN 48217	444
Formula Grants for Rural Areas	20.509	CSN 48217	<u>1,439</u>
Total AL 20.509			<u>696,678</u>
Total U.S. Department of Transportation and Total Expenditures of Federal Awards			<u>\$ 8,054,630</u>

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

CASCO BAY ISLAND TRANSIT DISTRICT

Notes to Schedule of Expenditures of Federal Awards

Year Ended September 30, 2025

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the SEFA) includes the federal grant activity of Casco Bay Island Transit District (the District) during the year ended September 30, 2025. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a portion of the operations of the District, it is not intended to, and does not, present the net position, changes in net position, or cash flows of the District.

2. Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

The District has not elected to use the 10% de minimis indirect cost rate.

CASCO BAY ISLAND TRANSIT DISTRICT

Schedule of Findings and Questioned Costs Related to Federal Awards

Year Ended September 30, 2025

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

Material weakness(es) identified: Yes No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes None reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)? Yes No

Identification of major programs:

AL Number Name of Federal Program or Cluster

20.507 U.S. Department of Transportation:
Federal Transit Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$1,000,000

Auditee qualified as low-risk auditee? Yes No

Section II. Financial Statement Findings

None noted.

Section III. Findings for the Major Federal Program

None noted.

CASCO BAY ISLAND TRANSIT DISTRICT

**Summary Schedule of Prior Year Findings and Questioned Costs
Related to Federal Awards**

Year Ended September 30, 2025

Section I. Prior Year Findings Relating to the Financial Statements Which are Required to be Reported in Accordance with Government Auditing Standards

Finding 2024-001

Condition:

We noted monthly reconciliation of trial balance accounts was not being consistently performed throughout the year. We further noted that reconciliations that were selected for testing did not have documented evidence of review and approval by a member of management.

Prior Year Recommendation:

We recommend the District develop a month-end checklist to document the procedures to be followed as part of each month-end closing. This checklist should include reconciliation and related review of the reconciliations for the key accounts. Each reconciliation should be initiated by the preparer and the individual reviewing the reconciliation in order to attribute responsibility to the appropriate individuals. We further recommend a monthly statement of net position be prepared to be reviewed by management.

Current Status:

Resolved.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR DEPARTMENT AGREEMENT AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH MAINE UNIFORM ACCOUNTING
AND AUDITING PRACTICES FOR COMMUNITY AGENCIES**

Board of Directors
Casco Bay Island Transit District

Report on Compliance for Each Major Department Agreement

Opinion on Each Major Department Agreement

We have audited Casco Bay Island Transit District's (the District) compliance with the types of compliance requirements described in the *Maine Uniform Accounting and Auditing Practices Act for Community Agencies* (MAAP) and with the requirements identified in the Contract Compliance Riders of the District's agreement with the Maine Department of Transportation (the Department) that could have a direct and material effect on each of the District's major Department agreements for the year ended September 30, 2025. The District's major Department agreements are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs related to Department agreements.

In our opinion, the 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 Department agreements for the year ended September 30, 2025.

Basis for Opinion on Each Major Department Agreement

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards (U.S. GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and MAAP. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major Department agreement. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's Department agreements.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. GAAS, *Government Auditing Standards*, and MAAP will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major Department agreement as a whole.

In performing an audit in accordance with U.S. GAAS, *Government Auditing Standards*, and MAAP, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with MAAP, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Department agreement on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Department agreement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Department agreement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses, or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the MAAP. Accordingly, this report is not suitable for any other purpose.

Manchester, New Hampshire
REPORT DATE

DRAFT

CASCO BAY ISLAND TRANSIT DISTRICT

Schedule of Expenditures of Department Agreements

Year Ended September 30, 2025

<u>Department Office</u>	<u>Agreement Number</u>	<u>Agreement Amount</u>	<u>Agreement Period</u>	<u>Agreement Service</u>	<u>Agreement Status</u>	<u>Federal Expenses</u>	<u>State Expenses</u>	<u>Total Department Expenses</u>	<u>Local Share Expenses</u>	<u>Total Agreement Match Expenses</u>
DOT - OPT	CSN 46860	\$ 68,444	7/1/24 - 6/30/25	Admin/Operating	Final	\$ 68,444	\$ -	\$ 68,444	\$ -	\$ 68,444
DOT - OPT	CSN 46860	\$ 122,869	7/1/24 - 6/30/25	Operating	Final	122,869	-	122,869	-	122,869
DOT - OPT	CSN 46484	\$ 500,000	1/1/24 -12/31/25	Admin/Operating	Final	500,000	-	500,000	443,750	943,750
DOT - OPT	CSN 43500	\$ 2,750,000	1/18/22 -12/31/26	Peaks Replacement Vessel	Interim	-	563,282	563,282	317,486	880,768
DOT - OPT	CSN 42329	\$ 1,150,000	12/2/20 - 10/2/30	VW Environmental Mitigation Trust	Final	-	557,781	557,781	45,338	603,119
DOT - OPT	CSN 48217	\$ 444	1/1/25 - 6/30/25	RTAP (100%)	Final	444	-	444	-	444
DOT - OPT	CSN 48217	\$ 1,439	1/1/25 - 6/30/25	RTAP (100%)	Final	1,439	-	1,439	-	1,439
DOT - OPT	CSN 46408	\$ (1,753)	1/1/25 - 6/30/25	RTAP (100%)	Final	-	(1,753)	(1,753)	-	(1,753)
DOT - OPT	CSN 46408	\$ 1,753	1/1/25 - 6/30/25	RTAP (100%)	Final	1,753	-	1,753	-	1,753
DOT - OPT	CSN 46408	\$ (1,729)	1/1/25 - 6/30/25	RTAP (100%)	Final	-	(1,729)	(1,729)	-	(1,729)
DOT - OPT	CSN 45691	\$ 1,729	9/1/23 - 6/30/24	RTAP (100%)	Final	1,729	-	1,729	-	1,729
						<u>\$ 696,678</u>	<u>\$ 1,117,581</u>	<u>\$ 1,814,259</u>	<u>\$ 806,574</u>	<u>\$ 2,620,833</u>

See accompanying notes to the Schedule of Department Agreements.

CASCO BAY ISLAND TRANSIT DISTRICT

Notes to Schedule of Expenditures of Department Agreements

Year Ended September 30, 2025

1. **Significant Accounting Policies**

Basis of Presentation

The accompanying Schedule of Expenditures of Department agreements (the SEDA) includes the Department agreement activity of Casco Bay Island Transit District (the District) under programs of the Department for the year ended September 30, 2025. The information in the schedule is presented in accordance with requirements of *Maine Uniform Accounting and Auditing Practices Act for Community Agencies* (MAAP). Because the SEDA presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

Basis of Settlement

Grants which are cost settled include an estimated settlement of state funds based upon the available grant revenue and other revenue based upon allowable costs.

2. **Summary of Significant Accounting Policies for Department Agreement Expenditures**

Expenditures reported on the SEDA consist of direct and indirect costs which are recognized as incurred using the accrual method of accounting. Such expenditures are recognized following, as applicable, the cost principles contained Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and MAAP. Under those cost principles, certain types of expenditures are not allowable or are limited as to reimbursement.

3. **Corrections to Prior Year Report**

The expenditures under agreement number CSN 46408 for the period September 1, 2023 through June 30, 2024 were improperly recorded to state expenses when they should have been under federal expenses. In addition, \$1,729 of expenses should have been reported under agreement number CSN 45691. The balance for agreement number CSN 46408 have been reported as a negative balance and correctly reported under agreement number CSN 45691 and within federal expenses.

4. **Other Disclosures**

Is the District required to have a federal Uniform Guidance audit? X yes no

Percentage of major agreements tested in relation to total Department Expenses: 69%

CASCO BAY ISLAND TRANSIT DISTRICT

Schedule of Findings and Questioned Costs
Related to Department Agreements

Year Ended September 30, 2025

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

Yes No

Significant deficiency(ies) identified not
considered to be material weakness(es)?

Yes None reported

Noncompliance material to financial statements noted?

Yes No

Department Agreements

Internal control over major Department agreements:

Material weakness(es) identified?

Yes No

Significant deficiency(ies) identified not
considered to be material weakness(es)?

Yes None reported

Type of auditor's report issued on compliance for
major Department agreements:

Unmodified

Any audit findings disclosed that are required to be reported
in accordance with MAAP regulations?

Yes No

Identification of major Department agreements:

CSN 46860 Admin/Operating

CSN 46484 Admin/Operating

CSN 42329 VW Environmental Mitigation Trust

Section II. Financial Statement Findings

None noted.

Section III. Department Agreement Findings and Questioned Costs

None noted.

CASCO BAY ISLAND TRANSIT DISTRICT

**Summary Schedule of Prior Year Findings and Questioned Costs
Related to Department Agreements**

Year Ended September 30, 2025

Finding 2024-001

Condition:

We noted monthly reconciliation of trial balance accounts were not being consistently performed throughout the year. We further noted that reconciliations that were selected for testing did not have documented evidence of review and approval by a member of management.

Prior Year Recommendation:

We recommend the District develop a month-end checklist to document the procedures to be followed as part of each month-end closing. This checklist should include reconciliation and related review of the reconciliations for the key accounts. Each reconciliation should be initialed by the preparer and the individual reviewing the reconciliation in order to attribute responsibility to the appropriate individuals. We further recommend a monthly statement of net position be prepared to be reviewed by management.

Current Status:

Resolved